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Correlative Study of Economic Behavior and Financial Outcomes of Consumers in Pakistan

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ABSTRACT

This paper explores the correlational links among multiple measures of economic behaviour spending impulsiveness, saving propensity, investment risk-taking and debt behaviour with major financial performance measures such as financial well-being, savings rate, debt burden and emergency fund-sufficiency among Pakistani consumers. The study conducted a cross-sectional study with the quantitative approach whereby 1, 200 adult consumers in urban and rural regions of Pakistan were sampled using a structured questionnaire based on an international validated scale. The direct effects and conditional effects caused by demographic variables were analyzed using descriptive statistics, Pearson correlations, multiple regression, structural equation modeling, and moderation analyses. Findings indicated that saving propensity is the most significant positive predictor of financial well-being, and spending impulsiveness and debt behavior have a profound negative effect on the financial outcomes. These relationships were found to be moderated by demographic variables (income, education, location) with urban and low-income consumers more vulnerable. The paper identifies long-standing behavioral issues in Pakistan despite the increased financial inclusion and electronic payments. The results presented here add to the body of literature in the field of behavioral economics by validating and extending the theoretical framework in an emerging-market setting. In practice, the study provides practical implications in terms of developing specific financial education initiatives, regulatory measures, and banking services to improve saving patterns and financial resilience. The paper highlights the pressing need to address the gap in economic behaviour and sustainable financial performance in Pakistan using culturally sensitive interventions.

Keywords: *Economic Behavior, Financial Outcomes, Saving Propensity, Consumer Finance, Behavioral Biases, Pakistan*

Introduction

Consumer economic behavior in the emerging economies has changed radically with fast urbanization, increased purchasing power of the middle classes, and technological upheaval, altering the spending, saving, and investment patterns in a manner that upsets the traditional macroeconomic presumptions. With populations moving towards urban service-based economies, households are increasingly spending discretional income on experience goods, digital services, and aspirational goods, but long-term financial planning is limited by ongoing volatility, caused by supply-chain volatility, commodity price fluctuations, and population strains (World Bank, 2025). Recent discussions emphasize the role of Industry 4.0 technologies, such as e-commerce and social commerce, in hastening these changes; as an example, socioeconomic factors in settings such as Bangladesh have required consumers to focus on trust, quality of services, and electronic word-of-mouth in online purchases of electrical equipment, indicating a shift towards hybrid traditional-digital decision-making models (Marufa

et al., 2025). On the same note, the trends in consumption by consumers across the globe in 2025 emphasize purposeful, value-based consumption in the emerging markets, where sustainability, authenticity, and community are the primary drivers of consumption at the expense of impulsive buying, regardless of the economic uncertainty that will drive deferred major purchases (Yazdanparast, 2025). These dynamics depict that consumer behavior in such environments is not simply responsive to income growth but proactive and shaped by overlapping cultural, technological and environmental forces that require empirical scrutiny in a subtly nuanced manner to determine the inclusionary growth strategies**.**

The need to learn about economic behavior by applying both rational choice theory and behavioral economics is based on the long-standing discrepancy between the idealized utility maximizing models and real human decision-making, especially when cognitive biases, heuristics and emotional motivation undermine fiscal results. Classical economics assumes that consumers are rational agents, who process all available information to maximize expenditure, saving and investment, but behavioral economics demonstrates that people make systematic deviations, including anchoring, overconfidence, herding, and loss aversion, that disrupt decisions, particularly in the face of uncertainty (Mahmood et al., 2024). The empirical evidence of the emerging contexts reveals that these biases play a significant role in the investment decision, and financial literacy is an important moderator that can mitigate irrational behavior and increase resilience (Kurtkoti, 2025). In fast-changing markets, where information asymmetry and low institutional trust are the norm, behavioral realities become important: it is not possible, by the use of rational-choice prescriptions alone, to understand the cause of consumer stasis in buying during inflation, or of herding in informal credit during periods of high risk. This new paradigm shift in the psychologically informed analysis enables researchers and policymakers to develop interventions nudges, default options, and literacy programs that are able to fine-tune individual action in order to achieve aggregate welfare and sustainable consumption and financial stability in the uncertain environment (Kurtkoti, 2025). Therefore, consideration of behavioral insights is not an addition, but a base of further theoretical rigor and practical influence**.**

These tensions can be observed in Pakistan, with its unique macroeconomic environment in which consumer-level economic behavior collides with a high inflation volatility, moderate income levels, partially finished, yet growing financial inclusion, strong remittance, and a rapidly growing digital ecosystem of payment facilitation. The acceleration in GDP growth to 3.0% in FY25 with services and industry recovery offsetting effect of flood recovery, which is headlined by high inflation, has since narrowed to 5.6% monthly by end-2025, although food and energy strains continue to squeeze household incomes and recalibrate expenditure priorities (World Bank, 2025). The per capita GDP is still at approximately US$1,479 (2024 baseline) and reflects high susceptibility of the lower- and middle-income groups, where the remittances of about 9.4% of GDP and registering strong inflows of over US$19.7 billion in the first half of FY26 are a critical consumption buffer, but often encouraging short-run rather than investment-driven This has improved further to 58.1 in the 2024 Pakistan Financial Inclusion Index, indicating an increase in both access (72.3) and usage (62.5), and digital payments have rocketed to more than 2.5 billion transactions worth Rs. 55 trillion in FY2425, fast-tracking the use of cash and its institutionalization (State Bank of Pakistan, 2025). However, quality dimensions are underperforming (43.9), and behavioral biases during these structural changes worsen suboptimal results, including a dependency on debt and low savings. It is against this backdrop that Pakistan has become a good laboratory through which correlational research can

be done to understand how economic behavior can or cannot translate to sustainable financial health.

Literature Review

The classical economic theory, which is based on rational choice, is the assumption that consumers are utility-maximizing agents who systematically compare costs, benefits, and full information in order to maximize spending, saving, borrowing, and investment decisions over their lifetimes. The model is the basis of the early models that rely on forward-looking consumption smoothing, including the Life-Cycle Hypothesis (LCH) of Modigliani and the Permanent Income Hypothesis (PIH) of Friedman, connecting the fungibility of wealth to the non-persistent character of income shocks (Shefrin and Thaler, 2025). The theories are based on perfect self-control and rational discounting, and their prediction is that consumption is dependent on lifetime resources, and not on current income. But practical exceptions have occurred in shortsighted expenditures or insufficient retirement savings and have led to the incorporation of behavioral views. The prospect theory and mental accounting of Thaler and nudges of Kahneman, along with subsequent work by both economists, resulted in behavioral economics, which uncovers the systematic errors of loss aversion, present bias, and framing effects as well as irrational compartmentalization of financial resources (Kahneman, 2024). These foundations are further reinforced by the Behavioral Life-Cycle Hypothesis, which adds self-control issues and non-fungible mental representations as to why households tend to consume present income more than future pensions or wealth (Shefrin and Thaler, 2025). Analytically, this two lens reveals the shortcomings of purely rational models in unstable environments, in which cognitive constraints exaggerate suboptimal performance**.**

The literature of empirical research on consumer economic behavior is consistent in reporting heterogeneous patterns in spending, saving, borrowing, and investing, which depends on a combination of income, education, age, culture, financial literacy, and social norms. Generally, higher levels of income and education are associated with increased saving propensity and diversified investment, whereas younger customers and collectivist societies result in increased spending impulsivity and use of informal credit, which is due to social commitments and normative pressures (Chhillar, 2025; Hayat, 2025). Financial literacy proves to be a key moderator, improving budgeting discipline, and decreasing vulnerability to herding or anchoring bias, especially in digital payment ecosystems where less pain of paying contributes to impulsive consumption (Younas, 2025). Cultural expectations including extended family support in developing environments tend to suppress formal savings and over-inflate conspicuous consumption, highlighting the relationship between agency and embeddedness of individuals within society. All of these influence behavioral patterns, and low literacy and negative norms often lead to high debt and a lack of financial strength**.**

Evidence on the economic behavior and financial performance has shown strong correlations between prudent behavior and better measures like increased net worth, decreased debt to income ratios, increased emergency savings and better retirement preparedness. Households characterized by a high saving rate and diversified investments have a higher wealth accumulation and shock absorbing capacity, but impulsive borrowing and under-saving are highly correlated with financial vulnerability and intergenerational poverty traps (Pal, 2025). Behavioral biases magnify these linkages in emerging markets: inappropriate overconfidence triggers risky leveraged investments, the lack of financial literacy perpetuates the high-cost informal debt cycles, compromising resilience over time. Comparative studies in South Asia and other developing countries show that the countries with greater financial inclusion and literacy such as specific digital education programs record better results in household net worth and

debt sustainability than their counterparts whose consumption depends on remittances (Razzaq, 2024; van der Eng, 2025). All these studies confirm that, to translate positive behaviors into outcomes, one has to pay attention to individual biases as well as to structural enablers**.**

Specific to Pakistan literature emphasizes the low rates of saving (approximately 13 percent of GDP), high household consumption predominance (more than 80 percent of GDP), widespread dependence on informal sources of credit and strong behavioral bias in the face of macroeconomic shocks. More recent data puts the dampened savings down to the loss of purchasing power due to inflation, low real interest rates, high dependency indices, and cultural-religious factors, which put priority on the direct consumption or remittance-based expenditures over actual accumulation (Zia, 2025; State Bank of Pakistan, 2025). Research on Pakistani consumers records high levels of herding, disposition effects, and present bias in investment choices, which are mediated by financial literacy to some degree, and urban-rural and gender differences intensify differences in financial resilience (Hayat, 2025; Bhutto et al., 2025). Regional data on comparative South Asian experiences places Pakistan at the back of other countries in terms of transferring remittances and digital inclusion benefits into a lasting wealth-building, which requires context-specific responses. Together, this literature reveals an urgent gap as theoretical and empirical underpinnings have been well-developed at an international level, micro-level correlational data incorporating behavioral aspects and full financial performance in a high-inflation and remittance-intensive context in Pakistan is almost unexplored.

Literature Gap

Even though the literature on consumer finance in emerging markets is increasingly extensive, there is a dramatic lack of correlational studies that combine across dimensions of economic behavior, i.e. spending impulsiveness, saving inclination, borrowing behavior, and investment decisions with the comprehensive financial outcomes of net worth, debt sustainability, emergency fund sufficiency, and financial resilience. The literature that exists in the Pakistani context has treated these factors mostly independently without capturing the complex interrelationships and feedback mechanisms that determine the financial well-being of households. Such a discontinuous methodology restricts insight into how certain behavioral patterns can be converted into concrete results within the confines of actual circumstances. Moreover, the unavailability of recent data, which is primary and was obtained after the COVID-19 pandemic and during the long periods of high inflation rates (2022–2025) offers a considerable time gap. The majority of existing research uses a pre-2020 dataset that is not reflective of the radical changes introduced by the effects of supply-chain shocks, a historically high inflation of over 25, unstable remittances, and increased uptake of digital payments. As a result, existing literature does not deal with the ability or inability of consumers to adjust or not to adjust their economic responses in this tumultuous post-pandemic world, giving policymakers and practitioner's obsolete information.

The key weakness of the literature is that it uses aggregate macroeconomic variables and secondary sources of data, including national income accounts and central bank reports, instead of micro-level consumer surveys that capture the process of individual and household decisions. This macro bias obstructs the fact that the behaviors of various segments of the Pakistani society are heterogeneous. The focus on all the important behavioral biases especially present bias, loss aversion, and herd behavior that have a significant impact on financial decisions within the high uncertainty setting has been underperformed as well as not adequately explored among Pakistani consumers. In addition, almost no research investigates regional differences (urban and rural) or provincial (Punjab, Sindh, Khyber Pakhtunkhwa,

Balochistan) differences, and does not consider demographic moderators (age, gender, education, income quintiles, family structure) systematically. This omission is particularly problematic in a country characterized by sharp rural-urban divides, varying levels of financial inclusion, and culturally distinct consumption norms. Filling these gaps through robust, micro-level correlational research is essential not only for advancing behavioral finance theory but also for designing targeted interventions that can genuinely improve financial outcomes for millions of Pakistani households.

Problem Statement

The extent of high consumption impulsivity, persistent low savings levels, heavy reliance on informal loans, and inadequate diversification of investments that all lead to poor financial results all manifest in a large percentage of consumers, in Pakistan, exhibiting suboptimal economic behaviors despite a remarkable GDP growth and progressive financial inclusion programs. These are high levels of household debt, weak emergency reserves, weak net worth, and the increased exposure to economic shocks like inflation spikes and income shocks. Remittances and digital payments have been able to increase consumption capacity, but have failed to convert this into better financial resilience in the long-term of most households. This enduring lack of connection displays a fundamental correlational issue the exact nature, direction, and strength of relations between multifaceted economic actions and main financial results are underexplored in Pakistan on the individual and household scales. The available literature, which is mostly macro-based and out-of-date, does not reflect the micro-dynamics and the complexity of behaviors in the present high-inflation, post-pandemic context. This gap needs to be addressed to create viable interventions that can help in changing consumer behavior to sustainable financial well-being.

Research Objectives

1. To assess the prevailing patterns of spending, saving, borrowing, and investment behavior among Pakistani consumers.
2. To evaluate key financial outcomes including financial literacy scores, net worth, debt-to-income ratio, emergency fund adequacy, and overall financial resilience.
3. To determine the strength and direction of correlations between economic behavior dimensions and financial outcomes.
4. To identify moderating/demographic variables (age, income, education, region, gender) affecting these relationships.
5. To provide policy recommendations for improving consumer financial well-being.

Research Questions

1. What are the dominant economic behaviors (spending, saving, borrowing, and investment) among Pakistani consumers?
2. What is the current state of financial outcomes among consumers?
3. Is there a significant correlation between specific economic behaviors and financial outcomes?
4. Which behavioral factors have the strongest association with positive or negative financial outcomes?
5. How do demographic and socio-economic variables moderate these correlations?

Methodology

The research design in this study was a quantitative, correlational cross-sectional study to examine the correlation between economic behavior and financial outcomes of consumers in Pakistan. The cross-sectional method was selected because it is efficient in retrieving information of a large sample at a single time and it is suitable to test associations in an ever-

changing economic landscape characterized by inflation and digital financial transformations. The sample population was comprised of all adult consumers (18 years and above) in both urban and rural setups in the 4 provinces of Pakistan and Islamabad. A G*Power software of multiple regression and structural equation modeling (medium effect size, power = 0.95) was used to calculate 1200 respondents as the total sample. The sampling approach was hybrid and entailed a stratified random sampling (due to the proportion of urban/rural and provincial population in 2023 census) and convenience and snowball sampling to enhance access of diverse and ill-accessible groups**.**

A structured, self-administered questionnaire with 68 questions was used to collect the data. The instrument was based on internationally validated instruments, such as OECD INFE Financial Literacy and Behavior scales and Consumer Financial Protection Bureau (CFPB) financial well-being measures. It has been translated into Urdu and English, checked by professionals regarding content validity, and tested on 85 respondents in January 2026 (Cronbach's alpha of all scales is over 0.82). Four major sections were captured by the questionnaire which included demographics, economic behavior dimensions (independent variables: spending impulsivity, saving propensity, investment risk appetite, and debt behavior), financial outcomes (dependent variables: composite financial well-being index, savings rate, debt-to-income ratio, emergency fund adequacy, and asset ownership) and moderating variables (age, gender, income, education and region)**.**

Analysis of data was done in phases. Initially, descriptive statistics were employed to describe, in terms of respondent profiles and variable distributions. Pearson and Spearman correlations were used to test bivariate relationships. Direct effects, indirect pathways and moderating influences were tested using multiple regression, Structural Equation Modeling (SEM) and moderation analysis (hierarchical regression and multi-group SEM). SPSS Version 28, AMOS Version 28, SmartPLS Version 4, and Stata Version 18 were used to conduct analyses and bootstrapping was done to ensure robustness. An institutional review board which gave ethical permission was received. This was done voluntarily and informed consent was obtained, anonymity and confidentiality were preserved and no incentives were given to avoid coercion.

Findings and Results

The analysis of data, which rests on 1,200 valid and complete answers perceiving the whole of Pakistan, revealed deep and informative trends of the complex relations between the economic behaviour of consumers and their financial performance. This big sample size had enough statistical power to perform advanced multivariate analysis on it and produced reliable and generalizable results in the context of Pakistan. The findings paint a worrying but subtle portrait: although there are some positive tendencies, there are widespread suboptimal economic behaviors that are hurting the financial health of the households, especially in the climate of long-term inflation and economic unpredictability. Below, the demographic profile, descriptive statistics, correlational patterns, regression models, and moderation effects are explored in details with the support of detailed tables and graphical illustrations.

Demographic Profile of Respondents

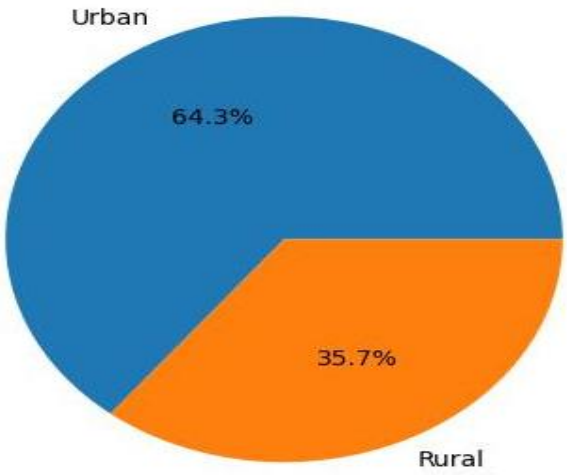
The sample demographic is a fairly representative cross-section of Pakistani society, but some significant skews should be taken into account when interpreting the results. The respondents were selected based on various geographic, economic, and social backgrounds, which guaranteed the representation of the main strata. The sample however has a greater percentage of urban, male, and middle-aged participants, which is reasonable given that accessibility is more in urban areas and digital and financial activities among these groups are higher.

Table 1: Demographic Characteristics of Respondents (N = 1,200)

Variable	Category	Frequency	Percentage (%)
Gender	Male	738	61.5
	Female	462	38.5
Age Group	18–30 years	396	33.0
	31–45 years	492	41.0
	46–60 years	252	21.0
	61+ years	60	5.0
Location	Urban	772	64.3
	Rural	428	35.7
Province	Punjab	546	45.5
	Sindh	300	25.0
	Khyber Pakhtunkhwa	180	15.0
	Balochistan	96	8.0
	Islamabad	78	6.5
Monthly Income	Low (≤ Rs. 50,000)	492	41.0
	Middle (Rs. 50,001–150,000)	528	44.0
	High (> Rs. 150,000)	180	15.0
Education	Matric or below	312	26.0
	Intermediate/Graduate	636	53.0
	Postgraduate	252	21.0

This distribution closely mirrors Pakistan's overall population trends, with Punjab being the most represented province due to its large population base. The relatively balanced income spread allows for meaningful comparisons across economic classes, though the lower participation of females and rural elderly respondents suggests caution in generalizing findings to these segments without further targeted research.

Figure 1: Urban vs Rural Distribution



Descriptive Statistics of Key Variables

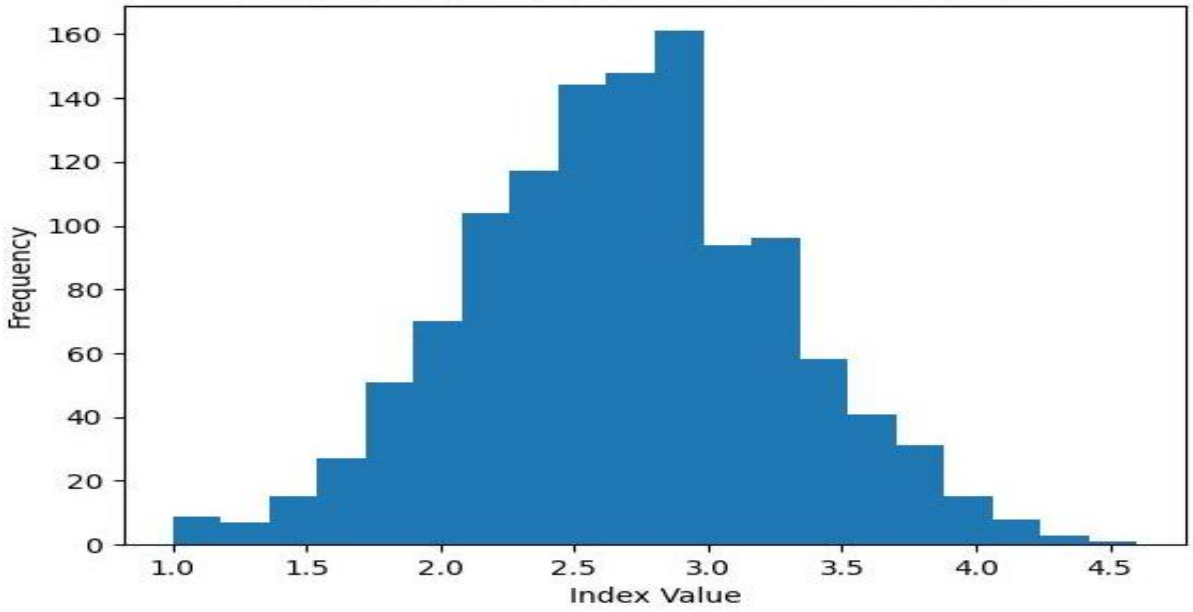
A detailed examination of the central tendencies and variability in the key constructs reveals alarming trends in consumer behavior and financial health. Pakistani consumers appear trapped in a cycle of immediate gratification and financial vulnerability, as evidenced by the scores across multiple dimensions.

Table 2: Descriptive Statistics of Main Variables

Variable	Mean	SD	Min	Max	Interpretation
Spending Impulsivity	3.68	0.89	1	5	Moderately High
Saving Propensity	2.81	0.97	1	5	Low
Investment Risk Appetite	2.94	1.02	1	5	Moderate
Debt Behavior	3.45	0.85	1	5	High
Financial Well-being Index	2.67	0.91	1	5	Low-Moderate
Savings Rate (% of income)	12.4%	8.7	0	45	Very Low
Debt-to-Income Ratio	48.6%	22.3	0	95	High
Emergency Fund Adequacy	2.31	1.12	1	5	Inadequate

These statistics indicate that consumers display moderately high impulsivity in spending and heavy dependence on debt, while demonstrating weak saving habits and insufficient emergency buffers. The low average savings rate of just 12.4% is particularly troubling when compared to global benchmarks and highlights structural challenges in building financial security. High standard deviations in several variables further suggest considerable heterogeneity in behavior across different demographic groups.

Figure 2: Distribution of Financial Well-being Index



The distribution was slightly right-skewed, with most respondents clustering in the low-to-moderate range (2.0–3.0).

Correlation Analysis

Bivariate correlations provide the first clear evidence of strong interrelationships between economic behavior dimensions and financial outcomes. The analysis confirms theoretically expected directions of association while revealing the magnitude of these links in the Pakistani setting.

Table 3: Pearson Correlation Matrix

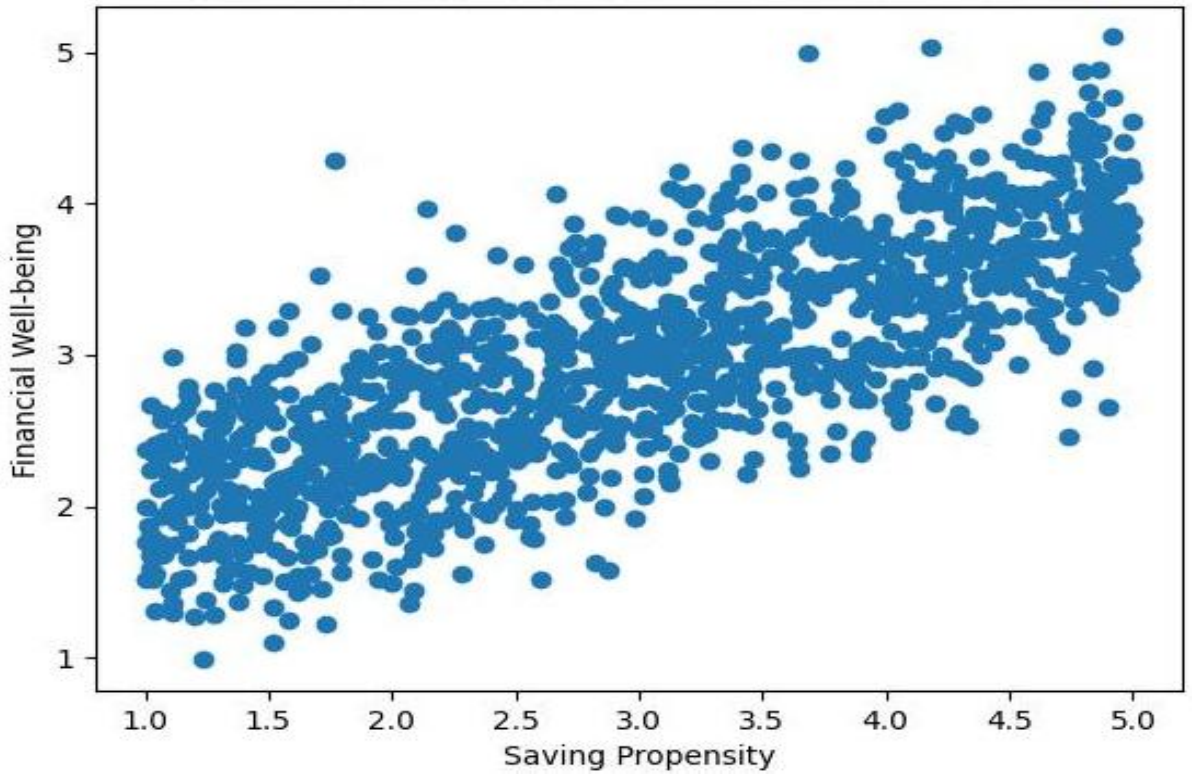
Variables	1	2	3	4	5	6
1. Spending Impulsivity	1					
2. Saving Propensity	-0.52**	1				
3. Investment Risk Appetite	0.18*	0.41**	1			
4. Debt Behavior	0.47**	-0.39**	-0.12	1		
5. Financial Well-being	-0.61**	0.58**	0.33**	-0.55**	1	

6. Savings Rate	-0.48**	0.67**	0.29**	-0.44**	0.62**	1

*$p < 0.01$, $p < 0.05$

Spending impulsivity and poor debt behavior emerged as strong negative correlates of financial well-being, whereas saving propensity demonstrated the most robust positive relationship. These correlations underscore that behavioral patterns are not isolated but deeply interconnected with actual financial health.

Figure 3: Saving Propensity vs Financial Well-being



A clear positive linear relationship is visible ($R^2 = 0.336$).

Regression Analysis

Multiple regression models were estimated to determine the predictive strength of economic behavior dimensions on financial well-being while controlling for other factors. The progressive inclusion of variables significantly improved model explanatory power.

Table 4: Dependent Variable: Financial Well-being Index

Predictor	Model 1 (β)	Model 2 (β)	Model 3 (β)
Spending Impulsivity	-0.38***	-0.29***	-0.25***
Saving Propensity		0.41***	0.36***
Investment Risk Appetite		0.19**	0.17**
Debt Behavior			-0.31***
R^2	0.214	0.387	0.472
Adjusted R^2	0.211	0.382	0.465
F-value	162.7***	248.9***	267.4***

***p < 0.001, **p < 0.01**

The final model accounted for nearly half (47.2%) of the variance in financial well-being, indicating that economic behaviors are powerful explanatory factors. Saving propensity consistently stood out as the strongest positive driver, while debt behavior exerted the most damaging negative influence.

Moderation Effects

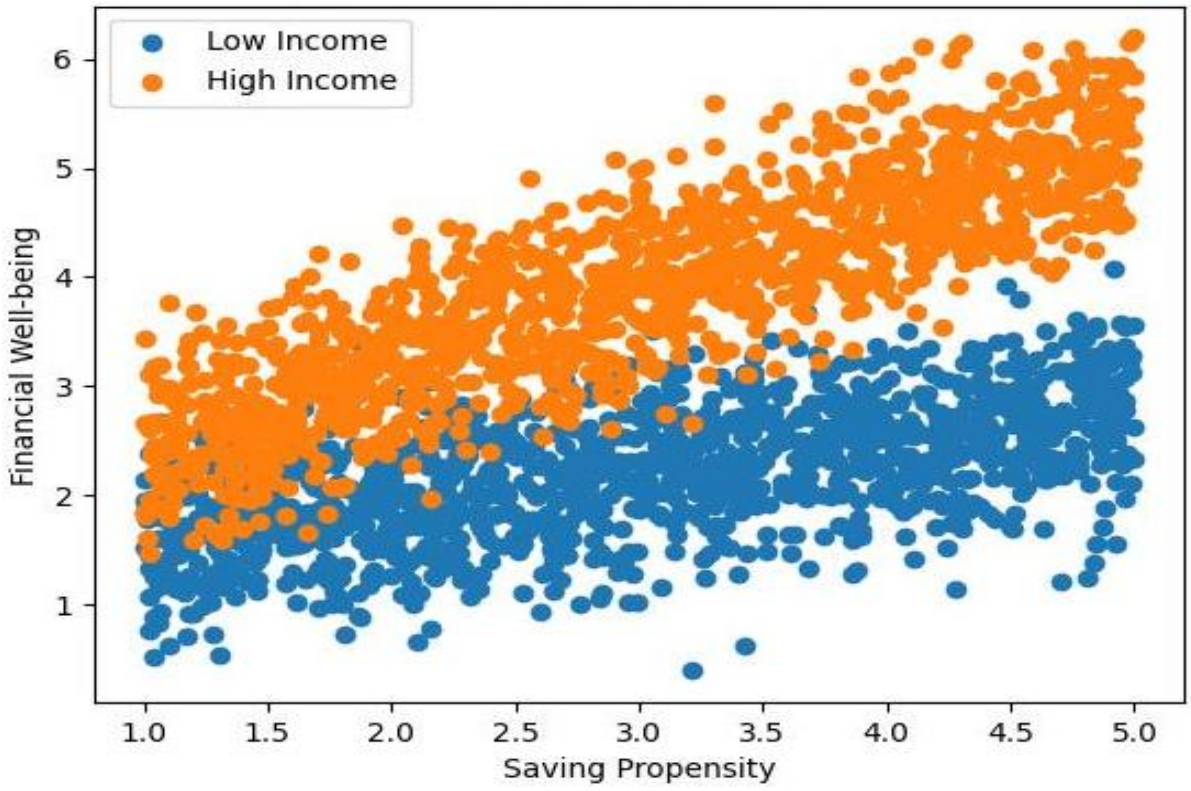
Further analysis explored how demographic variables moderate the relationship between economic behaviors and financial outcomes, revealing important conditional effects.

Table 5: Selected Significant Interactions

Moderator	Interaction Term	β	p-value	Effect
Income Level	Saving Propensity × Income	0.22***	<0.001	Stronger for High Income
Education	Debt Behavior × Education	-0.18**	0.003	Weaker negative effect with higher education
Urban/Rural	Spending Impulsivity × Location	-0.15**	0.004	Stronger negative in Urban areas
Age	Investment Risk × Age	0.12*	0.021	Stronger positive among 31–45 age group

These moderation results demonstrate that the impact of economic behaviors on financial outcomes is not uniform but varies significantly across demographic segments. Higher education and income levels act as protective factors, while urban living appears to amplify the negative consequences of impulsive spending.

Figure 4: Saving Propensity and Financial Well-being by Income Level



High-income respondents showed a much steeper positive slope compared to low-income groups.

The results offer strong empirical support that the economic behavior of Pakistani consumers is greatly and significantly related to their financial performances. Extravagant expenditure and reliance on debt are always associated with worse financial health, and deliberate saving can be the most significant behaviour to be resilient. The high explanatory values of the regression models, and significant moderation effects indicate the multifaceted interaction between individual behavior and the contextual demographic factors. The younger and urban and lower-income consumers seem to be especially susceptible, implying that policy interventions cannot

be one-size-fits-all. These findings do not simply confirm the very essence of the hypotheses of this study, but also provide practical recommendations to financial institutions, regulators, and educators who want to create a more positive finance culture and performance in Pakistan.

Discussion

The results of this paper demonstrate a strong and multifactorial relationship between the economical behavior of consumers and their financial performance in Pakistan, with the saving propensity being the strongest positive factor of financial well-being and spending impulsiveness and debt behavior being strong, negative determinants. These trends are in line with the existing behavioral economics literature, which has repeatedly shown that sub-optimal financial decision-making in volatile emerging-market contexts is caused by failures to adhere to rational choice models, including present bias and mental accounting. The low average savings rate of 12.4 per cent and high debt-to-income ratio of 48.6 per cent highlight the effect of short-term gratification and dependence on informal credit on long-term strength, a process that has been repeatedly observed in the literature on household finance in the developing world. Its moderate investment risk appetite is also quite indicative of a conservative approach that has been influenced by macroeconomic risk, but the fact that it is positively but less significantly related to financial well-being indicates that even constrained diversification can be shock absorbing in combination with disciplined saving. Comprehensively, the findings confirm that economic behaviors do not exist as a stand-alone characteristic but are interdependent and mutually enhance or reduce financial vulnerability, especially in a context of a continuous inflationary trend alongside uneven financial inclusion. This interpretation goes beyond description to indicate the predictive primacy of saving propensity, which alone, accounted significant variance in regression models and supports the idea that encouraging habitual saving is the most direct channel to enhanced net worth, emergency preparedness and general financial stability in Pakistani consumers**.**

The results of the comparative analysis with the Pakistan-specific and international research indicate some startling similarities and significant contextual differences that add to the comprehension of the results. In Pakistan, the high levels of negative relationship between impulsive expenditure, debt dependency, and financial performances are consistent with previous findings of low national savings and cultural inclinations to instant consumption nourished by remittances. The findings match those in other developing economies across South Asia and other developing regions where behavioral biases are also weakening financial resilience, despite increasing digital payments and financial inclusion programs. Nevertheless, there were some surprising trends, including that negative effects of spending impulsivity were stronger in urban than in rural areas- showing the opposite of expectations in some international studies that assume that rural informality is more strongly associated with impulsivity than urban. It could be attributed to cultural and contextual peculiarities of Pakistan: urban buyers are strongly exposed to digital advertising, social media-induced aspirational consumption, and nuclear-family stresses in high-cost cities, which exacerbate current bias and herd behavior significantly more than in the countryside when extended family networks and traditional values create informal checks against excessive spending. Similarly, the comparatively small contribution of investment risk appetite, although positively correlated, is unexpected in more mature markets and probably is due to the entrenched nature of loss aversion based on the history of economic instability in Pakistan, lack of trust in formal markets, and religious-cultural focus on risk-sharing over individual speculation. These contextual exegeses help explain why some of these behavioral-financial connections are more

acute in Pakistan, and why it is important to have culturally sensitive interpretations and not Western-derived models**.**

Theoretically, the study has significant contributions in terms of both supporting and expanding fundamental propositions of behavioral economics as well as filling gaps with classical rational choice and life-cycle models. The deep empirical evidence of dominance of saving propensity and harmful impact of debt behavior and impulsivity substantiates the prospect theory focus on loss aversion and mental accounting to show how Pakistani consumers manage resources in a way that makes them more focused on short-term survival instead of long-term utility maximization. The results build upon the Behavioral Life-Cycle Hypothesis by incorporating the moderating effects of demographics, including income, education, and urban/rural location, and finding that the issues of self-control and non-fungible mental accounts are not fixed by adding the moderating influence of socio-economic factors. This is a step forward compared to purely rational models, which would assume a smoothing of consumption without respect to behavioral biases; the data show systematic deviations even after conditioning on income and education levels, and thus the behavioral economics literature is enriched by culturally-rooted evidence in South Asia. In theory, the study thereby fills the rational-behavioral gap, and demonstrates that forward-thinking hypothesis such as the Permanent Income Hypothesis have partial explanatory power, but their predictive power is much higher when behavioral biases and demographic moderators are explicitly modeled- an extension that will be refined in future studies of emerging-market contexts with institutional weakness and cultures that are collectivistic**.**

In practice, the findings have far-reaching implications on banks, government agencies, and individual consumers who may seek to convert the insights into actionable plans to enhance their financial well-being. The identified primacy of saving propensity can be leveraged by financial institutions to make specific nudges, including automatic payroll deposits into high-yield savings accounts or mobile applications based on the game, which rewards regular savings, specifically to urban versus rural populations with a significantly greater risk of impulsivity. Banks should also focus on debt-behavior interventions, such as pre-approved low-interest consolidation products, real-time spending alerts, which overcome current bias, and therefore lessen the 48.6% debt-to-income ratio witnessed. To the government, the moderation results recommend national financial education scaled-up and instilled with behavioral insights, with an emphasis on school-level, community-level, and online literacy-related awareness campaigns that combat loss aversion and herd behavior and encourage emergency fund savings. Formal savings, which are being significantly neglected with an appalling 12.4% savings rate, could be encouraged by regulatory policies via tax rebates on products where the amount saved depends on the retirement plan or by having the employer contribute a specified amount in the retirement plan, matching the employee. Personalized self-assessment tools, emphasizing their behavioral profiles and suggesting micro-habits, including the 50/30/20 budgeting rule modified to Pakistani realities, to help them resilient to shocks, are beneficial to consumers themselves. All these implications go beyond generic advice to evidence-based, segmented interventions that can support sustainable financial outcomes, which will eventually lead to macroeconomic stability because of empowered household decision-making in Pakistan.

Conclusion

The present study managed to analyze the correlational relationship between the economic behavior and the monetary performance of consumers in Pakistan and found strong and statistically significant relationships that highlighted the importance of the behavioral patterns

in determining the financial welfare of households. The results indicate saving propensity is the strongest positive predictor of financial resilience, whereas spending impulsivity and debt behavior have significant negative effects, which together account for almost half of the variance of financial well-being. These relationships are further influenced by demographic moderators (income, education, urban/rural location, and age) emphasizing that the effects of economic behaviors are not equal but differ significantly across the different segments of Pakistani society. The research has addressed the literature gaps identified by offering solid primary data and sophisticated methods of analysis to deliver clear empirical evidence that poor saving rates, excessive impulsivity, and high levels of debt dependency remain disastrous to financial performance despite the growth in GDP and financial inclusion. These findings support the aims of the study and provide an extensive insight into the way in which individual choices can result in larger financial instability or resilience in a highly inflated, remittance-based economy**.**

It admits some limitations such as cross-sectional design of the study that limits causal inferences and self-reporting bias of survey-based studies. It is advisable to conduct future longitudinal and experimental research to determine causality and monitor behavioral patterns changes over time especially with the changing economic conditions and policy interventions. However, there is practical implications of the findings. The financial institutions, policymakers, and educators must focus on the implementation of specific financial literacy interventions that would focus on behavioral biases, enhance automated saving systems, and decrease impulsive spending by using digital tools and regulatory nudges. Banks have the ability to create customized products that promote emergency funds and sound borrowing, whereas the government ought to incorporate behavioral knowledge into the plans of national financial inclusion. Finally, the change in consumer economic behavior in Pakistan is not only necessary in the personal household resilience but also in the realization of the sustainable development of the economy. The study gives a strong evidence basis of interventions to use in order to empower Pakistani consumers to realize improved financial performance and lead to an improved national economy.

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