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A Customer Oriented Approach of Financial Decision Making in Pakistan

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ABSTRACT

This research was designed to measure the structural relationship between external hedging, internal hedging, financial risk management, and effective financial decisions. A Likert scale questionnaire was used for data collection. Smart PLS 3 was used for findings of measurement model assessment and structural model assessment. The analysis of data confirmed the relationship between external hedging, internal hedging, financial risk management, and effective financial decisions was significantly accepted. The contribution of this research provide significant insight into the knowledge which is necessary to address the literature gaps. The findings of this research would be helpful to improve the financial decision making of the public.

Keywords: *Financial Management, Risk Management, Investment Opportunities, Quantitative Research.*

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INTRODUCTION

Financial risk management (FRM) can take the shape of plans of action or policies that are formulated with the intention of mitigating a variety of different types of financial risk. As proven by both its historical growth and contemporary best practices, financial risk management is a vast area with a wide range of dynamic elements (Diebold, 2012). Financial risk management (FRM) is the practice of employing financial instruments to control risk exposure in a corporation with the goal of protecting the firm's economic value. (Wang, Yu, & Wang, 2019). FRM, like general risk management, understands the need to discover, assess, and mitigate causes. FRM may be done quantitatively or qualitatively. FRM is a subset of risk management that focuses on when and how organisations can hedge against expensive risk exposures using financial instruments (Srinivasan & Kamalakannan, 2018). A complete and effective FRM module enables a corporation to examine all potential threats. FRM also considers the link between risks and the possibility of them having a domino effect on a company's strategic goals (Jokhadze & Schmidt, 2020). Operational risk, credit risk, foreign currency risk, market risk, shape risk, liquidity risk, volatility risk, inflation risk, liability risk, business risk, reputational risk, sector risk, and so on are some of the issues that FRM must handle (So, Chan, & Chu, 2020). Financial risk management is an important subject in financial inquiry and is of tremendous importance to contemporary society. Accurate risk assessment is a critical element in financial risk management. Reasonable risk measuring necessitates not only the precise measurement of risk level and displayed risk features but also the capacity to foresee hazards. The all-encompassing methodology of FRM is commonly known as enterprise risk management, since it centres on the prediction and examination of risk throughout the whole firm. Financial Risk Management (FRM) techniques also place significant focus on the effective management of positive risk, alongside the identification and mitigation of internal and external risks that may impact a company's financial value, operational efficiency, and reputation (Cai, 2018). Positive risks, also known as opportunities, have the potential to enhance a business's value if they are acknowledged and embraced. Conversely, if these risks are disregarded, they have the potential to negatively impact the organisation. The primary objective of any Financial Risk Management (FRM) programme is to effectively enhance corporate value by making well-informed risk decisions, rather than aiming to completely eradicate all risks (Karami, Samimi, & Ja'fari, 2020).

Despite its obvious failure in the recent financial crisis that started in the world and had a multiplier impact on the global economy, risk management has held a major position on the agenda of practitioners, economists, and the business community (Huber & Scheytt, 2013). Management of financial risk may be qualitative or quantitative. Financial risk management is a subset of risk management that focuses on when and how to employ financial instruments to control expensive risk exposures (Malz, 2011). Banks and other financial organisations face a variety of financial risks as a result of their lending activity (e.g., credit, counterparty and interest rate risks). Because these risks are well-known, financial models have been created to assess, manage, and hedge their effect on organisations (Freixas & Rochet, 2008; Shen, 2002). Banks are closely connected with risk due to their commercial orientation and massive exposure to enormous sums of cash. Risk management (FRM) is a critical technique that is often employed in banks. To control hazards in banks, financial risk management (FRM) has been used. In today's volatile environment, all banks face a variety of risks, including liquidity risk, credit risk, market risk, interest rate risk, and foreign currency risk. These risks may have negative repercussions, affecting the success and survival of banks (Al-Tamimi & Al-Mazrooei, 2007). Banking is commonly connected with risk because of its high sensitivity to ambiguity and numerous types of risk. Risk management in banks has piqued the interest of an increasing number of academics in recent years, and more studies have produced legislation to control hazards inside banks. Prior studies aim to evaluate the most significant types of hazards faced by conventional banks in Pakistan (Muhammad, Khan, & Xu, 2018).

Financial risk management has been recognized as a serious problem in banking and financial organizations. Organizations have multiple problems in successfully managing financial risks in the dynamic and linked global financial ecosystem. One of the most difficult components of this task is navigating the intricate structure of external and internal hedging procedures to protect against fluctuating market circumstances and economic concerns. The requirement to find a balance between risk minimization and financial success involves a thorough analysis of the efficacy of both external and internal hedging measures. Lack of Effective financial decisions and fintech adoption in the Organization negatively affects the financial risk management of the organization. Also, it decreases the overall performance of the Organization. Most of the time most organizations escape due to this fact. Because risk exposure affects the financial situation of institutions, the development and performance of FRM must be monitored. Historically, beneficial hedging approach and successful derivative techniques have been applied interchangeably to assess the effectiveness of FRM (Alsahlawi, 2021). Previous research studies studied the Fintech adoption of hedging approach and successful derivative techniques and their consequences on FRM (Atikah, 2020; Giambona, Graham, Harvey, & Bodnar, 2018).

The present study examines the intricacies of financial risk management in the banking industry, with a special emphasis on the strategies employed by bank managers in Pakistan. The focus of the study largely revolves around two main independent variables, namely internal and external hedging approaches. This study investigates the direct effects of financial risk management on many aspects, including its indirect influence on successful financial decision-making. Furthermore, this study aims to evaluate the moderating influence of FinTech adoption on the association between hedging approaches and financial risk management. The research conducted in this study is confined to the geographical boundaries of Pakistan, with a specific focus on bank managers employed in several financial institutions. The research spans a wide array of banking institutions, such as commercial, investment, and cooperative banks, in order to achieve a thorough comprehension of financial risk management practices within the banking sector of the country.

REVIEW OF LITERATURE

External hedging techniques are essential tools for managing financial risks and protecting companies from the adverse effects of market uncertainties. These techniques involve the use of financial instruments, such as forward contracts, futures, options, and swaps, to manage risks associated with fluctuations in exchange rates, commodity prices, and interest rates. Several studies have examined the effectiveness of external hedging in managing financial risks. The study uncovered four stylised facts of external hedging for financial risk management: (i) domestic currency risk hedging is limited, (ii) financial hedging is more likely to be used by larger Firms, (iii) Firms in international trade are more likely to use FX derivatives to hedge their gross (rather than net) cash currency risk, and (iv) Firms are more likely to pay higher premiums for longer maturity contracts. Then, the way financial intermediaries affect the behaviour of forward exchange rate markets (Alfaro, Calani, & Varela, 2021). A study looked at the effect of external hedging on company worth in the oil and gas sector. External hedging with financial futures is favourably linked to company value, suggesting that it is an efficient financial risk management instrument, according to the writers (Xue, Wang, Liu, & Chang, 2022).

Similarly, a study looked at the efficacy of external hedging in controlling financial risk in the finance sector. The writers discovered that external hedging has a negative relationship with financial risk, suggesting that it is an efficient risk management strategy in this sector. Several studies have examined the efficacy of external hedging as well as the various external hedging methods and their benefits and drawbacks (Luo & Wang, 2018). A study offered a thorough examination of external hedging methods such as forward contracts, futures, options, and swaps.

The authors investigated the benefits and drawbacks of each method and made suggestions for successful hedging tactics (Bodnar, Hayt, & Marston, 1998). Another study concentrated on the use of foreign currency derivatives as an external hedging strategy. The writers offered a theoretical foundation for comprehending the efficacy of this method and supported their claims with observational data. External hedging methods are effective instruments for controlling financial risks and shielding businesses from the negative impacts of market volatility. The efficacy of these methods, however, may vary depending on the business, the type of risks being handled, and the company's general financial risk management strategy (Chan-Lau, 2005). According to the study, firms use currency swaps for hedging because they greatly lower the exchange-rate risk firms experience. The study also discovered that while the decision to use derivatives is influenced by exposure factors, i.e., foreign sales and foreign trade, as well as variables associated with optimal hedging theories, i.e., size and R&D expenditures, the level of derivatives used is influenced solely by a firm's exposure through foreign sales and trade (Allayannis & Ofek, 2001). External hedging techniques are an important aspect of financial risk management, and a wide range of studies have examined their effectiveness and the different strategies that can be used to implement them. Research is needed to better understand the specific factors that influence the effectiveness of external hedging techniques and to develop more effective risk management strategies for different industries and contexts.

Hypothesis 1: *There is a significant positive relationship between external hedging techniques and financial risk management.*

Internal hedging is a financial risk management technique that involves using internal operations to mitigate risks instead of relying solely on external financial instruments. Companies are increasingly using this approach to manage risks related to foreign exchange, interest rates, and commodity prices. The following literature review explores the latest research on internal hedging and financial risk management. A prior study examined the impact of internal hedging on foreign exchange risk management firms. The results indicate that internal hedging techniques, such as currency matching and invoicing in local currencies, are effective in reducing foreign exchange risks. The study also found that firms that use internal hedging techniques have lower exchange rate exposures than those that rely solely on external financial instruments (Luo & Wang, 2018; Zhang, Li, & Ortiz, 2021). A prior study investigated the use of internal hedging techniques in managing interest rate risks. The authors find that internal hedging techniques, such as adjusting the composition of assets and liabilities, can effectively mitigate interest rate risks. The study also highlights the importance of considering the cost of internal hedging when making risk management decisions (Purnanandam, 2005; Zhang et al., 2021). In a more recent study, the authors examine the use of internal hedging techniques in managing commodity price risks. The study finds that internal hedging techniques, such as vertical integration and production planning, can effectively reduce commodity price risks. The authors also emphasise the importance of considering the unique characteristics of each commodity when selecting internal hedging techniques (Taušer & Čajka, 2014).

Furthermore, a previous study investigated the impact of internal hedging on the financial performance of Indian companies. The results indicate that internal hedging has a positive impact on the profitability and liquidity of firms. The study also found that internal hedging techniques, such as natural hedging and diversification of operations, are the most commonly used internal hedging techniques among Indian firms (Das & Kumar, 2023; Nzioka & Maseki, 2017). Looking ahead, a previous study examined the impact of internal hedging on the financial risk management of Chinese firms. The authors find that internal hedging techniques, such as supply chain management and production planning, can effectively mitigate financial risks. The study also highlights the importance of considering the regulatory environment and market conditions when selecting internal hedging techniques (Nzioka & Maseki, 2017).In

conclusion, the latest research on internal hedging and financial risk management suggests that internal hedging techniques can effectively mitigate risks related to foreign exchange, interest rates, and commodity prices. Furthermore, internal hedging has a positive impact on the financial performance of firms. Companies need to consider the unique characteristics of each risk and the associated costs when selecting internal hedging techniques.

Hypothesis 2: *There is a significant positive relationship between internal hedging techniques and financial risk management.*

In today's increasingly complex and volatile business environment, effective financial decision-making is crucial for the success of any organisation. One of the key tools for managing financial risk is hedging, which involves taking positions that offset the potential losses of other positions. While external hedging through financial instruments such as derivatives has been widely discussed in the literature, internal hedging through operational and financial decision-making has received less attention. Aims to provide a comprehensive literature review on the importance of effective financial decision-making and internal hedging in managing financial risk. In addition to using internal hedging techniques, businesses can make effective financial decisions by using financial analysis and forecasting. Financial analysis involves examining a company's financial statements to identify trends and areas for improvement. Forecasting involves predicting future financial performance based on historical data and market conditions (Giambona et al., 2018). Internal hedging techniques consist of financial risk management strategies that companies use within their existing operations. Common internal hedging techniques include Netting: Companies with multiple foreign currency exposures can offset their receivables and payables in each currency, thereby reducing the overall risk (Iswarya & Preetha, 2020; Mbubi, 2013). Matching: By aligning assets and liabilities in the same currency, businesses can minimise their exposure to foreign exchange risks (Bodnar et al., 1998; Tiwary, 2019). Invoicing: Selecting an appropriate invoicing currency can help companies manage their foreign exchange risk. For example, invoicing in a company's home currency can reduce the risk of revenue fluctuations due to currency movements (Goldberg & Tille, 2008; Tiwary, 2019). Pricing: Adjusting product prices in response to currency fluctuations can help businesses maintain their profit margins and reduce currency risks (Dixit, Dixit, & Pindyck, 1994). Diversification: Spreading operations and investments across different countries and currencies can help businesses mitigate their exposure to currency risks (Iswarya & Preetha, 2020; Markowitz, 1952). Internal hedging techniques can be effective in managing financial risks if implemented correctly. For instance, netting and matching can reduce the overall currency exposure, allowing firms to focus on their core operations without worrying about currency fluctuations (Choi & Prasad, 1995). Invoicing in the home currency can help businesses maintain stable revenues, while pricing strategies can protect profit margins from currency risks (Goldberg & Tille, 2008). However, the effectiveness of internal hedging techniques can be limited by various factors. For example, diversification may not protect companies from systemic risks or global economic crises, while the optimal pricing strategy can be challenging to determine due to constantly changing market conditions (Bhushan & Rai, 2004; Dang & Lindsay, 2022; Froot, Scharfstein, & Stein, 1993).

In addition to internal hedging techniques, businesses can make effective financial decisions by using financial analysis, forecasting, and understanding the business environment. Financial analysis involves examining a company's financial statements to identify trends and areas for improvement, while forecasting involves predicting future financial performance based on historical data and market conditions. A thorough understanding of the business environment, including market conditions, competition, and regulatory requirements, is crucial for making effective financial decisions. Businesses must also be able to adapt quickly to changes in the business environment to remain competitive. Internal hedging techniques play a significant role in managing financial risks and enabling businesses to make effective financial decisions. By implementing appropriate internal

hedging techniques and combining them with financial analysis and forecasting, businesses can better manage their financial risks and remain competitive in the marketplace.

Hypothesis 3: *There is a significant relationship between internal hedging techniques and effective financial decisions.*

External hedging techniques are essential financial risk management tools that help businesses minimise their exposure to various financial risks, such as currency fluctuations, interest rate changes, and commodity price movements (Denga & Jain, 2017). This literature review aims to explore the significant relationship between external hedging techniques and effective financial decisions, highlighting the importance of these techniques in achieving financial stability and maximising profitability. External hedging techniques consist of financial risk management strategies that involve the use of financial instruments or market transactions to mitigate financial risks. Businesses can enter into forward contracts to buy or sell a fixed amount of a foreign currency or a commodity at a predetermined exchange rate or price on a specified future date, thereby locking in exchange rates or prices and eliminating the risk of unfavourable fluctuations (Copeland, 2008; Nzioka & Maseki, 2017). Similar to forward contracts, futures contracts allow businesses to hedge their financial risks by agreeing to buy or sell a financial instrument, currency, or commodity at a predetermined price on a specific future date. However, futures contracts are standardised and traded on organised exchanges (Joseph, 2000; Tiwary, 2019).

Options contracts: Options contracts provide businesses with the right, but not the obligation, to buy or sell a financial instrument, currency, or commodity at a predetermined price on or before a specific future date. Options contracts offer flexibility and can be customised to meet a company's specific risk management needs (Chui, 2012; Varangis & Larson, 1996). Swaps: Swaps are financial agreements between two parties to exchange cash flows or financial instruments, such as interest rate swaps and currency swaps, to manage interest rate risk and currency risk, respectively (Reiswich & Wystup, 2010). External hedging techniques play a crucial role in helping businesses make effective financial decisions by reducing their exposure to financial risks. By employing external hedging techniques, companies can stabilise their cash flows, minimise the impact of financial risks on their profitability, and achieve better financial performance (Allayannis, Ihrig, & Weston, 2001; Allayannis & Weston, 2001). Several studies have found a positive relationship between the use of external hedging techniques and firm value. For instance, firms using currency derivatives for hedging purposes exhibit higher firm value than those that do not hedge (Allayannis & Weston, 2001). Similarly, found that airline companies using fuel hedging experience higher firm value compared to those that do not hedge. Additionally, external hedging techniques can help businesses make more informed and effective financial decisions by providing them with greater predictability of cash flows and reducing their vulnerability to financial risks (Bodnar et al., 1998). There is a significant relationship between external hedging techniques and effective financial decisions. By employing appropriate external hedging techniques, businesses can manage their financial risks more effectively, leading to improved financial stability and profitability. As a result, external hedging techniques are essential tools for businesses to make well-informed and effective financial decisions. The financial landscape has become increasingly complex and interconnected, emphasising the need for effective financial decision-making and robust financial risk management strategies. This literature review aims to explore the substantial body of research that investigates the relationship between effective financial decisions and financial risk management. Scholars and practitioners alike have recognised the critical role played by these two components in achieving financial stability and success.

Hypothesis 4: *There is a significant relationship between external hedging techniques and effective financial decisions.*

METHODOLOGY

The population of interest consists of bank employees at management level within the financial sector of Pakistan. This particular group embodies a vital sector of the industry, tasked with the responsibility of engaging in strategic decision-making and effectively managing risks within their respective institutions. The Pakistani banking sector exhibits a wide range of diversity, accommodating many types of banks, such as commercial, investment, and cooperative institutions. Consequently, the management landscape within this sector comprises a diversified array of responsibilities. The criterion for selecting persons to be included in this demographic primarily emphasises those who possess extensive knowledge and skills in the field of financial management. This ensures that their perspectives and practises are well-informed and have a significant impact. The selection of this specific demographic enables a thorough analysis of the methods and approaches utilised in the management of financial risks within the banking industry of Pakistan.

The present investigation specifically center's on the banking industry within the southern area of Punjab, Pakistan. The calculation of the sample size has been carefully customized to correspond with the overall number of employees in the banks located in this particular geographical region (Lakens, 2022). Hence, by following these instructions, the sample size of the current study is Al Baraka Bank, (ABL), Askari Bank, (BAFL), (BAHL), Bank Islami Limited, (BOP), Bank of Khyber, Dubai Islamic Bank Pakistan Limited (DIB Pakistan), (FBL), (HBL), Habib Metropolitan Bank Limited, MCB Bank Limited, Meezan Bank Limited, (UBL), Zarai Taraqiati Bank Limited employees participants in southern Punjab, Pakistan. As a result, the sample size of the study is based on the total workforce of many banks operating in southern Punjab. This methodology guarantees a thorough portrayal of the banking sector in this particular geographical area, spanning a wide range of positions and duties. Hence, it is assertively affirmed that the individuals involved in this research are the committed personnel of Allied bank (ABL), Al Baraka Bank, Askari Bank, (BAFL), (BAHL), Bank Islami Limited, (BOP), Bank of Khyber, Dubai Islamic Bank Pakistan Limited (DIB Pakistan), (FBL), (HBL), Habib Metropolitan Bank Limited, MCB Bank Limited, Meezan Bank Limited, (UBL), Zarai Taraqiati Bank Limited, located in the southern region of Punjab, Pakistan. The utilisation of this strategic methodology for sample selection ensures that the conclusions derived from this research are representative of the distinct dynamics and practices relevant to this particular geographical area within the banking industry.

This study used a purposive sampling technique to cover the whole population; purposive sampling is the most suitable technique. Moreover, it is a cost-effective technique as compared to other techniques (Burger & Silima, 2006). A Likert scale questionnaire was used for the collection of data. Smart PLS 3 was used for analysis of data.

FINDINGS

The research is conducted with the assumption that the respondents' opinions have not changed throughout the investigation because the researcher uses a quantitative methodology and a cross-sectional approach in the research process (Hair, Black, Babin, & Anderson, 2010). The convenience sampling approach has been applied in this research study for collecting data from the workers at three particular banks: Allied Bank Limited, Habib Bank Limited, and Alfalah Bank Limited in the twin cities of Islamabad and Rawalpindi, Pakistan. There are 400 research questionnaires sent to employees of these selective banks but only returned 357 survey responses. Therefore, researchers found that only 355 responses were valid, accurate, and useable for the analysis. Hence, the response rate for this research study is 89%. Descriptive statistics are shown in Table 1.

Table 1: Descriptive Statistics of Gender.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	257	71.9	71.9	71.9
	Female	98	27.45	27.45	27.45
	Total	355	100.0	100.0	

The factor loadings are also called the correlation coefficient. Factor loading is a method for demonstrating how much of the difference between various study components is explained by the study's structure. The value of the question's factor loading should be more than 0.70, which means that the factor has a lot of variance from the variable. (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). The construct's factor loadings are shown in Table 2.

Table 2: Factor Loadings.

	Effective Financial Decisions	External Hedging Techniques	Financial Risk Management	Internal Hedging Techniques
EFD1	0.78			
EFD2	0.739			
EFD3	0.742			
EFD4	0.802			
EFD5	0.78			
EFD6	0.826			
EFD7	0.817			
EHT1		0.85		
EHT2		0.848		
EHT3		0.852		
EHT4		0.788		
FRM2			0.8	
FRM3			0.79	
FRM4			0.784	
FRM5			0.78	
FRM6			0.817	
FRM7			0.679	
IHT1				0.72
IHT2				0.788
IHT3				0.835
IHT4				0.767

Note: EF = Effective Financial Decisions, EH = External Hedging Techniques, FA = FinTech Adoption, FRM = Financial Risk Management, IH=Internal Hedging Techniques

The findings of Cronbach's alpha

Table 3: Alpha, CR and AVE.

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Effective Financial Decisions	0.896	0.899	0.918	0.615
External Hedging Techniques	0.855	0.856	0.902	0.697
Financial Risk Management	0.878	0.878	0.906	0.579
Internal Hedging Techniques	0.783	0.788	0.86	0.606

Note: EF = Effective Financial Decisions, EH = External Hedging Techniques, FA = FinTech Adoption, FRM = Financial Risk Management, IH=Internal Hedging Techniques

Originally, Hypothesis 1 proposed that positive relationship between the external hedging techniques and financial risk management. The provided results found that hypothesis 1 is accepted. The results also report a positive relationship between the internal hedging techniques and financial risk management. Hence, hypothesis 2 was accepted. Similarly, the results show that there is significant relationship between the internal hedging techniques and effective financial decisions with the values. Hence, hypothesis 3 was accepted. The results show that there is significant relationship between the external hedging techniques and effective financial

decisions with the values. Hence, supporting hypothesis 4 was accepted. Results are reported in Table 4.

Table 4: Results.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
External Hedging Techniques -> Effective Financial Decisions	0.673	0.672	0.04	16.713	0
External Hedging Techniques -> Financial Risk Management	0.421	0.025	0.076	5.539	0
Internal Hedging Techniques -> Effective Financial Decisions	0.184	0.188	0.055	3.363	0.001
Internal Hedging Techniques -> Financial Risk Management	0.151	0.153	0.065	2.323	0.021

DISCUSSION AND CONCLUSION

The findings provide empirical evidence in favour of Hypothesis 1, therefore confirming that the utilization of internal hedging procedures has a favourable effect on the management of financial risk. This discovery is consistent with a previous study conducted by Bhatt, Ahmed, Iqbal, and Ullah (2023), which also found a positive correlation between the implementation of internal hedging practices and the effectiveness of risk management techniques in financial institutions. The study, which was done in several economic settings, reaffirmed the importance of utilizing internal resources and methods to address and minimize financial concerns. The findings of the present study not only corroborate the existing association but also offer empirical substantiation within the particular setting of bank managers in southern Punjab, Pakistan. The statement above emphasises the widespread applicability of internal hedging strategies in enhancing the management of financial risks, hence emphasising its pivotal function in strengthening the stability and resilience of banking establishments.

The results of the study provide support for Hypothesis 2, indicating that the use of external hedging approaches had a beneficial impact on the management of financial risk. The findings align with the study done by Mahmood and Ahmed (2023), which also observed a positive correlation between the use of external hedging techniques and the improvement of risk management practices in financial institutions. The research conducted by the authors examined several economic contexts and found consistent evidence supporting the need to utilise external instruments and contracts as a means to reduce financial risks. The findings of the current study not only support the existing correlation but also provide actual evidence within the particular setting of bank managers in southern Punjab, Pakistan. This highlights the widespread significance of employing external hedging approaches to strengthen financial risk management, emphasising their crucial role in enhancing the stability and resilience of banking institutions.

The findings support Hypothesis 3, suggesting that the utilisation of internal hedging procedures has a favourable impact on the effectiveness of financial decision-making. This observation aligns with the findings of previous research done by Singh, Chen, Singhania, Nanavati, and Gupta (2022), in which they identified a comparable positive association between the implementation of internal hedging practices and the level of financial decision-making quality inside financial organisations. The study conducted by the researchers encompassed a wide range of economic contexts and placed significant emphasis on the significance of leveraging internal resources and techniques to improve decision-making procedures. The current study's findings not only verify this acknowledged link but also give empirical validity within the specific context of bank managers in southern Punjab, Pakistan. This highlights the long-lasting importance of employing internal hedging approaches to

enhance the effectiveness of financial decision-making, emphasising their crucial role in strengthening the financial knowledge and resilience of banking organisations.

The findings of this study provide support for Hypothesis 4, indicating that the utilisation of external hedging approaches had a positive influence on the effectiveness of financial decision-making. This conclusion is consistent with a previous study conducted by Pujana, Ramdhan, and Indrajaya (2022), who found a comparable positive association between the implementation of external hedging methods and the efficacy of financial decision-making in the context of financial institutions. The researchers performed a comprehensive study in many economic settings, which emphasised the significance of integrating external instruments and contracts to improve the decision-making process. The current study not only reaffirms the existing connection but also offers actual evidence within the particular setting of bank managers in southern Punjab, Pakistan. This underscores the lasting importance of employing external hedging approaches to strengthen the efficacy of financial decision-making, emphasising their crucial role in bolstering the financial expertise and resilience of banking institutions.

Theoretical and Practical Implications

The current study has a prominent position within the field of Financial Risk Management (FRM), in terms of theoretical. This study provides a significant contribution to the existing body of knowledge on the evolution and growth of the financial industry. The objective of this study is to analyse the influence of Fintech adoption, external and internal hedging techniques that provide utility, and that are effective on the performance of Financial Risk Management (FRM). Previous scholarly works have explored the impacts of Fintech adoption, successful hedging tactics, and proficient derivative strategies on the attainment of Financial Risk Management (FRM) objectives. However, these investigations have been conducted in distinct publications or inside independent conceptual frameworks of analysis.

Based on the study, practical implications for businesses included the importance of aligning financial risk management strategies with effective financial decision-making processes. It also emphasised the need for continuous investment in fintech capabilities and risk-awareness training for employees. The research highlighted the need for regulatory bodies to remain vigilant in monitoring the evolving landscape of fintech and its implications for financial risk management. Regulators should strike a balance between fostering innovation and safeguarding financial stability. This study is also very useful for stakeholders in the financial sector of Pakistan rising economy and other comparable economies. According to the report, FRM performance may increase with Fintech adoption and appropriate hedging approaches.

Limitations

The study suggested potential future research areas, such as examining specific fintech applications (e.g., blockchain, artificial intelligence) in risk management and conducting longitudinal studies to assess the long-term impact of fintech on financial risk and decision-making. These findings underscore the intricate relationship between financial risk management, effective financial decisions, and the transformative role of fintech. Organisations that effectively integrate fintech tools with established risk management techniques and decision-making processes are better positioned to navigate complex financial landscapes and enhance overall performance. This research aims to safeguard economic companies, particularly those in the financial sector, against threats or contingent occurrences and their negative consequences. The study sought to ascertain the effects of Fintech adoption and successful financial choices, as well as external and internal hedging approaches, on FRM

and together with the goal of assessing the effects of the same on effective financial choices, as well as the relationship between successful financial decisions and FRM. The present study employed a quantitative research survey to examine the effects of Fintech adoption and beneficial hedging techniques on Financial Risk Management (FRM) within the banking institutions of Pakistan's economy.

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