EVALUATING THE IMPACT OF FINANCIAL LITERACY ON INVESTMENT DECISIONS: A CASE STUDY OF BALOCHISTAN, PAKISTAN

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ABSTRACT

Contemporary financial technologies have reshaped the global financial markets by contributing to the development of modern economies. During the past decade, the transactional complications and the risks associated with the use of and investments in emerging financial products & services have made it challenging for salaried individuals and young investors to make effective investment decisions. Thus, financial literacy is important for understanding the risks and returns associated with various financial investment options. This study examines the impact of four dimensions of financial literacy (Financial Knowledge, Financial Awareness, Financial Behavior, and Financial Attitude) on the investment decisions among the salaried class of Balochistan province of Pakistan under the moderating influence of their risk perception. By employing quantitative research, the data were collected via online surveys from 350 employees of different public and private organizations in the province. Statistical software tools were utilized for data analyses. The results revealed that all four dimensions of financial literacy had a positive and significant impact on the investment decisions of the salaried individuals of Balochistan. The results contribute to the current literature by offering an increased understanding of how to build and promote a culture of financial literacy among these individuals and thus help them make effective investment decisions. In addition to the salaried class, this study also offers valuable insights for individual investors, young entrepreneurs, and the federal & provincial governments as the policy makers so they could play their active role in their capacities and contribute to the overall economic growth of Pakistan.

Keywords: *Financial Literacy; Risk Perception; Investment Decisions; Salaried Class; Balochistan.*

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INTRODUCTION

Contemporary financial technologies have reshaped the global financial markets by contributing to the development of modern economies. This fintech-led growth of the financial markets has resulted in new investment & trading possibilities for individual investors and financial institutions in different countries (Naeem et al., 2023). During the past decade, the transactional complications and the risks associated with the use of and investments in emerging financial products & services have made it challenging for salaried individuals and young investors to make effective investment decisions. To this end, financial literacy is important for understanding the risks and returns associated with various financial investment options (Gupta, 2021; Astiti et al., 2019).

Financial literacy is still an issue for citizens in many developing countries (Walakumbura, 2021; Lusardi, 2019). It has been considered one of the most significant characteristics for evaluating the quality of investment decisions. Particularly, when it comes to comparing risk and return, it becomes hard to make effective investment decisions. Therefore, a sufficient level of financial literacy is crucial for individuals in order to make informed decisions (Kumari, 2017; Lusardi & Tufano, 2015; Becchetti et al., 2013). While the role of financial literacy is important for making investment decisions, the lack of financial literacy can lead to several financial management challenges. One such challenge is to make future financial investment plans (Senda et al., 2020). In this regard, the Organization for Economic Cooperation and Development (OECD) has developed a financial education platform called International Networks on Financial Education (INFE). The objective of this network is to promote financial literacy by providing financial knowledge & skills and developing the financial behavior required to make wise decisions and eventually enable individuals to attain financial success.

In general, investments play a vital role in the socio-economic development and capital growth of a country (Hunjra, 2019). Internationally speaking, the issue of insufficient financial literacy among the citizens has been considered by most of the developed countries, however, little attention was paid by developing countries. In developed countries, citizens are encouraged to focus on personal finance as an important aspect of their lives (Obeng-Manu, 2022). According to the Global Financial Literacy Survey Report, the financial literacy rate of Pakistan is around 26%, whereas the ratio of the financially literate population in developed economies like the UK, Australia, Germany, Sweden, Denmark, etc. is over 70% (Khan, 2022). Likewise, the financial inclusion rate of the adult population in Pakistan is only 21% compared to the 69%

global average (World Bank's Global Findex Database 2021). Moreover, about 50% of the country's population has no relation with any financial institution, even though the presence of women is less than 5% in the financial sector compared to South Africa's average of 37% (Suhail et al., 2020).

Over the past decade, the notion of financial literacy has gained wider attention from researchers, policymakers, and financial institutions (Walakumbura, 2021). In Pakistan, prior studies have been carried out to evaluate the relationship between financial literacy and investment decisions, however, most of them were conducted in the bigger cities of the country where the literacy rate is quite high as compared to the smaller cities where the literacy rate is still quite low. Moreover, no studies have been conducted in the less literate regions of Pakistan such as Balochistan, which is the least literate province of the country (Khan, 2022; Suhail et al., 2020; Awais et al., 2016).

The above arguments lead to the key research question of this study: *What is the impact of financial literacy on the investment decisions of the salaried class in Balochistan under the influence of their risk perception?* To answer this question and achieve the corresponding objective, quantitative research via a survey questionnaire conducted by the salaried class working in the public and private sector organizations of the Balochistan province was conducted. The results contribute to the current literature by offering an increased understanding of how to build and promote a culture of financial literacy among the salaried class thus helping them make effective investment decisions. In addition to the salaried class, this study also offers valuable insights for individual investors, entrepreneurs, and government policymakers so they could play an active role in their capacities and contribute to the economic growth of Pakistan.

LITERATURE REVIEW

Investment Decision

Investment means the money spent today in anticipation that it will generate good returns in the future. The process of investment decision-making can be defined as choosing a specific option from a range of available options (Putri et al., 2021; Astiti et al., 2019). In the views of Jariwala (2015), an investment decision is an action that is based on an appropriate assessment of all available investment options. Sensible investors make decisions based on their financial literacy and by considering the relevant information. However, irrational investors make decisions based on their past positive experiences that were in their favor and thus make them overconfident decision-makers (Utami & Sitanggang, 2021). Some indicators for measuring

investment decisions that have been revealed include a) Return - which measures the revenue earned from an investment; b) Risk - the higher the risk, the higher the return on investment; c) Time Value of Money - which in investment context determines how the return on investment at present is worth more than the return on the same investment in future (Putri & Hamidi, 2019).

Financial Literacy

Individuals who are financially literate would find it easier to understand finances and the matters related to financial investments, thereby avoiding the financial risks associated with these investments (Putri et al., 2021; Alaaraj & Bakri, 2020). The worst monetary decisions are mostly linked to a lack of or inadequate financial literacy. While making investment decisions, an improved understanding of the finances would help minimize the likelihood of potential risk of investment scams and fraud. An increased financial awareness would also promote sound investment decisions (Sukamdani et al., 2020). Financial literacy helps in improving knowledge about financial services thus supporting more informed investment decisions. Financially literate individuals can manage their finances more effectively when faced with various investment options (Anastasia & Basana, 2021). Micro, Small, and Medium Scale Enterprises (MSME) and individual investors should focus on continually improving their financial knowledge in order to aid their investment decisions that could generate expected returns on their investments (Rustan, 2021).

Financial Knowledge

It refers to an individual's understanding of the decisions to use financial products & services that involve rewards, risks, privileges & responsibilities as a person to achieve financial success (Utami & Sitanggang, 2021). According to Alaaraj & Bakri (2020), increased financial knowledge not only supports investors in making well-informed financial decisions but also promotes their financial risk-taking behavior which consequently leads to improved investment decision-making abilities. Moreover, by having up-to-date knowledge of financial products, services & technologies, individuals can better understand the available investment options and accordingly invest in profitable financial products & services, thereby maximizing the use of the available finances. (Naeem et al., 2023; Anastasia & Basana, 2021).

H1: Financial Knowledge has a significant impact on the Investment Decisions of the salaried class in Balochistan.

Financial Behavior

There is a significant role in financial behavior when an individual makes investment

decisions. The psychological thoughts of the individuals have a significant impact on their ability to maximize the profit on investment. It is also hard for an individual to behave consistently. This is because different assumptions are made on the basis of financial facts & figures and the investment obtained (Prawirasasra & Maulani, 2020). Financial decisions and behavior have a positive and strong correlation. Micro, Small, and Medium Enterprises (MSME) behave in a financially responsible manner and thus are more likely to make wise investment decisions. An individual who practices good money management become more intelligent and savvier while managing their cash and making investments. When making investment selections, individuals' investment choices in MSMEs are impacted by their financial conduct (Rustan, 2021).

H2: Financial Behavior has a significant impact on the Investment Decisions of the salaried class in Balochistan.

Financial Attitude

Investors having the ability to control their financial attitudes effectively can positively affect the process of decision-making. Financial attitude influences how entrepreneurs behave and favorably make investment decisions (Astiti et al., 2019). The financial mindset and investment choices are positively and significantly correlated. While making financial decisions, individuals possessing positive financial attitudes would be able to make such decisions with clarity and responsibility. A sensible financial attitude assists the individual in investing their funds in appropriate investment platforms and options. Individuals working with MSMEs dedicated to making responsible financial decisions possess sound financial attitudes and thus help their organizations drive future earnings (Rustan, 2021). When it comes to financial literacy, attitudes and preferences play a key role. For instance, if an individual possesses a negative attitude toward saving for the future, they are more likely to act that way. On the contrary, if the same individual possesses a positive attitude toward saving money, this can help them have emergency funds or prioritize investing in profitable options (Rustan, 2021; Atkinson & Messy 2012).

H3: Financial Attitude has a significant impact on the Investment Decisions of the salaried class in Balochistan.

Financial Awareness

Financial literacy can be gained by participating in workshops, seminars, and other learning activities relating to financial management. Financial literacy should be made a formal part of

the current education system (Mulyadi et al., 2023; Walakumbura, 2021). A sensible way, when it comes to the investment and management of the resources for an individual, is to gain a thorough understanding of the investment procedure by taking into account risks & returns when choosing an investment option so that the only risks that are manageable could be taken (Mulyadi et al., 2023; Mugo, 2016). Thus, financial knowledge is important when it comes to making smart investment decisions and leveraging the available opportunities (Walakumbura, 2021; Khan, 2015).

H4: Financial Awareness has a significant impact on the Investment Decisions of the salaried class in Balochistan.

Risk Perception

Due to the technicalities and risks associated with various investment options, investors lacking financial knowledge find it challenging to make wise decisions. This makes the pursuit of financial knowledge essential for them to make wiser choices. Even in the presence of financial literacy and information, risk perception is a significant element that affects investment decisions (Naeem et al., 2023; Rustan, 2021). Furthermore, prior researchers have identified a significant link between financial literacy, risk perception, and investment decisions (Waheed et al., 2020). Depending on past information, investors have varying opinions and judgments regarding risks & returns (Khan, 2016). We can thus hypothesize that:

H5: Risk Perception moderates the relationship between Financial Knowledge and the Investment Decisions of the salaried class in Balochistan.

H6: Risk Perception moderates the relationship between Financial Behavior and the Investment Decisions of the salaried class in Balochistan.

H7: Risk Perception moderates the relationship between Financial Attitude and the Investment Decisions of the salaried class in Balochistan.

H8: Risk Perception moderates the relationship between Financial Awareness and the Investment Decisions of the salaried class in Balochistan.

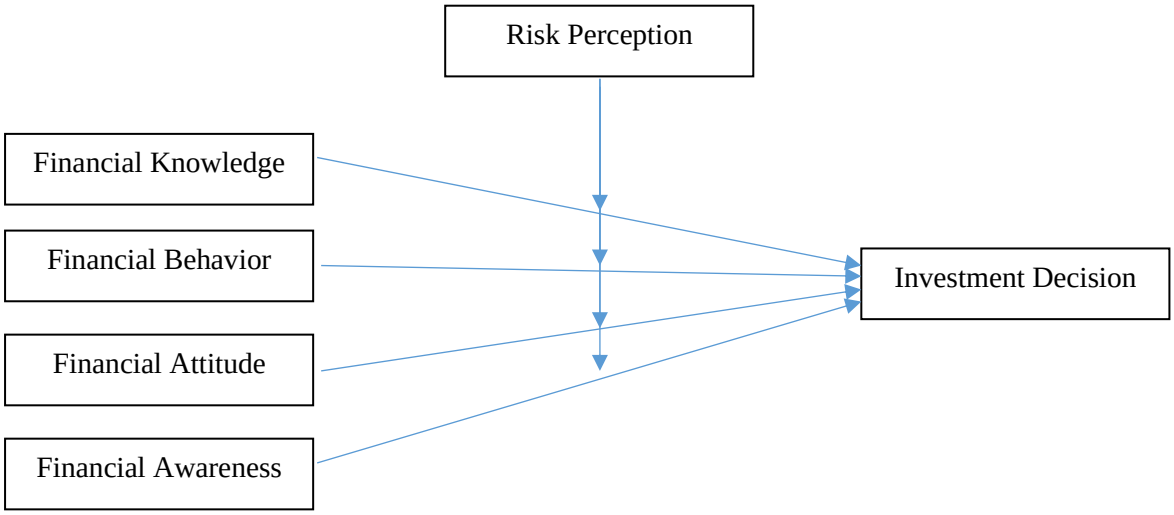

Figure 1. *Theoretical Model*

RESEARCH METHODOLOGY

Research Approach and Data Collection

This study was quantitative in nature wherein the researchers tested the developed hypotheses to validate the underlying research question. A survey approach was used in this study to determine the effect of financial literacy on the investment decisions of the salaried class in Balochistan. The data were gathered from respondents using a survey questionnaire. To evaluate the impact of key variables of the research model, the factors like 'Financial Knowledge', 'Financial Behavior', 'Financial Attitude', and 'Financial Awareness' were operationalized as the independent variables, whereas the 'Investment Decision' was tested as a dependent variable. All of the independent variables were moderated by 'Risk Perception'.

Sample Size & Population and Sampling Strategy

The target population for this research was the salaried class who worked in different public and private sector organizations of Balochistan province. This study was descriptive. The purposive sampling technique was used for gathering data from the targeted respondents. Before collecting data, a pilot study was also carried out to ensure the reliability and validity of the research instrument.

Using a Google form, a survey questionnaire was shared online with the 350 respondents identified for the purpose. The received responses were scrutinized for accuracy and completeness. After data cleansing, 311 responses were used in the data analyses.

Research Instrument and Items

The first section of the survey questionnaire covered items relating to demographic information including the income profile of the participants such as age, gender, marital status, number of dependents, educational qualifications, association with government or private sector, designation, job location, monthly salary, and work experience. This section also included some questions on their investment profiles such as volume of investment, nature of investment, return on investment, etc. The second section included items on key variables of the research. A five-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree) was used to measure the responses of the respondents.

For measuring the constructs like 'Financial Knowledge', 'Financial Behavior', and 'Financial Attitude', the items for these were adapted from Bongomin et al. (2018). Items included questions like "Are you aware of financial risks?", "I always read the terms and conditions on using financial products/services" and "Do you have a good attitude towards saving money?". Moreover, 'Financial Awareness' was measured using the scales from Chan et al. (2022), items include questions like "I feel nervous when having a conservation related to my personal finance". The construct, such as 'Risk Perception' was measured based on the items adapted from Keh et al. (2002). The scales developed by Utami & Sitanggang (2021) were used for measuring 'Investment Decisions'. Software such as SPSS and MS Excel were used for reporting demographic information and descriptive statistics. The Smart PLS tool was utilized for Structural Equation Model (SEM) analyses and for examining the relationships between various variables of the research model.

DATA ANALYSIS AND RESULTS

Demographic Data Analyses

The sample population comprised 57.9% males and 42.1% females. There were 29.9% single, 65.6% married, 3.9% divorced and 0.6% widowed. These respondents belonged to different age groups. About 12.9% were in the 18-15 age group, 40.8% fell within the 26-33 age group, 31.8% were in the age range of 34-41, 11.3% were between 42-49, and the remaining 3.2% were in the 50 & above age group. In terms of the educational qualification of the respondents, 0.3% had matriculation, 9% had intermediate qualification, 27.3% possessed a bachelor's degree, 38.6% were master's degree holders, and 24.8% held a PhD degree. In terms of their association with an organization, 55.3% of the respondents were government employees and 44.7% represented the private sector.

Table 1. Sample General Characteristics

Variables	Categories	Frequency	Percentage
Gender	Male	180	57.9
	Female	131	42.1
	Total	311	100
Marital Status	Single	93	29.9
	Married	204	65.6
	Divorced	12	3.9
	Widowed	2	.6
	Total	311	100.0
Age	18-25	40	12.9
	26-33	127	40.8
	34-41	99	31.8
	42-49	35	11.3
	50 and above	10	3.2
	Total	311	100
Educational Qualification	Matriculation	1	0.3
	Intermediate	28	9
	Undergraduate	85	27.3
	Graduate	120	38.6
	Postgraduate	77	24.8
	Total	311	100
Type	Government/Public Sector	172	55.3
	Private Sector	139	44.7
	Total	311	100

Measurement Model

Construct Reliability

The initial stage of data analysis involved reliability and validity testing of the data. In this regard, reliability testing helped in measuring the stability, accuracy, and predictability of the research instrument. Reliability can be checked by considering the Composite Reliability (CR) and Cronbach Alpha (CA) of the research items. In this regard, the value of CA should be at least 0.7, the CR coefficient should be equal to or greater than 0.7, and the item factor loadings should be higher than 0.5 (Hair et al., 2019). Table 2 given below shows the acceptable values of item loadings, CR, and CA for each of the research constructs. Except for items such as RP5, FK6, FAW1, and INVD5 that were deleted due to low factor loadings, all other items demonstrated adequate reliability of their constructs.

Table 2. Construct Reliability

Construct	Items	Loadings	Cronbach's Alpha	Composite Reliability
Financial Knowledge	FK1	0.790	0.85	0.89
	FK2	0.750		
	FK3	0.800		
	FK4	0.800		
	FK5	0.800		

Financial Behavior	FB1	0.780	0.88	0.91
	FB2	0.790		
	FB3	0.810		
	FB4	0.81		
	FB5	0.74		
	FB6	0.76		
	FB7	0.66		
Financial Attitude	FAT1	0.69	0.86	0.89
	FAT3	0.73		
	FAT4	0.75		
	FAT5	0.86		
	FAT6	0.8		
	FAT7	0.73		
Financial Awareness	FAW2	0.79	0.74	0.84
	FAW3	0.71		
	FAW4	0.77		
	FAW5	0.73		
Risk Perception	RP1	0.85	0.85	0.89
	RP2	0.79		
	RP3	0.85		
	RP4	0.83		
Investment Decision	INVD1	0.72	0.87	0.9
	INVD2	0.75		
	INVD3	0.81		
	INVD4	0.8		
	INVD6	0.78		
	INVD7	0.78		

Construct Validity

The validity of a research construct measures the effectiveness of the research items for measuring what has been planned to measure within that construct (Blumberg et al., 2005) and thus ensures the appropriateness of each stage in the research process. Validity can be assessed through convergent and discriminant validity testing.

Convergent Validity

Convergent validity is the evaluation to measure the correlation level of various items of the same construct. In order to achieve sufficient convergent validity, the value of the Average Variance Extracted (AVE) should be at least 0.5 or more (Hair et al., 2019). Table 3 below shows that the AVE value for each construct is greater than 0.5 which demonstrates adequate convergent validity.

Table 3. Convergent Validity

Construct	Average Variance Extracted
Financial Knowledge	0.6
Financial Behavior	0.58
Financial Attitude	0.55
Financial Awareness	0.56
Risk Perception	0.69
Investment Decision	0.6

Discriminant Validity

Discriminant Validity demonstrates how much one construct is different from the other construct. Discriminant Validity can be measured using the Fornell-Larker Criterion and HTMT. To confirm the Discriminant Validity, the square root of AVE should be greater than its relationship with the other latent variables (Garson, 2016). Table 4 shows that the square root of AVE for each latent construct is greater than its correlation with the other latent construct, thus demonstrating adequate discriminant validity.

Table 4. Fornell-Larcker Criterion

	Financial Attitude	**Financial Awareness**	**Financial Behavior**	**Financial Knowledge**	**Investment Decision**	**Risk Perception**
Financial Attitude	0.74					
Financial Awareness	0.61	0.75				
Financial Behavior	0.711	0.451	0.764			
Financial Knowledge	0.568	0.518	0.528	0.796		
Investment Decision	0.665	0.672	0.588	0.539	0.774	
Risk Perception	0.246	0.224	0.107	0.178	0.234	0.831

Moreover, the Heterotrait-Monotrait Ratio (HTMT) values were also checked to confirm the Discriminant Validity. The threshold value for HTMT value is 0.85 (Henseler et al., 2015) or above. Table 5 below shows that the values for all the constructs are lower than the threshold value, thereby demonstrating sufficient Discriminant Validity.

Table 5. Heterotrait-Monotrait Ratio (HTMT)

	FAT	**FAW**	**FB**	**FK**	**INVD**	**RP**
FAT						
FAW	0.759					
FB	0.824	0.55				
FK	0.653	0.647	0.602			
INVD	0.761	0.834	0.663	0.615		
RP	0.284	0.275	0.124	0.196	0.263	

R Square

As shown in Table 6, the Value of R squared adjusted which is 0.58, demonstrates that the explanatory variables of the study together accounted for about 58.1% variations in the investment decisions among salaried class investors of Balochistan. Whereas the remaining 41.9% as considered by the other variables are not included in the study model.

Table 6. R Square

	R Square	R Square Adjusted
Investment Decision	0.588	0.581

Standardized Root Mean Square Residuals (SRMR) have no penalty for model complications (Hair et al, 2019). The value of SRMR should be less than 0.08 to consider it as a good fit. As shown in table 7, the value of SRMR is 0.072 which is below 0.08 and thus demonstrates a good fit for the model.

Table 7. Model Fitness

	Saturated Model	Estimated Model
SRMR	0.072	0.072
d_ULS	2.878	2.881
d_G	0.976	0.977
Chi-Square	1683.41	1684.989
NFI	0.725	0.725

Structural Model

The structural model shown below highlights the association between different study variables. Also, table 8 presents the path coefficient for a total of 8 hypotheses based on their direct relationship. Two common measures p-value and t-value were used to check the statistical significance of the hypotheses. The threshold value for the t-value is 1.96 and the p-value is 0.05. The results show that out of 8 hypotheses, 6 are statistically significant and two are insignificant. Moreover, the beta value shows the strength of the relationship between the study variables.

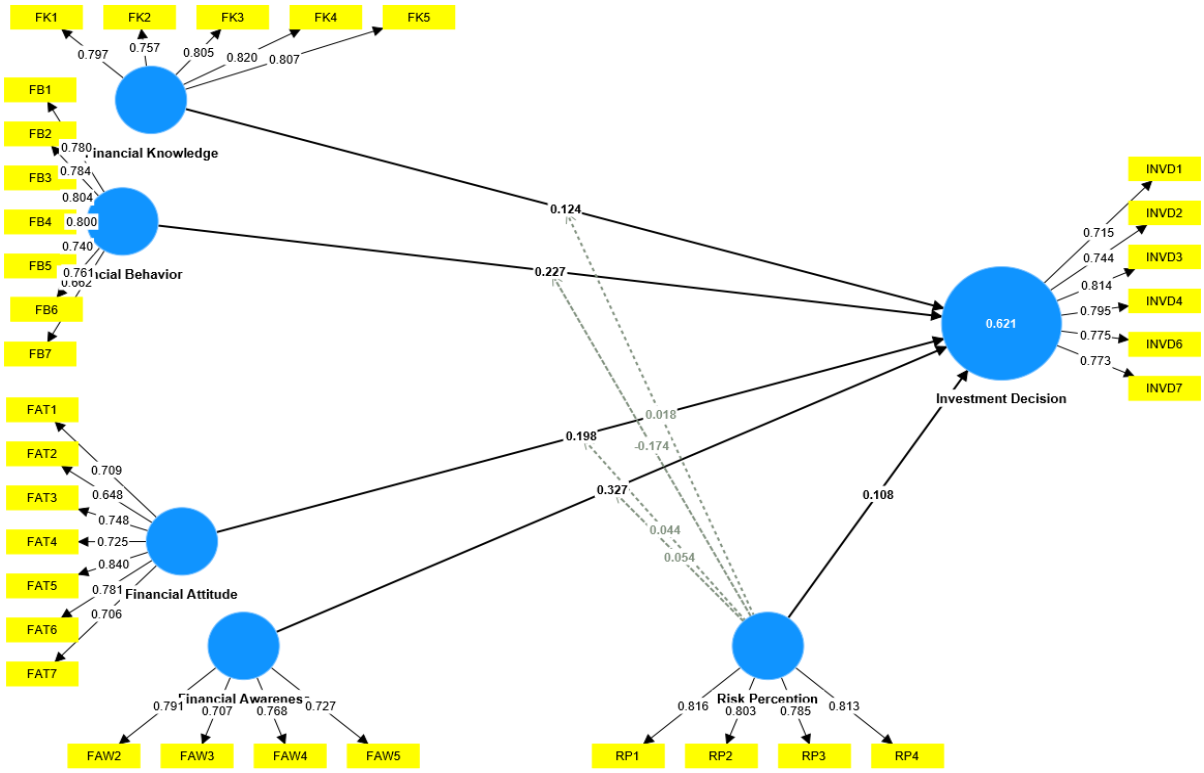

Figure 2. *Structural Model*

Table 8. Path Coefficients

Hypotheses	Beta	T- Stats	P-Values	Decision
H1: Financial Knowledge >> Investment Decision	0.135	2.215	0.027	Supported
H2: Financial Behavior >> Investment Decision	0.254	3.026	0.002	Supported
H3: Financial Attitude >> Investment Decision	0.168	2.008	0.045	Supported
H4: Financial Awareness >> Investment Decision	0.36	5.521	0.00	Supported
H5: Risk Perception moderates Financial Knowledge >> Investment Decision	-0.012	0.248	0.804	Not Supported
H6: Risk Perception moderates Financial Behavior >> Investment Decision	-0.158	2.011	0.044	Supported
H7: Risk Perception moderates >> Financial Attitude and Investment Decision	0.201	2.738	0.006	Supported
H8: Risk perception moderates >> Financial Awareness and Investment Decision	0.008	0.157	0.875	Not Supported

This first hypothesis of the study tested the impact of financial knowledge on investment decisions. The results showed a significant effect between these variables given the beta coefficient value of 0.135 and p-value 0.027 which is less than 0.05 significance level. This means that a unit percent increase in financial knowledge will increase 13.5% of the investment decisions, implying that investors with more financial knowledge can make better financial investment decisions. Thus, financial knowledge affects the ability of individuals to use their financial resources in a better way to make effective financial decisions. Moreover, prior

literature such as Ademola (2019), Mugo (2016), and Khan (2016) also revealed a positive and significant impact of financial knowledge on investment decisions.

The second hypothesis was to check the impact of financial behavior on investment decisions. The results showed a positive and significant impact of financial behavior on the investment decision at a p-value of 0.002 (which is less than 0.05 significance level) and a beta coefficient value of 0.254 which reveals that a unit percent increase in financial behavior increases investment decision by 25.4%. In other words, investors with good financial behavior make better financial investment decisions. Past studies such as Fitriarianti (2018), Arianti (2018), Aminatuzzahra (2014), etc. also found a significant and positive impact of financial behavior on investment decisions.

The third hypothesis involved testing the effect of financial attitude on investment decisions. The results demonstrate that there is a positive and significant impact of financial attitude on investment decisions at a p-value of 0.045 (which is less than 0.05 significant level) and a beta coefficient value of 0.168 which means that a unit percent increase in the financial attitude results in an increase in the investment decisions by16.8%. In general, an individual's financial attitude helps in making sound investment decisions. The result of the study is also in conformity with the studies such as Rustan (2021) and Chinnen & Endo (2012) who stated that individuals having the skill and attitude to make monetary decisions do not face investment-related problems.

The fourth hypothesis evaluated the impact of financial awareness on investment decisions. The results show a positive and significant relationship between these variables at a p-value less than 0.05 and the beta coefficient value of 0.36% which means that a unit percent increase in financial awareness increases investment decisions by 36%. This reveals that an investor with financial awareness will make good financial decisions. Through financial awareness (i.e. financial education and training, a person can enhance the capability of making sound financial decisions. These findings are compatible with prior work by Rustan (2021) and Khan (2016).

In the fifth hypothesis, the moderating role of risk perception was checked between the relationship of Financial Knowledge and Investment Decisions. The results reveal that risk perception does not significantly moderate the relationship between these variables at a p-value of 0.804 and a beta coefficient value of -0.012. The result is in dissidence with the work of Ademola (2019) and Khan (2016). The reason for these insignificant effects might be that Balochistan is a less literate area of Pakistan where most of the people prefer doing their own

small businesses. According to the descriptive data statistics, 30% of the research respondents were the ones who invested their savings in their businesses and were thus considered risk takers. Hence, it can be implied that risk perception could not influence their investment decisions even in the presence of financial knowledge.

The sixth hypothesis checked the moderating role of risk perception in the relationship between Financial Behavior and Investment Decisions. The results revealed a positive and significant moderating effect of risk perception between these variables at a p-value of 0.045 and a beta coefficient value of 0.168. This result conforms with Ademola (2019) and Khan (2016). The result also shows that risk perception is one of the elements that have the capability of influencing investment decisions even in the presence of factors like Financial Behavior among the salaried class.

The seventh hypothesis determined the impact of Risk Perception on the relationship between Financial Attitude and Investment Decision. In this regard, the results reveal a positive but marginally significant moderating impact of the Risk Perception between the stated variables given a p-value of 0.006 and the beta coefficient value of 0.201. This result is consistent with the findings of Ademola (2019) and Khan (2016). In other words, this means that the Risk Perception can impact the Investment Decision in the presence of the Financial Attitude of the salaried class.

Lastly, the eighth hypothesis examined the impact of Risk Perception on the relationship of Financial Awareness and Investment Decisions. The results reveal that Risk Perception does not significantly moderate the link between Financial Awareness and Investment Decisions given the p-value of 0.875 and beta coefficient value of 0.008. This result is in dissidence with the work of Ademola (2019) and Khan (2016). This insignificant relationship might again be due to the least literate population of Balochistan province as compared to the other provinces of Pakistan and the fact that 30% of the respondents had invested in their small businesses and appeared to be the risk takers. Thus, Risk Perception had an insignificant impact on their Investment Decisions even in the presence of Financial Awareness.

DISCUSSION

The research examined the role of financial literacy in making investment decisions for the salaried class of the Balochistan province. The results underscore the great significance of financial literacy when it comes to investing related decisions by salaried individuals. Therefore, they should focus on continuously enhancing their financial decision-making

abilities by gaining more knowledge of financial investments. This would help them make smart investment decisions, thereby reducing the negative effects arising from potentially risky investment decisions. The research results support the prior studies such as Anastasia & Basana (2021), Gupta (2021), Alaaraj & Bakri (2020), Astiti et al. (2019), Ademola (2019), Awais et al. (2016) which investigated the effect of financial literacy on salaried individuals and other related segments of the population.

RESEARCH IMPLICATIONS

Theoretical Implications

- From a theoretical perspective, the research model presents a set of empirically tested variables relating to the financial knowledge, literacy, awareness & behavior of the salaried individuals in Balochistan and how these human attributes shape their financial investment decisions.
- Needless to say, financial literacy necessitates the understanding and evaluation of factors like interest rates, inflation, effects of compounding, risk diversification, etc. in order to make appropriate investment decisions. Thus, by incorporating 'Risk Perception' as the key moderating variable, this research is perhaps the first one to examine the effectiveness of financial investment decisions of salaried individuals under the moderating influence of risk on the key financial literacy variables that guide their investment decisions.
- Yet another theoretical contribution lies in the uniqueness of the research model operationalized from the perspective of the Balochistan province of Pakistan as insufficient prior research was conducted in the given research context.
- Lastly, choosing the salaried class of Balochistan as the population sample for this research addresses the unique population gap governing the given nature of the research problem.

Practical Implications

- One of the obvious practical implications that can be drawn from the validated research model is that the suggested model, when translated into actions, offers practical insights for investors when it comes to making financial investment decisions or designing their investment portfolios. Put simply, the suggested model variables when considered could aid budding investors in their financial planning and investment decision-making activities, thus assisting them in making more informed financial decisions amid the presence of ambiguity and risk that are inherent in such investment decisions.

- Yet another practical implication is for salaried individuals. Such individuals, once they acquire at least basic knowledge and experience about financial investments, this would help them effectively manage risky investments and avoid loss of their investments. This also implies that these individuals should continue to enhance their financial literacy and awareness if they ought to make lucrative financial investment decisions.

- Lastly, on the practice front, once the salaried individuals have gained the necessary financial knowledge and as they progressively attain the advanced level of knowledge, they tend to develop increased abilities to make risky investment decisions in their attempt to reap higher returns on their investments. This, however, must also be kept in mind that such an advanced level of financial literacy once attained could lead to risky financial decisions owing to their increased investment experience and greater appetite to take risks.

Policy Implications

- The Higher Education Commission (HEC) of Pakistan, in consultation with the Higher Education Department of the government of Balochistan, should make financial literacy a mandatory part of their curriculum at a bachelor's degree level to inculcate financial literacy and awareness in the students even before they step into their professional careers. This will help them be prepared in advance when it comes to making effective financial investment decisions.
- Secondly, the Higher Education Department of the Balochistan province should raise awareness about financial literacy by conducting training workshops, seminars, and conferences for the employees of public & private organizations including the universities of the province in order to help educate and build awareness about the financial investments and the risks associated. This will boost the financial decision-making abilities of the individuals and promote the overall investment culture, especially among the salaried segment of the Balochistan province.

Limitations and Recommendations for Further Research

- The first limitation of this study is that it covered only the Balochistan province of Pakistan as the sample population. Therefore, the findings can’t be fully generalized to the whole country. Hence, future researchers should include country-wide samples by involving all other provinces of Pakistan.

- The second limitation of the study is that the responses were collected from only the salaried class of Balochistan, thus further studies should be conducted by including

financial market investors, traders, entrepreneurs, etc. for the sample population. Besides, other variables like financial skills should also be examined as one of the study variables in the model.

- Lastly, the moderate sample size owing to the time constraints governing the data collection was yet another aspect that added to the limitation of this work.

CONCLUSION

The primary objective of this research was to examine the effect of financial literacy on investment decisions among the salaried class of Balochistan under the moderating influence of their risk perception. In this regard, little attention was paid to determining the factors affecting the investment decisions of such individuals. In this regard, this research evaluated the impact of key variables such as Financial Knowledge, Financial Behavior, Financial Attitude, and Financial Awareness. Overall, the results show a significant and positive impact of these dimensions of financial literacy on the investment decisions of salaried individuals in Balochistan. Further research in the area of financial literacy would help in identifying emerging factors to further aid financial investment decisions.

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