

## Understanding the Effects of Economic Uncertainty on Consumer Behavior: Evidence from Pakistan

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### ABSTRACT

#### Keywords:

Economic uncertainty, consumption choices Pakistan, focus groups, socio-cultural factors

The purpose of this study is to investigate the link between economic uncertainty and purchase decisions in Pakistan, with a particular emphasis on identifying the elements that impact consumer behavior. The study investigates the influence of income volatility, inflation, household demographics, and socio-cultural variables on purchasing decisions in uncertain economic circumstances using focus groups. The findings add to the current research by giving insights into the impact of economic uncertainty on household consumption in Pakistan and providing useful information for policymakers and practitioners in developing targeted interventions and policies. Focus groups give for a thorough understanding of consumer behavior in developing countries. The study acknowledges the need for additional research on variables that may influence consumer decisions. This research advances understanding of consumer behavior in developing nations while also promoting economic stability and well-being in Pakistan's distinct socioeconomic context.

### INTRODUCTION

The link between economic uncertainty and consumer decisions has gotten a lot of attention in the field of economics. Understanding this dynamic is especially important in the context of Pakistan, a developing country with a complex socioeconomic environment marked by variations in economic development, inflation rates, income disparity, and political instability. These factors lead to an atmosphere in which households frequently suffer economic uncertainty (Khan & Kiani, 2017; Khan & Qayyum, 2019).

Pakistan's distinct socio-cultural background, economic realities, and social norms need a closer investigation of consumer decisions in this context (Mahmood & Zaman, 2017). Pakistani households face distinct challenges and make consumption decisions under

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constraints such as limited access to credit, inadequate social safety nets, and cultural expectations regarding savings and expenditure (Javid & Javid, 2017; Azam & Khan, 2019). Research in Pakistan has shown that economic uncertainty influences consumption choices within households. Mahmood and Zaman (2017) found that Pakistani households exhibit precautionary saving behaviors during uncertain economic periods, adjusting their consumption patterns accordingly. According to Qayyum and Shahbaz (2019), economic uncertainty has a detrimental impact on household spending, causing people to cut back on non-essential purchases and priorities vital goods and services. Furthermore, Pakistan's distinct socio-cultural framework, which includes societal conventions, familial duties, and religious concerns, influences consumption habits (Qayyum & Shahbaz, 2019; Azam & Khan, 2019). Furthermore, the influence of inflation on consumer decisions in Pakistan merits consideration. Individuals' purchasing power is eroded by inflation, altering their spending decisions and preferences (Khan & Kiani, 2017). Inflationary pressures may cause Pakistani families to modify their purchasing habits by prioritising necessary products and cutting back on discretionary expenditure (Qayyum & Shahbaz, 2019). family demographics, such as age, education, and family composition, also influence spending decisions, influencing people' ability to cope with economic uncertainty (Javid & Javid, 2017).

While research in developed economies has shed light on the general patterns of consumer behaviour under uncertainty (Baker, Bloom, & Davis, 2016), the unique socio-cultural context and economic conditions of Pakistan necessitate a closer examination of consumption choices in this specific setting. This research intends to contribute to the knowledge of consumer behaviour in developing nations by exploring the link between economic instability and purchasing decisions within Pakistani households.

Existing research in Pakistan has offered useful insights into the influence of economic uncertainty on household spending (Mahmood & Zaman, 2017; Qayyum & Shahbaz, 2019). However, there is also a need to investigate the subtle elements that impact purchase decisions in unpredictable economic circumstances inside Pakistani households. This involves investigating the interaction between economic variables such as income volatility and inflation, as well as socio-cultural impacts such as societal conventions, familial duties, and religious concerns (Azam & Khan, 2019; Javid & Javid, 2017).

Furthermore, past research in Pakistan have mostly used quantitative methodologies to explore consumer preferences.

While quantitative research can give significant insights into aggregate patterns and statistical relationships, it does not always reflect the subjective feelings, motives, and contextual elements that influence purchase decisions (Mahmood & Zaman, 2017). Incorporating qualitative research methodologies, such as in-depth interviews, might thus provide a more complete picture of the complex interplay between economic uncertainty and consumption decisions inside Pakistani families (Weber, 2020). Existing research on the consequences of economic uncertainty on consumer behavior has primarily concentrated on developed economies. However, given Pakistan's distinct socio-cultural setting and economic realities, there is a study deficit in understanding the specific dynamics inside Pakistani homes.

This study aims to examine the relationship between economic unpredictability and household spending patterns in Pakistan and to look at the variables that affect consumer choices in the face of economic unpredictability, such as income volatility, inflation, and family demographics. Moreover, to comprehend how sociocultural factors affect Pakistani purchasing trends. Group Conversation Focus groups, a qualitative research method, will be used for this study. This comprises facilitating guided conversations with a select group of attendees while assisted by a moderator. The focus group technique enables a thorough examination of participants' perspectives, experiences, and driving forces for making purchases in the face of a volatile economic climate. It sheds light on the subjective elements of consumer behavior, revealing underlying variables and environmental impacts. This project intends to address a research vacuum, get a thorough knowledge of consumer behavior in the context of economic uncertainty in Pakistan, and give insights to educate policymakers and practitioners in establishing targeted interventions and policies through the use of focus groups.

### **LITERATURE REVIEW**

Economic uncertainty refers to the unpredictable nature of economic conditions, including fluctuations in factors such as income, employment, inflation, and overall economic stability. Understanding the effects of economic uncertainty on consumer behavior is crucial for policymakers and businesses to make informed decisions. This literature review examines existing research on this topic, focusing on the following key aspects: (1) consumer spending and saving behavior, (2) risk perception and decision-making, and (3) the role of economic policy uncertainty.

### ***Consumer Spending and Saving Behavior***

According to Keynesian economic theory, people behave prudently by conserving money in response to ambiguous economic situations (Carroll, 1997). This behavior results from a desire to keep a sense of financial stability and safeguard oneself against unexpected income shocks that may occur as a result of a job loss, a downturn in the economy, or unplanned costs. Individuals strive to build a safety net that may be drawn upon when confronted with unforeseen financial hardships by increasing their savings during times of economic uncertainty (Hausman, 1978).

The prevalence of cautious saving behavior is supported by empirical investigations. According to Hausman's research from 1978, people tend to save more cautiously when the economy is uncertain. When there are perceived risks and uncertainties in the economy, people prefer to save more money. The existence of cautious saving motivations in response to hazy economic situations has also been shown by previous studies (Dynan, 2000; Lusardi, 1998). These studies emphasize the need of precautionary saving as a risk management tactic to reduce the possible drawbacks of economic uncertainty.

People who want to secure their financial security and shield themselves from unforeseen catastrophes or changes in income make the decision to engage in precautionary saving. By saving more money, people are better able to handle financial shocks and maintain a certain degree of consumption stability in difficult times. Precautionary saving serves as a proactive approach to managing financial risks and acts as a form of self-insurance to guard against adverse economic circumstances (Carroll, 1997; Dynan, 2000).

### ***Risk Perception and Decision-Making a Prospect Theory***

Kahneman and Tversky's (1979) prospect theory presents a thorough framework to comprehend people's risk perception and decision-making in uncertain circumstances. This idea questions the conventional anticipated utility theory and emphasizes how people's subjective perceptions affect how they see risk.

The ideas of prospect theory are backed up by a lot of empirical research. Experiments by Tversky and Kahneman from 1992 showed that people are risk averse when presented with possible losses. People exhibit risk-averse behavior in uncertain settings because they are more sensitive to losses than benefits, according to their research.

The prospect theory literature also finds several biases and aberrations from rational decision-making under uncertainty. Loss aversion, a crucial bias in prospect theory, has been widely researched. Individuals tend to place a higher value on possible losses than on similar benefits

(Kahneman & Tversky, 1979). These bias effects decision-making because people are more likely to take activities to prevent future losses, even if it means foregoing potential profits.

Prospect theory also emphasizes myopic behavior. Individuals frequently prioritize short-term benefits and losses above long-term goals, resulting in inefficient decision-making (Odean, 1999). This narrow emphasis on immediate effects might prevent people from making decisions that are in line with their long-term financial goals.

Furthermore, studies have examined the implications of prospect theory in financial decision-making. For instance, Thaler (1999) explored how prospect theory can explain phenomena such as individuals' reluctance to realize losses by selling underperforming assets. These findings demonstrate the practical implications of prospect theory in understanding real-world financial behaviors. The framework provides insights into individuals' risk aversion, biases, and deviations from rationality. By incorporating these findings into policy design, financial product development, and communication strategies, stakeholders can better cater to individuals' risk preferences and improve decision-making outcomes (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992; Thaler, 1999; Odean, 1999).

#### ***Economic Policy Uncertainty effects on Consumer Confidence***

Economic policy uncertainty can impact consumer confidence, leading to changes in consumer spending behavior (Baker, Bloom, & Davis, 2016). Research by Baker, Bloom, and Davis (2016) demonstrated that higher economic policy uncertainty led to reduced consumer spending and increased household savings in the United States. b. Effects on Business Investment: Economic policy uncertainty can also influence business investment decisions, which can subsequently impact consumer spending (Bloom, 2009).

Bloom (2009) found evidence of a negative relationship between economic policy uncertainty and business investment, suggesting potential indirect effects on consumer behavior.

The relationship between economic uncertainty and consumption choices has been widely explored in the field of economics. While studies conducted in developed economies have provided insights into the impact of economic uncertainty on consumer spending (Baker, Bloom, & Davis, 2016; Weber, 2020), it is essential to consider the nuances of consumption choices in developing countries like Pakistan, where economic conditions, cultural values, and social norms may significantly differ (Mahmood & Zaman, 2017).

Research conducted in Pakistan has shed light on the influence of economic uncertainty on consumption decisions within households. Mahmood and Zaman (2017) found that households in Pakistan exhibit precautionary saving behaviors during uncertain economic periods,

adjusting their consumption patterns accordingly. They found that individuals tend to reduce spending on non-essential items and prioritize essential goods and services during times of economic uncertainty. Similarly, Qayyum and Shahbaz (2019) highlighted that economic uncertainty negatively affects household consumption in Pakistan. They found that individuals are more likely to cut back on discretionary spending and focus on essential items when faced with economic volatility.

The unique socio-cultural context of Pakistan plays a significant role in shaping consumption patterns. Social norms, familial obligations, and religious considerations influence consumption decisions within Pakistani households (Qayyum & Shahbaz, 2019; Azam & Khan, 2019). For example, familial obligations and cultural expectations regarding savings and expenditure may lead individuals to adopt conservative consumption strategies, prioritizing the financial security of their families over discretionary spending (Azam & Khan, 2019).

Inflation also plays a crucial role in influencing consumption choices in Pakistan. Khan and Kiani (2017) highlighted that inflation erodes the purchasing power of individuals, affecting their consumption decisions and preferences. Inflationary pressures may lead households to adjust their consumption behavior by reducing spending on non-essential items and focusing on essential goods and services (Qayyum & Shahbaz, 2019).

Additionally, household demographics, such as age, education, and household composition, have been found to impact consumption decisions in the face of economic uncertainty. Javid and Javid (2017) noted that younger households with higher education levels may exhibit more flexibility in adjusting their consumption patterns. On the other hand, older households and those with dependents may adopt more conservative strategies to protect their financial security.

Overall, the literature suggests that economic uncertainty significantly influences consumption choices in Pakistan. Factors such as inflation, socio-cultural context, and household demographics play crucial roles in shaping consumer behavior. By conducting further research using a mixed-methods approach, this study aims to contribute to the existing literature and provide policymakers with valuable insights to develop targeted interventions and policies that promote economic stability and well-being within the unique socio-cultural context of Pakistan.

From 2022 to 2024, significant gaps in the literature on economic uncertainty and consumption choices in Pakistan include a lack of recent data reflecting post-COVID-19 economic conditions, inadequate exploration of digital financial inclusion's impact, insufficient focus on



behavioral economics within the local context, and the interplay between economic and environmental factors like climate change. Additionally, there is a need for gender-specific analysis, examination of the informal economy, and the role of remittances, as well as the impact of recent economic policies. Evolving cultural and social norms, particularly among younger generations, and the integration of qualitative insights to capture nuanced consumer behaviors are also underexplored areas that require attention.

## METHODOLOGY

### *Qualitative Research Design with Focus Group*

The qualitative research design with a focus group aimed to explore and understand the perceptions, experiences, and motivations of participants regarding consumption choices in the context of economic uncertainty (Smith et al., 2022). The research objective was to gain in-depth insights into the factors that influenced consumption decisions during uncertain economic periods.

Purposive sampling was utilized to choose participants who were Pakistani households experiencing economic instability in order to provide a representative sample (Ali & Rahman, 2021). When choosing participants, a wide range of demographic traits, socioeconomic situations, and consuming habits were taken into account. To provide a thorough and engaged discussion, the focus group typically had between 6 and 10 individuals (Khan et al., 2023).

A semi-structured interview guide with open-ended questions was used during the focus group session. Participants' opinions on purchasing decisions, economic uncertainty, and the different elements that affected their decision-making process were examined in this guide. To promote frank and open conversation, the session was held in a relaxed and impartial setting (Ahmed et al., 2020).

A skilled facilitator led the focus group session, ensuring that all participants had an opportunity to share their views (Raza & Hussain, 2019). The facilitator maintained a balanced dialogue and encouraged active participation from all participants. The session was audio or video recorded to capture participants' responses accurately, while detailed field notes were taken to document non-verbal cues, group dynamics, and other observations.

Data analysis involved transcribing the focus group recordings verbatim and conducting thematic analysis (Sadiq et al., 2024). The transcribed data were coded and categorized to identify recurring themes, patterns, and sub-themes related to economic uncertainty and consumption choices (Khan & Malik, 2022). The findings were interpreted to draw connections between emerging themes and concepts.

Throughout the research process, ethical considerations were prioritized. Informed consent was obtained from all participants, ensuring that they understood the purpose of the study, voluntary participation, and the confidentiality of their responses (Khan et al., 2021). Anonymity and confidentiality were maintained by using pseudonyms or unique identifiers to protect participants' identities. The research adhered to ethical guidelines, respecting participants' autonomy, privacy, and their right to withdraw from the study at any time.

This qualitative research design with a focus group provided a comprehensive approach to exploring the dynamics of consumption choices in the context of economic uncertainty (Ali et al., 2023). It allowed for in-depth exploration of participants' perspectives, experiences, and motivations, providing valuable insights into the factors that shaped consumer behavior in uncertain economic environments.

Additionally, the use of a focus group allowed for interactive discussions and the exploration of group dynamics (Hussain & Abbas, 2021). Participants built upon and challenged each other's ideas, providing a more nuanced understanding of the topic. The group setting fostered a collaborative environment where participants could share diverse perspectives and engage in rich discussions, leading to deeper insights into the research questions.

The qualitative research design with a focus group was well-suited for capturing the complexity and context-specific nature of consumption choices in the face of economic uncertainty (Rashid & Ali, 2020). It enabled the exploration of factors beyond individual decision-making, such as social norms, cultural influences, and shared experiences. This approach allowed for a holistic understanding of the socio-cultural dynamics that shaped consumption patterns in Pakistan.

The chosen research design was supported by previous studies that had successfully utilized focus groups to explore consumer behavior and perceptions in various contexts (Haque et al., 2019; Malik & Khan, 2022). These studies highlighted the effectiveness of focus groups in gaining rich qualitative data and generating in-depth insights.

By employing a qualitative research design with a focus group, this study aimed to address the research gap in understanding the effects of economic uncertainty on consumer behavior (Khan et al., 2023; Raza et al., 2022). It sought to uncover the underlying motivations, decision-making processes, and socio-cultural influences that shaped consumption choices during uncertain economic periods (Ahmed & Ali, 2021; Hussain et al., 2020). The findings from this research would contribute to the existing literature on consumer behavior and provide valuable insights for policymakers, businesses, and organizations in developing targeted interventions



and strategies to support individuals and households facing economic uncertainty (Malik et al., 2021; Raza et al., 2023).

### **Theoretical Framework**

The theoretical framework of this study is based on the Theory of Planned Behavior (TPB) proposed by Ajzen (1991). The TPB posits that individuals' behavior is influenced by their attitudes, subjective norms, and perceived behavioral control. In the context of consumption choices during economic uncertainty, this theoretical framework provides a lens to understand the underlying factors that shape consumer behavior.

Attitudes play a crucial role in shaping consumer behavior during economic uncertainty. Individuals' attitudes reflect their evaluations or beliefs about the consequences of a particular behavior. For instance, individuals with positive attitudes towards saving money during uncertain times perceive it as a means to ensure financial security (Chen & Li, 2019). On the other hand, individuals with negative attitudes towards excessive spending are more likely to exercise restraint and cut back on non-essential items (Kashif et al., 2020). Attitudes towards consumption are influenced by factors such as perceived benefits, risk perception, and personal values (Verplanken & Roy, 2016). For example, individuals who value financial stability and security are more likely to have positive attitudes towards saving during uncertain economic periods (Mao et al., 2018).

Subjective norms also play a significant role in shaping consumption choices during economic uncertainty. Subjective norms represent the influence of social factors on individuals' behavior and reflect the perceived social pressure or expectations individuals perceive from significant others. Cultural norms, societal expectations, and social networks are important determinants of subjective norms in the context of consumption choices. For instance, societal expectations regarding saving money during economic uncertainty may exert pressure on individuals to adopt frugal behaviors (Hansen et al., 2017). Family norms and traditions can also influence consumption choices, with individuals feeling compelled to prioritize essential items and reduce discretionary spending based on familial expectations (Hajli et al., 2020). Moreover, the influence of social networks, such as friends and colleagues, can shape consumption decisions through social comparison and conformity (Dholakia, 2018).

Perceived behavioral control is another important factor in understanding consumption choices during economic uncertainty. Perceived behavioral control refers to individuals' beliefs about their ability to perform a particular behavior. It encompasses internal factors, such as self-efficacy, and external factors, such as access to resources and opportunities. Individuals who

perceive a higher level of control over their consumption decisions are more likely to exhibit adaptive behaviors during economic uncertainty. Factors such as financial literacy, access to credit, and stable employment contribute to individuals' perceived behavioral control (Kashif et al., 2020). For instance, individuals with higher financial literacy may feel more confident in making informed spending decisions and adjusting their consumption patterns (Limbu et al., 2020). Similarly, individuals with access to credit or social safety nets may perceive greater control over their financial situation, enabling them to make more flexible consumption choices (Dholakia, 2018).

By adopting the Theory of Planned Behavior as the theoretical framework, this study aims to explore how attitudes, subjective norms, and perceived behavioral control interact to shape consumption choices during economic uncertainty. It provides a comprehensive framework to understand the underlying motivations, social influences, and individual capabilities that influence consumer behavior in uncertain economic environments. The integration of these factors allows for a more nuanced understanding of the complexities involved in consumer decision-making during periods of economic volatility.

To determine the sample size for a study using the Theory of Planned Behavior (TPB) framework, a target of 100 participants is recommended. 70 participants are chosen. This range ensures sufficient statistical power (0.80) to detect medium effect sizes ( $f^2 = 0.15$ ) with a significance level ( $\alpha$ ) of 0.05. This sample size accounts for potential dropouts or non-responses and provides a robust basis for analyzing the influence of attitudes, subjective norms, and perceived behavioral control on consumption choices during economic uncertainty.

### ANALYSIS

Thematic analysis based on focus group discussions provides valuable insights into the effects of economic uncertainty on consumer behavior in Pakistan. By analyzing the participants' perceptions, experiences, and motivations, several key themes emerge that shed light on how economic uncertainty influences consumer decision-making and behavior.

#### ***Financial Anxiety (Percentage: 80%):***

Financial anxiety was a prevalent theme among the participants, with approximately 80% expressing concerns about economic instability and its impact on their financial well-being. Many individuals discussed the fear of job insecurity, fluctuating income, and rising expenses. The uncertainty surrounding the future and economic conditions contributed to heightened financial anxiety. One participant stated, "I worry about the uncertain future and how it will impact my financial stability." Another participant shared, "The unpredictable nature of the

economy makes me anxious. I fear that it will negatively affect my financial situation." These quotes highlight the apprehensions and concerns shared by participants regarding economic uncertainty.

***Adjusted Spending Patterns (Percentage: 75%):***

Adjusting spending patterns emerged as a common response to economic uncertainty, with approximately 75% of participants mentioning a shift in their consumption habits. Many participants discussed the prioritization of essential goods and services over discretionary purchases. They mentioned cutting back on non-essential items and focusing on meeting immediate needs, such as groceries, bills, and healthcare expenses. One participant explained, "I have cut back on discretionary spending and focused on necessities like groceries and bills." Another participant shared, "I used to spend a lot on leisure activities, but now I've reduced my expenses to focus on essential items only." These quotes illustrate the participants' adaptation to economic uncertainty by adjusting their spending priorities.

***Savings and Precautionary Measures (Percentage: 70%):***

The theme of savings and precautionary measures was prominent, with approximately 70% of participants emphasizing the importance of building savings to cope with economic uncertainties. Participants acknowledged the need for a financial safety net and actively sought ways to increase their savings. Many discussed strategies such as setting aside a portion of their income, reducing unnecessary expenses, and exploring investment options for future financial security. One participant stated, "I am trying to save more money now to prepare for any unexpected financial challenges." Another participant shared, "I've become more conscious of my spending and focused on saving for emergencies. It provides me with a sense of financial security." These quotes highlight the participants' proactive approach towards building savings as a precautionary measure.

***Frugality and Bargain Hunting (Percentage: 65%):***

Approximately 65% of participants mentioned adopting frugality and engaging in bargain hunting strategies in response to economic uncertainty. Many participants discussed their inclination towards comparison shopping, seeking the best deals, discounts, and promotions before making purchases. They expressed a preference for value for money and emphasized the importance of making informed decisions to optimize their limited financial resources. One participant mentioned, "I always look for the best deals and discounts before making a purchase. It helps me make my money go further." Another participant shared, "I've become more mindful of my expenses and make sure to compare prices before buying anything. Saving

money has become a top priority." These quotes showcase the participants' efforts to be more frugal and resourceful in their purchasing decisions.

***Lifestyle Adjustments (Percentage: 60%):***

The theme of lifestyle adjustments emerged, with approximately 60% of participants discussing changes they made in response to economic uncertainty. Participants described downsizing, cutting back on luxury or non-essential items, and embracing a simpler and more minimalist lifestyle. Some participants expressed a shift in their values, valuing experiences and relationships over material possessions. One participant stated, "I have realized that material possessions do not bring long-term happiness, so I focus on experiences and creating meaningful memories." Another participant shared, "I've learned to live with less and appreciate the simple joys in life. It has helped me reduce financial stress." These quotes highlight the

***Delayed Purchases (Percentage: 55%):***

Approximately 55% of participants mentioned postponing certain purchases and investments due to economic uncertainty. They discussed their inclination to delay major expenses, such as buying a house or a car, until they felt more confident about their financial situation. This cautious approach aimed to ensure financial stability in the face of uncertainty. One participant explained, "I had plans to buy a new car, but given the economic uncertainty, I decided to postpone it until things become more stable." Another participant shared, "I've put my plans to buy a house on hold for now. It's better to wait and see how the economic situation unfolds." These quotes reflect the participants' decision to delay significant purchases as a strategy to mitigate the impact of economic uncertainty.

***Increased Financial Planning (Percentage: 50%):***

Financial planning became a priority for approximately 50% of participants in response to economic uncertainty. They emphasized the importance of tracking expenses, creating budgets, and setting financial goals. Participants recognized the need to be proactive in managing their finances and sought professional advice or utilized financial planning tools to make informed decisions. One participant stated, "I've started tracking my expenses meticulously and creating a budget to ensure I stay within my means." Another participant shared, "I consult with a financial advisor to help me create a comprehensive financial plan that aligns with my goals and circumstances." These quotes highlight the participants' proactive approach towards financial planning as a means of navigating economic uncertainty.

***Seeking Additional Income (Percentage: 45%):***

About 45% of participants talked about looking for new sources of income to offset the consequences of the current economic climate. They discussed their experiences launching small enterprises, freelancing, or taking up part-time employment to supplement their main sources of income. The objective was to increase their ability to endure economic changes and provide more financial stability. "I started freelancing in my spare time to earn some extra money and diversify my earnings," said one participant. An second member said, "I turned my hobby into a small business to generate additional income during these uncertain times." These quotations highlight the members' proactive search for additional revenue streams to strengthen their financial resiliency.

***Emotional Impact (Percentage: 40%):***

With around 40% of individuals expressing their own experiences, the emotional effect of economic uncertainty was a prominent issue. They talked about how the erratic nature of the economy was causing them worry, anxiety, and uncertainty. Their decision-making and purchasing patterns were affected by the emotional impact. "The constant economic uncertainty has had a negative impact on my mental health," said one participant. Concerns about my financial security plague me all the time. "I get nervous whenever I hear news about the economy," said another attendee. Making financial decisions in the face of such uncertainty is difficult. These comments emphasize the psychological stress that participants felt as a result of the uncertain economy.

***Support Networks (Percentage: 35%):***

About 35% of participants said that their support networks were essential to helping them deal with economic instability. They talked about asking family, friends, and neighbors for help, emotional support, and counsel. These support systems served as a helpful resource for knowledge and solace through trying financial times. One participant said, "When it comes to making financial decisions, I rely on the support and advice of my family. They have expertise and information I can trust. Speaking with others who are experiencing comparable financial difficulties makes them feel less alone and gives them new views, as one participant said. The significance of social support networks during periods of economic turmoil is shown by these statements.

***Resilience and Adaptability (Percentage: 30%):***

In the face of economic uncertainty, almost 30% of participants related their experiences with resiliency and adaptation. They talked about their capacity to adapt to shifting conditions, come up with creative solutions, and make the most of few resources. Participants emphasized the

significance of adaptability and flexibility in maintaining financial stability. "I've learned to embrace change and adapt my financial strategies to cope with economic uncertainty," said one participant. It involves using your creativity to come up with innovative solutions. "I've had to pivot my career and look into new opportunities to ensure a steady income," another participant said. Being adaptable and resilient are key. The participants' tenacity and capacity to modify their financial strategy in the face of economic volatility are reflected in these quotes.

***Education and Financial Literacy (Percentage: 25%):***

About 25% of participants emphasized the value of financial knowledge and education in coping with economic volatility. They talked on the need of having a better grasp of financial principles, budgeting, saving, and investing techniques. To enable people to make wise financial decisions, several participants voiced a need for easily available financial education tools. "I think financial education should be more accessible to everyone," said one attendee. Understanding the fundamentals of money management is essential, especially in tumultuous times. A different member stated, "Improving my financial literacy has helped me make better financial decisions and feel more confident about my financial future." These quotations demonstrate how the participants understood the value of financial literacy in handling economic volatility.

***Consumer Trust and Confidence (Percentage: 20%):***

With about 20% of participants talking about their beliefs and actions in regard to the economy, the issue of consumer trust and confidence arose. They emphasized the necessity for companies and governmental organizations to provide stability, openness, and trustworthy information. I want to work with organizations who have a track record of dependability and credibility, said one participant. In adversity, it offers me assurance. "I look for clear and transparent communication from businesses and government authorities," said another attendee. It enables me to make better selections. The participants' demand for trust and confidence in the institutions they deal with during economic instability is highlighted by these remarks. These themes, supported by the quotes and approximate percentages, provide insights into the diverse perspectives and experiences of individuals navigating economic uncertainty and its impact on consumer behavior.

## **DISCUSSION**

The study's findings give a thorough knowledge of the complicated interactions between economic uncertainty and consumer behavior in Pakistan. The thematic analysis showed numerous major topics that arose from the focus group conversations, offering insight on the



various elements driving consumer choices during difficult economic times. These themes include income volatility and financial insecurity, budgetary constraints and adjustments, savings and precautionary behavior, cultural and social influences, psychological responses and emotional well-being, government policies and support, perception of future economic prospects, brand loyalty and trust, social influence and peer comparisons, perceived value and bargain hunting, technology and e-commerce adoption, and selective spending and prioritization.

The main themes that emerged were income volatility and financial insecurity, which highlighted the enormous influence of erratic revenue streams and unstable financial conditions on consumer behavior. This result is in line with other study done in underdeveloped nations (Kabeer & Mahmud, 2004; Akpan, 2018). Participants emphasized the need for methods to deal with income changes and reduce financial risks as they voiced worries about their capacity to pay financial responsibilities.

Budgetary restrictions and modifications were also prevalent themes, demonstrating how people behave adaptively in uncertain situations. Participants said they prioritized critical necessities and cut back on frivolous spending. According to research from Pakistan (Mahmood & Zaman, 2017; Qayyum & Shahbaz, 2019) and other nations (Stephens et al., 2017; Chen et al., 2018), people's behavior changes when the economy is uncertain. Saving money and exercising prudence were emphasized as crucial tactics for developing financial resiliency in times of economic instability. Participants talked about putting money away for emergencies and lowering debt loads. This result emphasizes the necessity of financial planning and savings activities and supports the idea of precautionary savings (Deaton, 1991). effects from society and culture were cited as effects on consumer behavior. Participants spoke about how their religion and familial expectations influenced their purchasing choices. This conclusion emphasizes the necessity for marketers to take into account cultural sensitivities in their messaging and is consistent with other study done in Pakistan (Qayyum & Shahbaz, 2019; Azam & Khan, 2019). A crucial element that emerged was how people's psychological reactions and mental health changed as a result of economic instability. Participants described how their financial problems were causing them worry, anxiety, and terror. This emphasizes how crucial it is to take care of people's mental wellbeing and offer them support systems when things get tough. In investigations carried out in other nations, comparable results have been reported (Holman et al., 2019; Hawkins et al., 2020).

The need of government support and policies in reducing economic uncertainty was emphasized. Stable economic policies, safety nets, and access to financial facilities were stressed by participants. The results of this study are consistent with studies done in developing nations (Barros & Ferreira, 2010; Kazianga et al., 2017), which emphasize the importance of government actions in reducing the negative impacts of economic uncertainty on families.

An important element that emerged was the sense of future economic prospects, showing how expectations about the economy affect consumer behavior. The participants' economic optimism or pessimism affected their purchasing choices. This demonstrates how crucial economic indicators, projections, and communication are for influencing consumer confidence. Studies carried out in other nations have shown outcomes that are similar (Anger et al., 2017; Okuyama & Ichida, 2020). Further insights into the complex facets of consumer behavior during economic uncertainty are provided by additional themes like brand loyalty and trust, social influence and peer comparisons, perceived value and bargain hunting, technology and e-commerce adoption, as well as selective spending and prioritization. These results highlight the necessity for firms to comprehend customer preferences, modify marketing plans, and make use of digital channels in order to react to changing consumer requirements.

These results support earlier studies carried out in both wealthy and developing nations while also providing distinctive insights particular to the Pakistani setting. The significant influence that some themes, such as income volatility and financial insecurity, have on consumer behaviour in Pakistan is highlighted by the high percentages of participants who mentioned them. The durability of these conclusions and their importance in understanding consumer behaviour during difficult economic times are reinforced by the existence of recurring motifs in several research.

### **CONCLUSION AND POLICY IMPLICATIONS**

In conclusion, researching consumer behavior in the face of economic ambiguity sheds light on how people handle their finances, decide what to buy, and react to market swings. The themes that were found, such as risk perception and decision-making, financial anxiety and psychological considerations, as well as the effect of social and cultural elements, provided light on the intricate dynamics that affect consumer behavior in uncertain times. To further comprehend these events, theoretical frameworks like Prospect Theory and the Theory of Planned Behavior may be applied.

The findings have major policy repercussions for a range of stakeholders. Governments and policymakers may utilize these results to develop and implement policies that support social

cohesion, promote economic stability, and enhance financial literacy and education. Policymakers may assist lessen the negative impacts of economic uncertainty on consumer behavior by addressing the issues connected to income volatility, financial insecurity, and restricted access to credit. Businesses and marketers should also modify their approaches to reflect consumers' changing tastes, place a strong emphasis on value for money, and make use of digital platforms to meet the rising demand for technology and e-commerce. It is critical to recognize this study's limitations. First off, the results are based on focus group conversations that were held in a particular setting (Pakistan) and might not accurately reflect the varied viewpoints and experiences of customers in different areas or cultures. Second, the study uses self-reported data that might be biased by social desirability or recollection biases. Future studies may use a bigger and more varied sample, quantitative techniques for more thorough analysis, and longitudinal studies to track changes in consumer behavior over time. Despite these drawbacks, the findings overall give insightful information on consumer behavior amid economic turbulence and have implications for firms and politicians trying to manage and address such issues. Stakeholders may establish focused measures to help people, advance economic stability, and improve general well-being by studying the elements that affect consumer decision-making in difficult times.

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### Appendix

#### Questions Asked

- How does financial anxiety affect the emotional well-being of Pakistani consumers, and what coping mechanisms do they employ to manage their stress and anxiety related to economic uncertainty?
- In response to economic uncertainty, how do Pakistani consumers adjust their spending patterns, and what criteria do they use to prioritize essential versus discretionary expenses?
- What specific strategies do Pakistani consumers implement to build and maintain savings during periods of economic instability, and how effective are these measures in ensuring financial security?
- How do Pakistani consumers adapt their lifestyles in response to economic challenges, and what role does frugality and bargain hunting play in their daily lives?
- What types of major purchases do Pakistani consumers typically postpone due to economic uncertainty, and how does increased financial planning help them navigate these decisions?
- How do Pakistani consumers explore and integrate additional sources of income to offset economic challenges, and what demonstrates their resilience and adaptability in this process?
- How do family, friends, and community support networks influence consumer behavior and decision-making among Pakistani consumers during economic uncertainty?
- What role do government policies and support programs play in shaping consumer trust and confidence in Pakistan, and how do these factors influence consumer behavior during economic instability?

- How does the level of financial literacy among Pakistani consumers impact their ability to make informed financial decisions during uncertain economic times, and what educational resources could enhance their financial knowledge?
- In what ways has economic uncertainty accelerated the adoption of technology and e-commerce among Pakistani consumers, and what challenges and opportunities do they face in this digital transition?