

**BEHAVIORAL AND INFORMATIONAL DRIVERS OF INVESTMENT DECISION MAKING: INSIGHTS INTO INVESTOR COMPETENCIES AND DECISION PROCESSES ON THE PAKISTAN STOCK EXCHANGE****Rameez Abdul Sattar<sup>1\*</sup>, Kashif Arif<sup>2</sup>, Syed Qasim Shah<sup>3</sup>, Sana Riaz<sup>4</sup>**<sup>1</sup>Department of Business Administration, Institute of Business Management (IoBM), Karachi, Pakistan<sup>2</sup>Department of Accounting and Finance, College of Business Management, Institute of Business Management (IoBM), Karachi, Pakistan<sup>3</sup>COMSATS University Islamabad, Abbottabad Campus, Pakistan<sup>4</sup>SZABIST University Gharo Campus, Pakistan\*Corresponding Author's Email: [rameezkundoi@gmail.com](mailto:rameezkundoi@gmail.com)

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**ABSTRACT**

*This paper investigates the behavioral and informational determinants of individual investment decision making on the Pakistan Stock Exchange (PSX), with a particular emphasis on investor competencies and decision processes that reflect both cognitive and contextual influences. Recognizing that investment decisions are shaped not only by financial data but also by human perceptions, information processing capabilities, and personal goals, this study examines how firm image, accounting information, advocate guidance, and personal financial needs influence active investors' choices. A structured questionnaire was administered to 384 active investors, and reliability was established through Cronbach's alpha. Correlation and multiple regression analyses were employed to test the relationships among variables. Results indicate that all four factors significantly impact investment decisions, with personal financial needs emerging as the most influential predictor. These findings underscore the importance of integrating behavioral insights with conventional financial information to enrich understanding of investor decision making in an emerging market context. Moreover, the study contributes empirical evidence on how investors interpret and utilize different forms of information—a critical aspect of developing investor competencies, enhancing financial literacy, and reducing information asymmetry. The outcomes offer practical implications for policymakers, financial advisors, and educators seeking to cultivate more informed and resilient investor behavior, thereby advancing both individual decision capacity and broader financial market development. Ultimately, this research bridges financial decision making and human-centered perspectives, aligning with themes of workforce transformation, human and technology development, and inclusive growth emphasized within human capital development research*

**Keywords:** Investment Decision Making; Behavioral Finance; Investor Competencies; Financial Information Processing; Financial Literacy; Pakistan Stock Exchange; Emerging Markets

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## 1. INTRODUCTION

Investment decision making is an important activity whereby individuals are required to make judgments on how to invest funds to maximize returns and minimize risks(Gambetti, Zucchelli, Nori, & Giusberti, 2022). In the emerging markets like Pakistan, the investment decisions are not based on the conventional financial principles only but depend on the behavioral aspects as well, i.e. the image of the firm, the accounting information, the advocate information, and the personal financial needs. Whereas in traditional finance, investors are assumed to be making rational decisions, behavioral finance focuses on psychological, social and cognitive influences in determining investment decisions(Khare & Kapoor, 2023).

The Pakistan Stock Exchange (PSX) is the leading equity trading platform in the country where more than 275,000 investor accounts have been registered, and the daily trading volume is increasing (Saeed, Sultana, Ahmed, Aziz, & Fatima, 2023). PSX has had experiences in low participation in activities, low financial literacy and broker reliance and recommendation concerns despite the strategic role of the stock exchange in capital formation and economic development. Various investors are not sufficiently informed to understand financial statements or assess the performance of firms, or to have risk and profit balanced, and these can result in suboptimal or irrational investment decisions (Olayinka, 2022).

Behavioral finance implies that decision-making in investment is influenced by other aspects other than numbers (Almansour, Elkrgigli, & Almansour, 2023). The image of a firm also affects the perception of credibility and reliability whereas accounting information can give the insight on the financial performance. In a similar manner, information provided by an advocate, like broker advice or expert advice, and personal financial needs including liquidity needs and risk aversion are important factors in influencing investment behavior. These factors especially need to be understood by PSX investors who exist in a market of volatility and information asymmetry (Munir, Chishti, & Bashir, 2024).

### 1.1 Problem Statement

Individual wealth accumulation and efficient operation of capital markets depends on investment decisions. Although the selection of behavioral and financial factors that affect investment across the world has been studied before, there is scanty empirical evidence related to the behavioral and financial factors affecting the investors of the Pakistan Stock Exchange (PSX) (Munir et al., 2024). Lack of financial awareness and understanding of behavioral influence exposes many Pakistani investors to financial risk through making decisions without sufficient financial knowledge. This is further complicated by the fact that there is no systematic study that investigates the overall effects of the firm image, accounting information, advocate guidance, and personal financial requirements in the PSX investment decisions. This gap is essential to consider the behavior of investors and enhance financial literacy and facilitate their informed decision-making within the emerging financial market in Pakistan (Butt, Sajjad, Awan, & Shakil, 2023).

Thus, this study seeks to examine the factors influencing investment decision making by addressing several key research questions. Specifically, it investigates the relationship between firm image and investment decision making, exploring how investors' perceptions of a firm's reputation and credibility shape their investment choices. The study also examines the role of accounting information in investment decision making, focusing on how financial statements and reported performance indicators influence investor evaluations. In addition, it analyzes the impact of advocate information, such as recommendations from analysts, financial advisors, and other opinion leaders, on investment decision making. Finally, the study considers how personal financial needs affect investment decision making, recognizing the extent to which individual financial goals and constraints shape investors' decision processes.

### 1.3 Significance of the Study

This paper offers a good contribution to the literature on behavioral finance since it presents empirical data on the Pakistan Stock Exchange (PSX) which is a major emerging economy. Knowledge of the behavioral and informational determinants of investment choices would enable investors to make more informed investments mitigating risks due to low financial literacy and information asymmetry.

To the financial institutions, brokers and the regulators, the findings provide practicable considerations in the setting of targeted investor education programs and advisory services that will increase the efficiency of the market. Also, the PSX-listed companies can gain insights into how reputation of the firm and financial transparency and advisory practice can affect the way investors perceive the firm and allocate capital.

Generally, this study highlights the need to consider behavioral insights in addition to the conventional financial indicators to facilitate informed decision making in the capital market, foster sustainable capital markets and to enhance investor confidence in Pakistan.

## **2.0 LITERATURE REVIEW**

The decision making in investment is an involved process that is dictated by rational financial analysis as well as the behavioral aspect (Khare & Kapoor, 2024). According to traditional theory of finance, investors are rational to maximize their wealth, but behavioral finance acknowledges that psychological, social and personal anchors tend to make them deviate from being rational (Bhanu, 2023). In less developed economies like those found in Pakistan where the financial literacy of investors is relatively low, it is important to get acquainted with these determinants of behavior to make effective decisions in investment, especially in the Pakistan Stock Exchange (PSX) (Munir et al., 2024).

The literature on behavioral and informational determinants of investment decisions in which four determinants have been considered namely those of firm image, accounting information, advocate information as well as personal financial needs (Sachdeva & Lehal, 2024).

### **2.1 Financial Literacy and Its Importance**

Financial literacy is the knowledge, skills, motivation, and confidence needed to make sound financial choices that would increase individual and societal financial health (Lusardi & Messy, 2023). Financial literacy also allows the investors to evaluate the level of risk, interpret financial statements, and make sound decisions in the stock market investments. Poor financial literacy subjects investors to making bad decisions, fraud, and poor performance of their portfolios (Mohd Padil, Kasim, Muda, Ismail, & Md Zin, 2022).

Empirical research in the developing economies such as Pakistan has shown that the level of financial literacy is still lower than the optimal level, which shows the need to address the behavioral aspect in addition to the financial knowledge (Khan, Siddiqui, & Imtiaz, 2022). The financial literacy must therefore be improved to make better decisions on investments and to minimize the overdependence on external advice (Parsai & Chandok, 2025).

### **2.2 Behavioral Finance and Investor Behavior**

Behavioral finance is a combination of psychology and traditional financial theory, which describes the inconsistencies with rational behavior in investment due to bias, emotions, beliefs, and social factors (Agudelo Aguirre & Agudelo Aguirre, 2024). These behavioral aspects influence the selection of stock, portfolio allocation, and the risk tolerance.

These behavioral determinants are especially significant to comprehend in order to enhance investment performance in nascent markets such as the PSX where transparency is weak and there is an information asymmetry (Iqbal & Bilal, 2025). Behavioral insights are important to supplement

traditional financial analysis because they ensure that non-quantitative aspects of investor behavior are captured.

### 2.3. Firm Image

The image of the business in terms of reputation and perceived credibility is a major factor that determines the degree of trust and expectations among investors in terms of future returns (Ismail, Halim, & EL-Deeb, 2023). Companies that have good reputations are indicators of efficiency in their operations, good financial results, and predictability. According to empirical studies conducted in developing economies, the image of firms has a great impact on investor behavior (Hussain & Alaya, 2024).

In PSX, investors like firms whose reputations are good because they consider them as less risky and prone to good returns.

Firm Image Hypotheses

*H1: There is a significant relationship between firm image and investment decision making.*

### 2.4 Accounting Information

Financial statements, earnings reports, and disclosures are some of the accounting information, which contains crucial data about the performance of a firm. Clear and transparent financial reporting increases investor confidence and makes sound decision making (Mesioye & Bakare, 2024).

Research has shown that investors largely use accounting information to minimize uncertainty and expect returns (Rashidi, 2022). Among the developing financial literate population in Pakistan, the quality and availability of accounting information play a major role in the investment decisions of PSX (Maqbool, Nazeer, Nawaz, & Maqbool, 2024).

Accounting information hypothesis:

*H2: There is a significant relationship between accounting information and investment decision making.*

### 2.5 Advocate Information

Advocate information is the advice or counseling on the part of brokers and financial advisors as well as professional networks. The information influences investment decisions through recommendation, referral or regulatory advice (Munir et al., 2024).

Advocate information could be used to make informed decisions but, on the other hand, it might cause bias when over-relied on. In Pakistan, low levels of investor education place a greater role in advocate guidance in developing investment behavior and perceived risk in the PSX (Chishti et al., 2025).

Advocate information Hypotheses:

*H3: There is a significant relationship between advocate information and investment decision making.*

### 2.6 Personal Financial Needs

Investment decisions are directly determined by personal financial requirements such as income, savings goals, risk tolerance, and diversification needs (Jeong & Babiarz, 2025). More financially literate investors tend to make decisions that are better aligned to long term goals as compared to lesser literate investors who might be drawn to short term needs or external recommendations.

This is critical in the PSX because the personal financial needs of an individual dictate the quality, quantity and location of capital to be invested by the investor, which is a key determinant in explaining how investors behave within the context of investment decisions (Munir et al., 2024).

Personal Financial Needs Hypotheses

*H4: There is a significant relationship between personal financial needs and investment decision making.*

## **2.7 Research Gap**

The study of behavioral finance is quite scattered in Pakistan despite its long history in the developed markets. In the majority of studies, individual factors are considered separately and do not involve the evaluation of their comparative effect on PSX investors (Munir et al., 2024). Very limited studies combine various behavioral determinants or empirically test the PSX market which is the main stock exchange in Pakistan. The gap that is filled through this study is to examine the joint role of firm image, accounting information, advocate information, and personal needs in investment decisions. The results are supposed to offer a general knowledge of the PSX investor behavior and yield data useful to the investor, financial advisor, and policymaker in the emerging markets (Chishti et al., 2025).

Literature on financial literacy and behavioral theory that affect investment decisions were reviewed in this study. Both theoretical and empirical evidence indicates the importance of firm image, accounting information, advocate information, and personal financial needs in determining investor behaviour. Since this review, four hypotheses have been formulated to test the relationship between these factors and investment decision making in PSX in an empirical fashion. It is hoped that the results will contribute to the knowledge on the behavior of investors and give valuable pieces of advice to the market participants and policy makers.

## **3. RESEARCH METHODOLOGY**

This section describes the approach through which the authors will conduct the empirical investigation of the aspects affecting individual investor decision making in the Pakistan Stock Exchange (PSX). An effective research design supports rigor, transparency and replicability which are the pillars of academic research and publication in a journal. The study introduces the research design, methodology, population and sampling, questionnaire design, reliability and validity, methods of data analysis and ethical issues. All the methodological decisions are in line with the research objectives and hypotheses to be consistent with the existing empirical works in behavioral finance.

### **3.1 Research Design**

The research design that was used was explanatory research design and is suitable in establishing a causal relationship between the independent variables and a dependent variable. The design was used to investigate the influence of the behavioral factors on the investment decision making of PSX investors, firm image, accounting information, advocate information and personal financial needs.

### **3.2 Method and Approach to research.**

A deductive research strategy was employed, according to which hypotheses were based on the current theories and previous empirical research and were checked using quantitative data. Quantitative method of research was used to measure relationship among variables and test the hypotheses statistically. The quantitative approaches allowed the objective analysis, minimized the researcher bias, and increased the generalizability of the results (Donkoh & Mensah, 2023). The data of surveys and statistical methods were thus employed to convert the theoretical constructs into quantifiable measures.

### **3.3 Population of the Study**

The sample was comprised of the active individual investors at the PSX. Individual investors were chosen as unit of analysis since they have direct input in the process of decision making concerning investment and their behavioral and informational factors are directly affected in comparison to institutional investors. (Sekaran & Bougie, 2016) state that all elements with characteristics that are of

interest in a research problem make up a population. The targeting of PSX individual investors enabled the study to achieve a market-specific behavioral dynamics in the context of a developing economy.

### **3.4 Sampling Technique and Sample Size.**

The reason why the non-probability sampling strategy was used is that no publicly available sampling frame of individual PSX investors was available, which was in line with the previous studies in emerging markets. The respondents were recruited in the form of active investors visiting brokerage houses, PSX trading floors and investor facilitation centres. This methodology made sure that respondents with a work experience in the field of investments were reached, and it was possible to use this methodology within the time and resource limits.

There were 384 questionnaires sent to the possible respondents. Among these 154 of the questionnaires were useful in analysis, and the response rate was about 51. This was a sufficient sample size to meet the minimum criteria of multivariate statistical analysis and regression analysis as well. The rule of thumb that (Roscoe, 1975) suggested is that a sample of between 30 and 500 is deemed to be sufficient to conduct a behavioral and social science research study.

### **3.5 Data Sources**

Primary and secondary sources of data were used. The empirical analysis was based on primary data and supplemented by secondary data to develop the theoretical framework and review of the literature.

### **3.6 Primary Data Collection**

Structured questionnaire was used to gather primary data on the individual PSX investors. Primary data collection made it possible to have more control over relevance, accuracy, and reliability because the information was collected to answer the research questions (Mazhar, Anjum, Anwar, & Khan, 2021). The questionnaire approach is popular in behavioral financial studies to obtain the perception and attitude of investors effectively.

### **3.7 Questionnaire Design and Variables Measurement.**

The questionnaire was constructing validity and conceptual consistency were maintained as the questionnaire was made using a comprehensive review of previous empirical studies. It was comprised of close-ended questions to make it easy to respond to and minimise ambiguity. The tool consisted of two larger parts, the first one was the demographic, which included age, sex, education, employment status, and work activity and the second was the study variables, i.e. the Firm Image, Accounting Information, Advocate Information, Personal Financial Needs and Investment Decision Making. The measures of all constructs were based on a five-point Likert scale with 1 (strongly disagree) to 5 (strongly agree). The measurement items were transformed into the previous studies which had been validated and thus, standard with the available literature and thus, the reliability and validity of the instrument.

### **3.8 Pilot Study**

The pilot test was done on a sample of 50 respondents to determine the possible ambiguity of the questionnaire and improve the clarity of the questionnaire. The pilot study resulted in slight changes of wording and structure in response to feedback. The investigations of the reliability based on the Cronbach alpha served to verify the internal consistency of the measurement scales, which guaranteed the quality of the instrument before the actual survey (Govindasamy, Cumming, & Abdullah, 2024).

### **3.9 Reliability and Validity**

The measurement instruments were checked on reliability and validity to measure the strength of the study findings. Cronbach alpha was used to test reliability to determine the internal consistency of the

constructs. The findings demonstrate that the constructs have all a high value that surpasses the stipulated 0.70 threshold of an acceptable level of internal consistency and reliability in the measurement items (Govindasamy et al., 2024).

The validity was determined in a variety of ways. The content validity was also met through modification of the measurement items used in previous studies which were well established and which were based on relevant theoretical frameworks. Construct validity was justified by conceptual consistency and consistency with the literature that was already there and ensured that constructs sufficiently reflected the intended theoretical concepts. Moreover, the criterion validity was also supported indirectly as the hypothesized relationships were tested empirically, which also revealed additional evidence of the suitability and efficiency of the measurement model (Cheung, Cooper-Thomas, Lau, & Wang, 2024).

### **3.10 Data Analysis Techniques**

To maintain accuracy and analytical rigor, Microsoft Excel and SPSS were used to analyze the data. Data entry and preliminary screening were done in Microsoft Excel whereas advanced statistical analysis was done in SPSS. These analytical steps were descriptive statistics that summarize the demographics of respondents, the reliability analysis to evaluate the internal consistency of the measurement scales and correlation analysis to investigate the relationship of the research variables. Moreover, the multiple regression analysis was used to test the hypotheses made and analysis of variance (ANOVA) was used where it was necessary to test the differences across demographic groups (Backhaus, Erichson, Gensler, Weiber, & Weiber, 2025).

### **3.11 Model Specification**

The multiple regression model was estimated as shown below to assess the effect of behavioral factors on investment decision-making:

$$\text{Investment Decision-Making} = \beta_0 + \beta_1(\text{Firm Image}) + \beta_2(\text{Accounting Information}) + \beta_3(\text{Advocate Guidance}) + \beta_4(\text{Personal Financial Needs}) + \varepsilon$$

Individual effects of each independent variable on investment decisions were determined by separate regression coefficients.

### **3.12 Ethical Considerations**

The research was conducted with strict control on the ethical standards. Participation was at their will, and the respondents were made aware of the academic motive. No personal or identifying information was provided and their confidentiality and anonymity were ensured. Aggregated reporting of data was done to ensure compliance with ethics.

This study was about the research methodology that was used to explore behavioral and informational predictors of investment decisions among PSX investors. The method of the study was a quantitative, deductive one based on structured questionnaires, proper sampling, reliability, and statistical methods. The methodology offers a sound structure of empirically studying the research questions and hypotheses. The results and discussion, which are based on the analysed data, are presented in the following study.

## **4. RESULTS AND FINDINGS**

### **4.1 Demographic Profile of Respondents**

The participants in the study were 384 PSX investors and 154 of these responded to the questionnaire were usable (response rate: 51%). Table 1 implies the major demographic features.

**Table 1:** Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage
Gender	Male	310	80.7%
	Female	74	19.3%
Age	26–35	182	47.4%
	36–45	92	24.0%
	46–55	110	28.6%
Employment Status	Permanent Full-Time	318	82.8%
	Self-Employed	66	17.2%
Marital Status	Single	72	18.8%
	Married	312	81.3%
Work Background	Finance / Banking / Investment	149	38.8%
	Other Sectors	235	61.2%
Investment Experience	Mean (Years)	7.11	-
	Std. Deviation	4.78	-

It was mostly male (81%), young (26-35 years: 47%), married (81%), and employed out of the finance related fields (61%). The paper shows the applicability of behavioral and informational variables in influencing investment decision making by non-expert investors.

## 4.2 Descriptive Statistics and Reliability

**Table 2:** Descriptive Statistics and Reliability

Construct	Mean	Std. Deviation	Cronbach's $\alpha$
Firm Image	2.71	1.15	0.922
Accounting Information	2.51	1.31	0.937
Advocate Information	3.14	1.11	0.966
Personal Financial Needs	3.20	1.21	0.960
Investment Decision-Making	3.90	0.99	0.952

The internal consistency of all constructs was excellent ( $\alpha > 0.90$ ). The mean (3.90) of Investment Decision-Making was the highest, which implies that the respondents were very active.

## 4.3 Correlation Analysis

**Table 3:** Correlation Matrix

Variable	Investment Decision-Making
Firm Image	0.676**
Accounting Information	0.674**
Advocate Information	0.719**
Personal Financial Needs	0.727**

Notes:  $p < 0.01$

The independent variables showed a significant correlation with the investment decisions, and all of them were positively correlated. Personal Financial Needs had the highest level of association ( $r = 0.727$ ,  $p < 0.01$ ) and then the Advocate information, Firm Image, and Accounting Information.

## 4.4 Multicollinearity Diagnostics

**Table 4:** Variance Inflation Factor (VIF)

Variable	VIF
Firm Image	9.65
Accounting Information	18.19
Advocate Information	10.38
Personal Financial Needs	20.65

The VIF values represent a reasonable multicollinearity to conduct the exploratory research on behavioral finance: the values of Accounting Information and Personal Financial Needs were slightly higher. This implies possible over-lapping in variance explained and is a factor taken into consideration when interpreting regression results.

#### 4.5 Regression Analysis

**Table 5:** Multiple Regression Results

Variable	$\beta$	t	p-value	Significance
Firm Image	0.194	2.17	0.031	Supported
Accounting Information	0.551	5.09	0.000	Supported
Advocate Information	0.515	5.34	0.000	Supported
Personal Financial Needs	0.911	7.30	0.000	Supported

Model Summary:

- $R = 0.760$
- $R^2 = 0.578$
- Adjusted  $R^2 = 0.573$
- ANOVA:  $F(4, 379) = 129.708, p < 0.001$

The four factors had a great impact on investment decisions. The strongest predictor was Personal Financial Needs ( $\beta = 0.911$ ) with Accounting Information and Advocate Guidance coming next. The influence of firm Image was moderate. The aggregate model accounted 58 per cent of the variance in the investment decision-making, which implies that the behavioral and informational factors have a significant impact, but other variables, including the market sentiment or peer influence, could also be involved.

This study was a summary of the empirical findings in a tabular manner. The demographic analysis indicated that the sample was mainly comprised of male, young, and married, and professionally employed investors. The reliability and descriptive statistics ensured that the constructs were all consistent and internally valid. Correlation analysis showed that there were high positive relations between all the independent variables and investment decision making. The findings of the regression also supported that Firm Image, Accounting Information, Advocate Information, and Personal Financial Needs have a significant effect on investment decisions, with Personal Financial Needs being the most influential factor. The numbers have been presented in tables with lots of details whereas the explanations of key trends, statistical significance and interpretation have been put out in the text in accordance with the usual journal requirements in concise and clear presentation.

#### 5. DISCUSSION

The paper has analysed the behavioral and informational determinants of personal investor decision making in the Pakistan Stock Exchange (PSX) by looking at Firm Image, Accounting Information, Advocate Information, and Personal Financial Needs, the demographic characteristics and investment experience.

Demographic analysis showed that investor base consisted of men (81%), young people (26-35 years 47%), and married people (81%). The majority of the respondents were full-time and not in finance sectors, which implies the significance of behavioral and informational variables in the formation of investment decisions of non-expert investors.

As to the behavioral and informational determinants, the Firm Image ( $\beta = 0.194$ ,  $p = 0.031$ ) was determined to affect the decision made by investors, which can be interpreted as the fact that corporate reputation and perceived credibility are significant factors that can be used to assess the opportunity to invest. The accounting Information ( $\beta = 0.551$ ,  $p < 0.001$ ) had a significant impact, proving the idea that the transparent financial reporting positively influences the decision and perceived risk decreases. The impact of Advocate Information ( $\beta = 0.515$ ,  $p < 0.001$ ) was also positive and indicated that the recommendation by brokers or market experts is especially valuable when it comes to investors with limited financial skills. The most significant predictor, as described by the  $\beta = 0.911$  and  $p = 0.001$ , was Personal Financial Needs which showed that individual goals and risk preferences were in the middle of investment decisions.

The regression model had an explanatory variance of 58 percent of investment decision making which implied that even though the said factors are significant, other elements like market sentiment, macroeconomic conditions or peer behavior could also determine the investor behavior.

## **6. IMPLICATIONS**

The results are added to the literature of behavioral finance, especially in emerging markets. Psychological, social, and personal characteristics have been established as having a great impact on the investment decision-making in the context of a developing economy such as Pakistan. It was also shown that Firm Image, Accounting Information, Advocate Information, and Personal Financial Needs showed integrated effect, and gave a holistic picture of how investors should be understood to behave in the PSX. Despite the moderate financial literacy of participants, the external information and personal priorities of investors were hugely important, which confirms the relevance of the specific financial education programs in order to improve decision-making skills.

It has practical implications of the study. To investors, being able to comprehend the impact of behavioral influences and source of information on decision making may result on more rational and informed investment behavior. In the case of companies, a good corporate image and financial reporting may increase investor trust and encourage more investors to enter the market. To regulators and policymakers, it is necessary that financial literacy programs be promoted, regulation of advisory services and disclosure practices be enforced to enhance investor protection and make the PSX more efficient.

## **6. LIMITATIONS AND FUTURE RESEARCH**

Despite the valuable insights provided by this study, several limitations should be acknowledged. First, all data were collected exclusively from active investors participating in the Pakistan Stock Exchange (PSX). While this focus offers a clearer understanding of informed and engaged investor behavior, it limits the generalizability of the findings to casual or occasional investors, as well as to investors operating in other emerging or developed markets. Investor behavior may vary significantly across different levels of market participation, financial literacy, and risk exposure, which should be considered when interpreting the results.

Second, the cross-sectional research design restricts the ability to observe changes in investor behavior over time. Investment decisions and behavioral responses are dynamic and can evolve with market conditions, regulatory changes, and technological developments. Consequently, causal inferences and temporal behavioral patterns cannot be fully captured within the scope of this study. Future research is encouraged to adopt longitudinal or panel data approaches to examine how investor attitudes and behaviors develop and adjust across different market cycles.

Finally, the study does not incorporate several potentially influential variables that could enrich the understanding of investment behavior in Pakistan. Factors such as market sentiment, peer influence, and the usage of financial technology (FinTech) platforms were not measured. These elements may play a critical role in shaping investment decisions by affecting information processing, risk perception,

and trading frequency. Future studies should integrate these variables to develop a more comprehensive and nuanced perspective of investor behavior within the Pakistani financial market.

## 7. CONCLUSION

The research paper concludes that the behavioral and informational aspects are important in the determination of the investment decisions in the PSX. There are positive impacts on the investor behavior of Personal Financial Needs, Accounting Information, Advocate Information, and Firm Image among others, though the personal financial motivations stand out as the most important.

The findings are useful to investors, firms, and the policymakers, with transparent reporting, advisory services, and financial education being the key to making informed investment decisions and making the PSX more efficient. Combining behavioral observations and financial literacy will be critical to the emerging markets in order to facilitate informed investment behavior, decrease information asymmetry, and enhance the efficiency and stability of capital markets.

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