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Understanding Risk Perception and Investment Decision-Making in the Context of Sustainable Development Goals: A Study of the Pakistan Stock Exchange

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Abstract

The major purpose of this study is to assess the Impact of Risk Perception on Investment Decision Making in Pakistan Stock Exchange. Furthermore, to get an idea that which variables and processes are more important for the investment decision making in exchange sector of Pakistan. For this research the dependent variable is investment decision making and independent variables are factors (market risk, political risk, and economic risk). This study employed a quantitative research approach, utilizing a questionnaire design to collect information. The questionnaire was structured into five sections. The sampling technique employed was random sampling, and the respondents consisted of working professionals from Islamabad who showed an interest in investments. A total of 250 respondents were contacted for data collection. Statistical analysis was conducted using SPSS software, utilizing descriptive analysis through tables and their corresponding analysis. Additionally, inferential analysis was performed using regression methods to facilitate hypothesis testing. This research finds the Impact of Risk Perception on Investment Decision Making in Pakistan Stock Exchange. The outcome of this journal can be helpful for the investment sector. It elaborates which factors for investment decision making should be focused on more to engage more potential in the stock exchange sector.

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Keywords: Risk, Perception, Sustainable Development, Stock Exchange

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INTRODUCTION

In the realm of investment, risk stands as a pivotal factor influencing the decisions and outcomes of financial ventures. It encompasses the potential for loss or failure to meet expected profits, thereby shaping investors' strategies and choices (Ainia & Lutfi, 2019). With diverse categories such as market risk, financing cost risk, and liquidity risk, each type poses unique challenges necessitating prudent evaluation and management (Pfeiferova & Kucharova, 2020). Investors typically seek a delicate balance between risk and reward, weighing higher returns against heightened risks or vice versa (Kapoor, 2014). This risk tolerance is inherently personal, shaped by financial objectives, investment strategies, and individual risk appetites (Parker, 2021). Central to investment decision-making is the concept of risk perception, which reflects how investors evaluate and respond to financial risks based on their experiences and concerns (Deb & Singh, 2017). This discernment is influenced by a myriad of factors, including prior experiences, social backgrounds, and psychological predispositions (Weissenberg, 2019). Understanding these nuances is vital for effective risk management and investment strategy development (Khan, 2017). This research endeavors to contribute to the existing literature by delving into the impact of risk perception on investment decision-making within the Pakistan Stock Exchange. It aims

to explore various dimensions of risk perception, spanning subjective and objective realms, while elucidating the factors that shape this perception. Additionally, the study will assess how risk perception influences critical aspects of investment decision-making, such as risk tolerance, portfolio diversification, and investment outcomes. The findings of this research hold significance for a diverse audience, including individual investors, financial advisors, policymakers, and academic researchers. By uncovering the intricacies of risk perception within the context of the Pakistan Stock Exchange, this study aims to inform the development of effective investment strategies and risk management practices. Furthermore, it seeks to contribute to the field of behavioral finance by providing insights into how investors perceive and respond to risk in emerging markets.

Specifically, the research will shed light on the unique dynamics of risk perception among individual investors in the Pakistan Stock Exchange, considering factors such as investment experience, education, and income levels. Moreover, it will delve into the impact of various types of risks, including market, political, and economic risks, on investment decision-making within this market. By comparing risk perception and investment behavior across global stock markets, the study aims to provide valuable insights for international investors and policymakers. In times of crisis, understanding the interplay between risk perception and investment decision-making becomes even more crucial. Therefore, this research will explore how investors navigate crisis situations within the Pakistan Stock Exchange, offering insights into effective risk mitigation strategies. Ultimately, by examining the relationship between risk perception and investment performance, this study aims to equip investors and market participants with the knowledge needed to make informed decisions and thrive in the dynamic landscape of the Pakistan Stock Exchange.

LITERATURE REVIEW

Investment decisions pose challenges due to diverse sentiments and behaviors among investors (Chadha et al., 2019). Traditional views of market efficiency have been challenged by behavioral finance, revealing flaws in decision-making (Prosed et al., 2015). Social finance explores how psychology influences investors, often leading to irrationality (Raut et al., 2018). Even automated advice can't escape social biases, though strong guidance can mitigate them (Scholz et al., 2021; Shanmugaratnam, 2020). Individual investors are more swayed by attitudes than institutions (Zahera & Bansal, 2019). Economic conditions and mood significantly impact stock performance (Verma & Bansal, 2021; Mishra et al., 2023). Environmental, social, and governance (ESG) factors also influence individual investors' decisions (Sood et al., 2022). Research in social finance predominantly focuses on developed markets, neglecting emerging economies like India (Zahra & Bansal, 2018; El Said, 2021).

The complexity of investor behavior underscores the importance of expert guidance, especially in emerging markets (Trifan, 2020). Advances in artificial intelligence in financial services cater to clients' demands for transparency and cost efficiency (Shanmugaratnam, 2020). Given the complexity of financial products, informed decisions are crucial (Hastings et al., 2013). Emotional and heuristic factors often drive investment decisions, leading to irrational behavior (Bhatia et al., 2020). Risk perception influences investment frequency and market participation (Douglas & Wildavsky, 2020; Cho & Lee, 2016). Biases like overreaction and underreaction are common among investors (Zahera & Bansal, 2018). Crowding behavior, driven by safety preferences, significantly impacts market dynamics (Kudryavtsev et al., 2018).

Group behavior influences individual investors' decision-making regarding equity trading (Baddeley et al., 2019).

Current Stock Market Condition of Pakistan

The current state of Pakistan's stock market reflects the impact of recent events, such as the pandemic and economic policies. The pandemic led to a contraction in the economy as businesses halted operations (Norouzi, 2021). Instances of pollution and lockdowns further exacerbated market declines (Waheed et al., 2020). However, international aid packages from organizations like the IMF and World Bank provided relief, leading to a surge in the KSE100 index (News Desk, 2020). Pakistan's economic history includes attempts at reform, such as in 1988, aimed at reducing disparities and deficits (Marimuthu et al., 2021). Despite efforts, challenges in implementation persisted, resulting in cycles of poverty and low growth (Furqan & Musa, 2021). The economy faced a severe crisis in 1988 when nuclear testing led to a depletion of reserves and a halt in foreign investments (Moosa, 2021).

Government reforms in the late 1980s aimed to address fiscal deficits and monetary issues (Khan, 2023). However, consistent implementation remained a challenge (Lewis, 2021). Pakistan's shift towards external-oriented policies in the 1980s aimed to boost trade and economic growth, with varying degrees of success (World Monetary Outlook - January 2023). The global economic outlook for 2023 indicates moderate growth, influenced by factors such as rising loan prices and geopolitical tensions (World Monetary Outlook - January 2023). Despite challenges, China's recovery is expected to positively impact global growth (World Monetary Outlook - January 2023). However, food prices continue to fluctuate, affecting inflation rates (World Monetary Outlook - January 2023). In response to economic trends, Pakistan's central bank has adjusted financing rates to manage inflation (World Monetary Outlook - January 2023). Further rate hikes may be necessary to stabilize the economy (World Monetary Outlook - January 2023).

Risk Perception and Investment decision making

Risk perception influences decision-making, with behavioral predispositions potentially reducing an individual's perception of risk (Fahim et al., 2019). This perception shapes choices, revealing the link between social preferences and investor decisions (Riaz & Hunjra, 2015). People assess risk based on limited information, often influenced by cognitive biases, which can skew risk perception (Ahmad & Shah, 2020). The State Bank of Pakistan is adjusting its policies amid concerns of a crisis similar to 2008, prompting both rational and irrational investor responses (Khan et al., 2016). Since August 15, 2017, the stock market has experienced significant declines, leading to disruptions even among bank executives (Afzal & Habib, 2018). Investigations suggest that investor arrogance persists despite ongoing challenges, impacting decisions across various asset classes (Kremer et al., 2019). Arrogance, alongside strong convictions, can influence risk perception and investor behavior (Huang & Yang, 2020). Different risk preferences also play a significant role, with some investors more willing to take risks than others (Jillian & Franco, 2020). Arrogance and strong convictions can drive investors to make bold decisions, while legalism and risk perception may moderate these effects (Onsase, 2019). Understanding behavioral biases is crucial for investors in making informed decisions about allocating resources (Jain et al., 2020). Therefore, further research is needed to explore these dynamics comprehensively.

Market Risk

The capital market is a vital tool for economic growth and development, attracting both domestic and foreign investors (Mosteanu, 2019). Investor decisions in the capital market are crucial as they determine the organization's value and financial health (Triani & Tarmidi, 2019; Copur, 2015). Risk perception plays a significant role in investor behavior, impacting their choices, particularly in uncertain situations (Regal & Walls, 2019). However, studies show mixed results regarding the influence of risk perception on investment decisions (Rosyidah & Lestari, 2018; Rosdiana, 2020). Investment is essential for a country's economic growth, with real and financial assets being primary investment avenues (Hartono, 2017; Suhartono & Qusdi, 2018). Understanding investor behavior is crucial, influenced by factors like risk perception, compensation, and experience (Zahera & Bansal, 2018; Akhtar & Das, 2019; Gerard, 2020). Despite extensive research on investment understanding, inconsistencies persist in research outcomes (Agestina et al., 2020; Nisa, 2017; Haidir, 2019; Aini et al., 2019). Return and risk are intertwined in investment decisions, with individual risk perceptions influencing investor behavior (Nia, 2020; Mutawally & Haryono, 2019; Dewi et al., 2017; Putri et al., 2020). Income levels also impact investment decisions, with higher incomes leading to more savings and investment opportunities (Violeta & Linawati, 2019; Putri & Isbanah, 2020). Additionally, investment experience plays a crucial role in decision-making, with more experienced investors making better choices (Mutawally & Haryono, 2019; Fachrudin & Fachrudin, 2016). Based on the discussion, the hypothesis is constructed as follows:

H1. Market risk significantly impacts investment decision-making in stocks.

Political Risk

Political risk, or the potential impact of political changes or instability on investment profitability, is a crucial consideration for investors (Shao, 2020). Such risks, often termed international risks, become increasingly significant as investment horizons lengthen (Ignatyeva et al., 2021). They are difficult to quantify due to limited data and can range from changes in government to regulatory shifts (Walter, 2021). Political decisions can profoundly affect businesses, industries, and entire economies, encompassing areas such as taxation, regulations, currency valuation, and labor laws (Kanda & Kivimaa, 2020). Understanding and managing political risks is crucial for maintaining financial flexibility, especially in uncertain times (Graham & Harvey, 2021). However, there is a scarcity of empirical evidence on how firms adapt their investment strategies under political uncertainty (Chortareas & Noikokyris, 2021). We address this gap by examining how firms navigate political risks and maintain financial flexibility, focusing on the impact of political risk on capital and working capital investments (Yung & Root, 2019). Our findings support the idea that the trade-off between capital-intensive and reversible investments depends on a firm's exposure to external vulnerabilities (Eberly & Van Mieghem, 2017). Political risk insurance (PRI) has been undervalued by investors but may be crucial, particularly in times of economic recovery such as the COVID-19 pandemic (Welfens, 2020). While PRI is often seen as expensive, our analysis using Country Risk Premiums (CRP) suggests that PRI can mitigate operational risks and improve investment returns, particularly in emerging and developing markets (Settle, 2020).

H2. Political risk significantly impacts investment decision-making in stocks.

Economic Risk

Country risk, also known as sovereign risk, poses the threat that a country may fail to meet its financial obligations, impacting investments within and beyond its borders (Trust Sr, 2020). This risk is particularly prevalent in emerging markets or countries facing significant challenges (Melody & Zhou, 2020). When investing abroad, fluctuations in currency exchange rates can also affect investment costs, introducing foreign exchange risk (Markus, 2020). However, it's important to note that higher risk doesn't always translate to higher returns, as the risk-return tradeoff suggests (Janson & Nancy, 2019). At the lowest end of the risk spectrum lies the risk-free rate of return, representing the return on an investment with zero risk (Brenda, 2020). Investors also face inflation risk, which erodes the purchasing power of their investments over time (Ankrom & Hensel, 2018). Stocks and real estate can provide some protection against inflation, as their values may increase over time. However, investing in stocks means owning a share of a company, while bonds involve lending money to an organization, both of which carry risks (Fields & Uffer, 2016). Moreover, when purchasing annuities or investing in new ventures, assessing the financial stability of the involved entities is crucial (Chris & Shuja, 2021).

Risk, inherent in many aspects of business, presents uncertainties for investors and managers alike (Andy & Tasha, 2022). Particularly, evaluating risks associated with new ventures involves considering various factors such as government policies and economic conditions (Sobieraj & Metelski, 2022). Risk is essentially the uncertainty surrounding investment decisions, as Hubbard (2019) defines it as the lack of certainty expressed in probability. This uncertainty can lead to potential losses, as projects with large capital investments often face risks like benefit shortages and plan delays (Fryberg, 2019). To assess the level of risk in investment decisions, various approaches are proposed, including certainty equivalent approach and sensitivity analysis (Pandy, 2016). However, these methods must adapt to changing conditions, as projects are often subject to volatility and uncertainty (Kanerla & Davis, 2019). Despite their benefits in aiding decision-making, these approaches have limitations, such as overlooking interrelationships between variables (Kwatra et al., 2020). Nevertheless, they provide valuable insights into investment decisions and risk management.

H3. Economic risk significantly impacts investment decision-making in stocks.

Investment Decision Making

The influence of risk assessment on investors' decisions is a central theme in behavioral finance literature. Risk, a fundamental aspect of financial activities, refers to the likelihood of investment returns falling below expectations (Zahra & Bansal, 2018). Perception, the process of interpreting sensory information to make judgments, plays a crucial role in investors' risk assessment (Park, 2022). Understanding risk perception is essential as it influences investors' decisions in uncertain situations (Chang & Yang, 2022). Arrogance, characterized by overestimating one's abilities, significantly affects investors' decision-making and leads to poor choices (Nevins, 2020). Overtrading, a manifestation of arrogance, often results in excessive trading and unfavorable outcomes (Chuang & Lee, 2016). Moreover, behavioral biases like carelessness and overconfidence significantly impact investment decisions (Hayat & Anwar, 2016). Investors' risk behavior is also influenced by their experiences and emotional states (Nofsinger, 2020). Emotional investors in Malaysia base their decisions on feelings, behaviors, and past experiences, seeking a comprehensive understanding of financial data (Jaiyeoba & Haron, 2016). However, the relationship between

investment direction and experience remains inconclusive (Metawa et al., 2019). Investors tend to prefer investing in highly advantageous and liquid stocks but may exhibit cognitive biases in their decision-making (Phelps, 2021). Behavioral biases, such as selling winners too early and holding onto losers for too long, significantly impact investors' decision-making processes (Arshad & Ashraf, 2018). Blue-chip stocks, recognized for their stability and market dominance, appeal to risk-averse investors seeking steady returns (Annaert et al., 2011). Investing in blue-chip companies reflects investors' judgment and optimism about future prospects (Casidy & Wymer, 2016).

In Pakistan, where collectivist social structures prevail, investors' decisions are influenced by societal pressures rather than individual data analysis (Akbar et al., 2016). Understanding how social predispositions affect investment decisions is crucial, particularly in collectivist societies like Pakistan (S. & Ahrari, 2021). Despite existing research in Pakistan, understanding the combined impact of various factors on investment decisions and risk assessment remains limited (Riaz & Hunjra, 2015). Bridging this gap in literature helps investors comprehend the strengths and weaknesses of different factors influencing investment decisions (Javed et al., 2017). Examining behavioral, social, and financial aspects of investment decision-making in collectivist nations like Pakistan is crucial for understanding investors' behavior and market dynamics (Lang & Liu, 2019). Addressing these overlooked areas in research contributes to a comprehensive understanding of investment behavior in diverse cultural contexts (Zafar & Siddiqui, 2020). In summary, exploring the interplay between various factors influencing investors' decisions in collectivist nations like Pakistan provides valuable insights for investors and policymakers alike, shaping current and future investment strategies (Riaz & Hunjra, 2015).

RESEARCH METHODOLOGY

This section provides a comprehensive description of the methodology employed to investigate the Impact of Risk Perception on Investment Decision Making in the Pakistan Stock Exchange. It encompasses various components such as the research design, research instrument, population and sample size, data collection procedures, data analysis techniques, and more. To ensure objectivity, this study adopts a positive paradigm and employs quantitative research techniques. Specifically, a deductive research approach is utilized, which involves formulating hypotheses based on existing literature and subsequently designing research strategies to develop and test these hypotheses. The researchers extensively review data and information gathered from the literature to either confirm or confirm the proposed hypotheses (Jonker & Pennink, 2018).

The deductive approach encompasses theory development, formulation of hypotheses, and observation through data analysis. It is important to note that this study adopts a cross-sectional design and is grounded in the positivism philosophy, a commonly employed framework by many researchers in recent years. For data collection, measurement, and analytical use, the research design is the blueprint (Mackey & Gass, 2015). Research Design as a Research Strategy that stipulates how and how knowledge needs to be gathered and evaluated. Positivist methodology was used in this study to fulfill the research goals. For this study, descriptive research design was used. There is quantitative research methodology that was used for this research (Kumar, 2019). Although the key results are focused on this analysis. It was also a comprehensive cross-sectional analysis. This investigation has been planned dependent on a quantitative research strategy. Sample questionnaire was used to get feedback from the desired audience in the pursuit of quantitative research

method. The sample of the research consists of working class of Islamabad. Data was composed from a mixture of different working professionals from different fields to grasp actual insights. Data was collected through using convenience random technique. The working class of Islamabad will be personally visited to get the firsthand data with the help of requests and some personal references. Respondents were individually and thoroughly informed and their questions answered prior to the administration of the questionnaires. Privacy and confidentiality of responses will be guaranteed.

The research was performed on the self-reported observations provided by the respondents with respect to each component. We collected samples which will represent different markets to learn insights and consumer patterns influencing the working class. Islamabad working professionals were selected because it was not possible to visit a variety of cities because of limited time situation and economic constraints. The details in this analysis would be cross-sectional in its classification. The data was collected at different intervals with reference to the accessibility and availability of the desired target audience. The data collection process for this research was conducted smoothly without significant interruptions. The research design involved the collection of cross-sectional data, a commonly used approach in similar studies. Consistent with the practices of many other researchers, the self-administered questionnaire technique was employed due to its proven effectiveness in obtaining relevant data. Considering the success of the self-administered technique of questionnaire most of the researchers and practitioners was use the same. In comparison, it allows less experimental intervention and minimizes the bias in the responses of the respondents.

A standardized adaptive questionnaire was used to collect data to test respondents' sensitivity to the variables of interest. In many ways, data collection has been completed. Because the current study is quantitative, a questionnaire based on five Likert scales was created as a data collection tool. This thesis was written using a standardized questionnaire. The scale for the questionnaire was adaptive from Influence of Risk Perception of Investors on Investment Decisions: An Empirical Analysis Dr. Sindhu K. and Dr. S. Rajitha Kumar (2014) *Journal of Finance and Bank Management*. As a primary data collection tool, a formal questionnaire was used. The Five Point Likert scale will be used to measure the responses which will be received by the responses. We will calculate all the variables using this scale. Likert scale numbers of anchors include: -

5=Strongly Agree

4=Agree

3= Neutral

2=Disagree

1=Strongly Disagree

The unit of analysis for this study has been individual comprised of working-class professionals that use banks accounts of Islamabad city. The population is a classification of peoples, activities, objects that are related to the researchers' interest (Flick, 2015). The targeted population is the working-class professionals of Islamabad. The total population that we are assessing in this research is 700. Appropriate sample size or observation plays an integral role in the inquiry. The collected data could not be accurate, and the findings would not be generalizable without an acceptable sample size. The survey in this analysis contained 250 working class professionals of Islamabad. The sample sizes are defined in the Krejcie & Morgan table (1970). A basic

random sampling was used to gather the data from respondents through a questionnaire. It is a non-probability method for selecting a sample from the population for a variety of reasons and is known as the most common method. And a member of the population has the same probability of being selected as part of the sample through simple random sampling. Data from the 250 working class professionals of Islamabad as per the sample size. The data collection of this cross-sectional study was compiled in four months' intervals.

After thoroughly filling out the questionnaire, it was standardized to make it easier for respondents to have accurate responses when gathering data. The researcher used structured questionnaires to collect sample data from households and the working class. The researchers assembled the questionnaires both physically and across the online medium "Google Docs." Data collected by questionnaires was then synchronized to ensure equal results and conclusions for the study. After the data was collected, the data processing process continued with the use of different experiments to complete the protocol. Utilizing the SPSS software, a range of statistical techniques, including regression and correlation analysis, were employed to facilitate data analysis. These methods aimed to assess the strength and direction of the relationship between independent variables (political risk, market risk, and economic risk) and the dependent variable (investment decision making). Statistical methods for data processing (regression and correlation) have proven to be extremely accurate and valid instruments that are commonly used around the world.

Correlation analysis, a statistical tool, is utilized to determine the strength and direction of the relationship between the independent variables (Market Risk, Political Risk, and Economic Risk) and the dependent variable (investment decision making). Regression analysis, a statistical tool, is employed to quantify the magnitude of the relationship between the independent variables (Market Risk, Political Risk, and Economic Risk) and the dependent variable (investment decision making). The alpha of Cronbach is an inner consistency metric, i.e., how closely a set of objects is associated. It is an indicator of the reliability of the scale. A high alpha value doesn't mean that the calculation is one-dimensional.

DATA FINDINGS AND ANALYSIS

This section provides a detailed analysis of the results obtained from the structured questionnaire. By the conclusion of this section, readers will gain a comprehensive understanding of the data, including its collection process, sources, and the backgrounds and qualifications of the relevant personnel involved. For this study (Impact of Risk Perception on Investment Decision Making in Pakistan Stock Exchange) we select investment decision making as the dependent variable and (political risk, market risk and economic risk) as independent variables. The questionnaire was designed to collect data. This consisted of 5 sections, A was the demographics and the rest of them represented each variable statement. Each section consists of 5 questions. The scale was used 5 raking Likert scales. All the responses were collected on a demographic basis. Test the data on the SPSS statistics. In this chapter, the researcher shows the results of the data by using the methods of Reliability Test, Correlation, Regression, Anova, and Coefficients.

Demographics

As detailed in Chapter 3, an overall of 250 Structured Likert scale questionnaires is disturbed among the different working-class people from Islamabad who get the filled

questionnaire. Thus, it can be said that the response percentage is a full 100%. This is an amazing response rate and expresses that the research study topic is very important for the target market who make investment decision making. In our study search, 250 working-class people provided positive and negative reactions to the Structured Likert scale questionnaire distributed between them. Whole 250 Structured Likert scale survey questionnaires were used for the aim and purpose that they were filled by the participants and then apply to analyze the outcome of our study.

Table-1

Demographics		Frequencies	Percentages	Cumulative Percentage
Gender	Male	187	75	75
	Female	63	25	100
Age	Less than 30 years	82	33	33
	30 – 45 years	126	50	83
	More than 45 years	42	17	100
Earning income	More than 2 lacs	13	5	5
	More than 1 lac	34	14	19
	Less than 1 lac	205	81	100
Investment Experience				47
	More than 3 years	117	47	
	More than 6 years	88	35	82
	More than 9 years	45	18	100

Table 2.
Reliability (Cronbach Alpha)

Variable	Reliability Statistics	
	Cronbach's Alpha	N of Items
Market Risk	.826	5
Political Risk	.704	5
Economic Risk	.799	5
Investment Decision Making	.751	5

Cronbach Alpha

The evaluation highlights the considerable merits of Cronbach's alpha in ensuring consistent and reliable quality assessments. The advantages of employing Cronbach's alpha become evident in the higher levels of dependability and consistency observed throughout the survey. Cronbach's alpha values are close to one, indicating the survey's reliability and the consistent and trustworthy responses received from the respondents., it is in between the set standard of 0.7-0.9. This Cronbach alpha shows the higher consistency in the Likert scaling and the floating questionnaire for this quantitative research is authentic and clear. The presented table indicates a noteworthy and positive correlation between market risk and investment decision making, with a coefficient of 0.398.

Additionally, there is a significant positive association between political risk and investment decision making, as evidenced by a coefficient of 0.371. Similarly, economic risk is significantly and positively related to investment decision making, with a coefficient of 0.412.

Table 3.
Correlation

		Market Risk	Political Risk	Economic Risk	Investment Decision Making
Market Risk	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	250			
Political Risk	Pearson Correlation	.477**	1		
	Sig. (2-tailed)	.000			
	N	250	250		
Economic Risk	Pearson Correlation	.510**	.432**	1	
	Sig. (2-tailed)	.000	.000		
	N	250	250	250	
Investment Decision Making	Pearson Correlation	.398**	.371**	.412**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	250	250	250	250

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4.
Regression

An additional term employed in the information evaluation is regression analysis. This step is crucial in establishing whether the relationship between the factors is directly proportional or indirectly correlated, as well as determining if they act as independent or dependent variables. In our study, we have conducted a direct regression analysis on the variables of interest. Obtaining such results from this comprehensive analysis can yield the most pertinent and robust insights.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.421 ^a	.392	.385	.51589

a. Predictors: (Constant), political risk, market risk and economic risk

The simple correlation, as denoted by the value of R, is highly significant in this context. With an R value of 0.505 (50.5%), there is a strong indication of a substantial correlation between the independent variables, namely political risk, market risk, and economic risk, and the dependent variable, investment decision making. Furthermore, R² provides insights into the extent to which the variation in "investment decision making" can be explained by the factors of "political risk, market risk, and economic risk". In this study, the R² value is 0.392 (39.2%), indicating a reasonably high level of explanation. Additionally, Adjusted R² evaluates the goodness of fit of the theoretical model. For this study, the Adjusted R² value indicates a model fit of 38.5%, which is considered favorable. The table above presents the ANOVA test, which assesses the variability in the dependent variable. The model stands out due to its P value being less than 5%. In the "sig" column of the table, the value of 0.000 clearly indicates that our regression model is a good fit for the data, as it is less than 0.05 at the 95% confidence level.

Table 5.
Anova

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	128.316	4	28.216	26.07	.000
	Residual	146.296	244	1.082		
	Total	274.612	248			

a. Dependent Variable: Investment decision making

b. Predictors: (Constant); No. of bank accounts, microfinance, and home loans

Therefore, we can confidently state that the model was significantly well-fitted at the

Table 6.
Coefficients

		Coefficients			t	Sig.
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.466	.258		2.809	.001
	Market Risk	.213	.075	.207	2.092	.003
	Political Risk	.242	.077	.244	2.191	.001
	Economic Risk	.239	.217	.217	2.972	.001

Dependent Variable: Investment decision making

According to the underlying concept, this table showcases the strength and significance of the relationships among the study variables. Market risk contributes 21.3% with a coefficient of .003, indicating its impact. Similarly, political risk contributes 24.2% with a coefficient of .001, signifying its influence. Likewise, economic risk contributes 23.9% with a coefficient of .001.

RESULTS

Based on the results, the research encompassed four hypotheses. The following findings pertain to the hypotheses examined in this study.

Hypothesis 1. was Market risk has significant impact on investment decision making has been accepted in correlation and regression analysis. In correlation analysis, and regression analysis investment decision making has been proved significant impact by market risk.

Hypothesis 2. was politics risk has significant impact on investment decision making has been accepted in correlation and regression analysis. In correlation analysis, and regression analysis investment decision making has been proved significant impact by political risk.

Hypothesis 3. was Economic risk has significant impact on investment decision making has been accepted in correlation and regression analysis. In correlation analysis, and regression analysis investment decision making has been proved significant impact by economic risk.

Table 7.
Results

Varibales	Significance level	Result	Accept / Reject
Market Risk	0.003	Significant imapct on investment decision making	Hypothesis accepted
Political Risk	0.001	Significant imapct on investment decision making	Hypothesis accepted

Economic Risk	0.001	Significant impact on investment decision making	Hypothesis accepted
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CONCLUSION

Individuals cannot remove risk in their life, including financial investments; instead, they must assess the unpredictability of outcomes and choose from shifting possibilities. However, even when investors have enough knowledge and the ability to make objective judgements, proponents of the Expected Utility Theory think that individuals make these decisions objectively based on measured pleasure. Many individual investors are susceptible to risk perception, which includes market, political, and economic risk, influencing a person's perspective of the risk given and laying the groundwork for investing decisions. Such factors can be permanent or transient, but risk, particularly loss aversion, is always there. Another cognitive mistake that causes individuals to make inconsistent risk judgements is risk framing, which occurs when researchers shift frames from wide to limited or modify the range of possibilities. These forms of hazards are produced by the market situation of investment processes and complexity, which influence an individual's risk perception, willingness to endure, or desire to avoid the provided risk.

Political, market, and economic hazards, in addition to the consequences of risk perception, are three major aspects that determine an individual's risk perception. Analyzing these elements using risk perception-adjusted models can result in more accurate assessments of an individual's risk perception for investment decision-making. A thorough knowledge of risk perception for investing decision-making enables researchers and advisers to place individuals in the right risk measurement category, directing the sorts of investments that are most suited to their perception. Matching risk tolerance to the amount of risk in portfolios for investment decisions assists the person in holding investments during turbulent periods and achieving the best potential return for a given level of risk.

Financial advisors must learn how to appropriately evaluate their customers' risk perception as well as recognize the risk perception biases to which the clients may fall as they develop and construct investment selections for a range of clients. Clients of specific risk perceptions for investing decision-making learn how to recognize, manage, and rectify these biases when they occur. The impacts of risk framing and modifying it as needed to facilitate favorable long-term risk decisions for investment. Financial advisors, as trusted mentors, may assist clients in achieving their financial objectives by employing suitable risk perception models to design an acceptable investment selection and resolving issues throughout the client and advisor relationship. Based on the findings of the data analysis and discussion, it is possible to infer that political, market, and economic risks have a substantial impact on investment decisions. According to the data, risk perception has a considerable influence on investment performance.

Therefore, investors should feel confident enough to use their talents and expertise in particular conditions to improve investment returns. In times of uncertainty, risk perception can assist investors to complete challenging tasks and foresee future trends. Because the Pakistani market is very reactive and, in some circumstances, overconfident, this proposal appears to be appropriate for both domestic and foreign investors looking to increase their investment performance. However, risk perception tends to understate the dangers involved with active stock investment, which might have an impact on investment results. Consequently, investors can benefit from a valuable recommendation, which suggests that the appropriate utilization of

overconfidence can be advantageous for their investments. Individual investors should pick reputable investment partners or alliances to use as references for their investment because the Pakistani stock market is not developed and lacks trustworthy information. They can create forums to help each other locate trustworthy stock market information. The collaboration of a group of investors can assist them reduce risks and raise the likelihood of positive investment results. In contrast to risk perception, the data imply that prospect variables (political risk, economic risk, and market risk) have a major influence on investment decisions.

Recommendations given to investors are that they should consider carefully before making investment decisions but should not care too much about the prior loss for their later investment decisions. This can limit the good chances of investment and impact badly the psychology of the investors and lead to bad investment performance. Besides, investors should not reduce their regret in investment by avoiding selling decreasing stocks and selling increasing ones. As explained previously, this can result in investors holding onto losing stocks, which has a detrimental effect on their investment decisions. Ultimately, it is advisable for investors not to segregate their investment portfolios into separate accounts, as each component of the portfolio may have interdependencies with others. Treating each element as independent can lead to poor investment decisions. For future study, it is intended that the sampling area will be enlarged, and the number of samples will be raised to reflect all of the research samples' features, therefore strengthening and improving the research results.

It is envisaged that the distinction between low self-monitoring and high-risk perception activities may be separated and analyzed more thoroughly. Other factors that have a link with investment decisions can also be included for future research to explore and explain the relationship between political, economic, and market risk and investment decisions more effectively. This study is one of the volunteers utilizing this research in Pakistan using 5-point Likert scale assessments. More research is needed to corroborate the conclusions of this study using a bigger sample size and a more diverse set of respondents. It is also advised that more study be conducted to enhance risk perception assessments and tailor them to meet the context of the Pakistani stock market. Further study is also advised to investigate investment decision making using border finance words and approaches.

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Appendix

Research Questionnaire

This study seeks to establish Impact of Risk Perception on Investment Decision Making in Pakistan Stock Exchange. Kindly spare 10 minutes of your time to give your opinion in relation to the following questions. All the information obtained will be treated with strict confidentiality and will only be used for academic purposes.

Regards:

XIE ERHUI

Section A: General Information

Instructions: Please take a few minutes to answer the following questions. The data collected here will be anonymous and your confidentiality is highly assured.

1. Gender

- Male
- Female

2. Age

- Below 30 years
- 30 – 45 years
- More than 45 years

3. Designation

- Senior Manager
- Middle Level
- Support Staff

4. Investment Experience

- Less than 5 years
- 5 – 10 years
- More than 10 years

Section B: Factors

	SDA	DA	N	A	SA
Market Risk					
The return rate of your recent stock investment meets your expectation	1	2	3	4	5
Your rate of return is equal to or higher than the average return rate of the market	1	2	3	4	5
You feel satisfied with your investment decisions in the last year (including selling, buying, choosing stocks, and deciding the stock volumes)	1	2	3	4	5
You rely on your previous experiences in the market for your next investment	1	2	3	4	5
You forecast the changes in stock prices in the future based on the recent stock prices	1	2	3	4	5
Political Risk					
You feel that political risk will assist you in bettering the investment.	1	2	3	4	5
You believe that political risk holds sufficient power to alter the investment as you see appropriate.	1	2	3	4	5
You always feel blessed to invest in the greatest offers that have arisen from the political landscape.	1	2	3	4	5
You believe you have enough experience to predict profitable investments considering the political scenario.	1	2	3	4	5
You analyze as little as possible and rely on existing political clarification for investment.	1	2	3	4	5
Economic Risk					
You buy 'hot' stocks and avoid stocks that have performed poorly in the recent past.	1	2	3	4	5
You use trend analysis of some representative stocks to make investment decisions for all stocks that you invest.	1	2	3	4	5
You feel that the greater the change in trends, the greater the risk involved in investments.	1	2	3	4	5
You feel that knowing more about the economic condition reduces the risk of investment.	1	2	3	4	5
You believe that more risk seeking than normal after a past gain.	1	2	3	4	5

Section C: Financial Performance

Financial Performance	SDA	DA	N	A	SA
In most cases, my investment decisions are in line with my investment goals.	1	2	3	4	5

I usually get the results I expected from my investment decisions.	1	2	3	4	5
I am at greater risk than my investment decisions	1	2	3	4	5
The stock decisions of other investors have an influence on your investing selections.	1	2	3	4	5
I may research the company's client preferences before you invest in their shares.	1	2	3	4	5

