



Investors' Perception towards Risk Tolerance & Investment-An Analysis

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Abstract

Investor psychology plays a crucial role in shaping financial decisions, particularly in sectors characterized by uncertainty and rapid development such as the pharmaceutical industry. Behavioural patterns, including risk perception, emotional bias, and decision-making tendencies, significantly influence investment choices. Understanding these psychological factors is essential for evaluating how investors respond to market dynamics, regulatory changes, and industry-specific developments.

This study contributes to the existing body of knowledge on investor psychology and behavioural patterns by focusing on primary data collected from investors in the pharmaceutical sector. By analyzing real-world investor responses, the study offers practical insights into how behavioural tendencies impact investment decisions. The findings aim to support policymakers, financial advisors, and corporate stakeholders in designing strategies that enhance investor confidence, participation, and trust in the pharmaceutical industry.

The key aim of this paper is to fill the gap between the theoretical financial construct and the actual investor behaviour by offering empirical evidence on how investors perceive and react to investment opportunities in pharmaceutical market. It also attempts to determine the most important aspects that affect investment decision, the levels of investor awareness, and how satisfied they generally are with the performance of their investments.

Keywords: Investors' Perception, Risk Tolerance and Investment.

Introduction

This paper has added to the existing knowledge on investor psychology and behavioural pattern by focusing on primary data, hence presenting implication on a variety of implications to policy makers, financial advisers and corporate stakeholders in the pharmaceutical industry. The knowledge gained after this analysis can be used to transform wise plans to increase investor involvement and trust in the industry. The paper serves as a complement to the findings of the

secondary data analysis since it introduces the element of behavioural perspective, which in turn allows developing a more holistic and integrative picture of investment behaviour in the Indian pharmaceutical sector.

Significance of the Study

The significance of this paper lies in its practical and theoretical contributions to understanding investor behaviour in the pharmaceutical industry. By relying on primary data, the research provides authentic and current insights into investor attitudes, perceptions, and decision-making processes. This helps bridge the gap between theoretical behavioural finance concepts and real-world investment practices.

The findings of the study are valuable for multiple stakeholders. Policymakers can use the insights to frame regulations that promote transparency and investor protection. Financial advisors can better understand client behaviour and tailor their advisory services accordingly. Corporate stakeholders in the pharmaceutical sector can develop effective communication and engagement strategies to build investor trust and encourage greater investment participation. Overall, the study supports the development of informed strategies that strengthen investor confidence in the industry.

Research Methodology

The basic objective of this paper is *to assess investors' perception towards risk tolerance concerning investments in the pharmaceutical sector*. The present study is based on primary data collected from investors in the pharmaceutical industry. The data was collected from a sample of 267 investors. The respondents were chosen using a convenience sampling method, which allowed for easy access to participants who are actively involved in pharmaceutical investments.

Data was collected through a structured questionnaire designed to capture various aspects of investor psychology and behavioural patterns. The questionnaire included questions related to investment preferences, risk perception, decision-making behaviour, and level of trust in the pharmaceutical sector. The collected data was analyzed to identify trends and patterns, providing meaningful insights into investor behaviour and its implications for the industry.

Descriptive Analysis

Demographic profile of the respondents forms a basic part of the study on investor behaviour since these forms the basic background of the people involved in the study. Age, gender, educational level, profession, and yearly income fall under the demographic factors that is important in influencing investment choices, tastes, and risk-taking capabilities. These contribute to the level of financial awareness as well as attitudes and perceptions of investors to various investment avenues such as pharmaceutical sector.

Table 1: Age-wise Distribution of Select Respondents

S. No.	Age-wise Distribution	Respondents	Percentage
1	Below 35 years	47	17.60
2	Between 36 to 45 years	113	42.32
3	Between 46 to 55 Years	76	28.46
4	Above 56 Years	31	11.61
Total		267	100.00

Source: Compiled from the Questionnaire.

The data in Table-1 indicates that 42.32 per cent of select pharmaceutical investors are from the age group of 36 to 45 years, it followed by 28.46 per cent of investors from the age group of 46 to 55 years, The remaining are the either below 35 years or above 56 years of age. Above analysis clearly indicates that majority of the investors are from the age group of 36 to 45 years.

Table 2: Gender-wise Distribution of Select Respondents

S. No.	Gender -wise Distribution	Respondents	Percentage
1	Male	212	79.40
2	Female	55	20.60
Total		267	100.00

Source: Compiled from the Questionnaire.

From the data in Table -2, it is observed that 79.40 per cent of total investors are male, while the remaining 20.60 per cent are female. This indicates that there is high proportion of male investors in the pharmaceutical investment market compared to female investors. Therefore, female investors are to be encouraged to participate in the market to make it more inclusive.

Table 3: Educational Qualifications of Select Respondents

S. No.	Education Level	Respondents	Percentage
1	Graduate	97	36.33
2	Post -Graduate	113	42.32
3	Professional	57	21.35
Total		267	100.00

Source: Compiled from the Questionnaire.

The data in Table-3 reveals that 42.32 per cent of select investors are post-graduates. The second-highest educational qualifications among the respondents are graduates, i.e., 36.33 per cent. In addition, 21.35 per cent of the respondents are professionals. Majority of the respondents' educational qualifications is either post- graduation or graduation.

Table 4: Occupation of Select Respondents

S. No.	Occupation	Respondents	Percentage
1	Government Employee	64	23.97
2	Private Employee	121	45.32
3	Business	37	13.86
4	Professional	45	16.85
Total		267	100.00

Source: Compiled from the Questionnaire.

The data in Table -4 indicates that 45.32 per cent of the respondents are private employees, 23.97 per cent are government employees, and 16.85 per cent are professionals. This is clearly indicating high proportions of the population are with assured income-generating sources.

Table 5: Annual Income of Select Respondents

S. No.	Annual Income (INR)	Respondents	Percentage
1	Below Rs. 3,00,000	38	14.23
2	Between Rs. 3,00,001 to Rs. 5,00,000	93	34.83
3	Between Rs. 5,00,001 to Rs. 7, 00, 000	79	29.59
4	Above Rs. 7,00,001	57	21.35
Total		267	100.00

Source: Compiled from the Questionnaire.

The data in Table-5 reveals that 34.83 per cent of respondents fall in the category of earning range of Rs. 3,00,001 to Rs. 5,00,000, and 29.59 per cent are earning in the range of Rs. 5, 00,001 to Rs. 7, 00,000. The average earnings of the investors stood at Rs.5,19,662.92.

This shows that majority are earning between Rs. 3,00,001 to Rs. 7, 00,000.

Table 6: Duration of Investment of Select Respondents

S. No.	How Long have been investing	Respondents	Percentage
1	Less than One Year	42	15.73
2	One to Three Years	73	27.34
3	Three to Five Years	93	34.83
4	More than Five Years	59	22.10
Total		267	100.00

Source: Compiled from the Questionnaire.

The data in Table-6 indicates that 34.83 per cent of respondents have invested in the pharmaceutical sector for three to five years and 27.34 per cent invested for a period of one to three years. This indicates a high number of investors with medium-term investment experience in the sector, which may have started investing during a growth phase in the sector..

Table 7: Investment Preference of Select Respondents

S. No.	Types of Investment Preference	Respondents	Percentage
1	Mutual Funds	49	18.35
2	Stocks	129	48.31
3	Gold	37	13.86
4	Bonds	31	11.61
5	Real Estate	21	7.87
Total		267	100.00

Source: Compiled from the Questionnaire.

The data in Table-7 reveals that a majority of the respondents, i.e., 48.31 per cent, prefer investing in stocks. Thus, investing in stocks is the most preferred option among the respondents. It reveals that the respondents have a strong inclination towards earning more returns on

investments, despite the risks involved in such investments. Mutual funds (18.35 per cent) are the next most preferred option among the respondents. Thus, the data reveals that a significant number of respondents prefer investing in Stocks.

Table 8: Investments in Pharmaceutical Industry by Select Respondents

S. No.	Percentage of Investment	Respondents	Percentage
1	Below 10 per cent	46	17.23
2	11 to 25 per cent	121	45.32
3	26 to 50 per cent	73	27.34
4	Above 51 per cent	27	10.11
Total		267	100.00

Source: Compiled from the Questionnaire.

From the data in the Table-8, it is clear that a majority of the respondents (45.32 per cent) have invested between 11 to 25 per cent of their total investment in the pharmaceutical industry. This indicates that most investors are cautious and prefer a moderate level of investment in the pharmaceutical sector. In addition, a significant number of investors (27.34 per cent) have invested between 26 and 50 per cent of their investment in the pharmaceutical industry. This indicates that a significant number of investors have a relatively high level of investment in the pharmaceutical industry.

Table 9: Time-Horizon Investment in Pharmaceutical Sector

S. No.	Percentage of Investment	Respondents	Percentage
1	Long-term	131	49.06
2	Medium -term	95	35.58
3	Short-term	41	15.36
Total		267	100.00

Source: Compiled from the Questionnaire.

The data in Table-9 indicates that most of the respondents (49.06 per cent) prefer long-term investment in the pharmaceutical industry. This illustrates the confidence of the investors in the long-term growth and stability of the pharmaceutical industry, which can provide consistent returns to the investors. Long-term investors always prefer to invest in companies based on their fundamental analysis and do not consider short-term market fluctuations.

Table 10: Source of Awareness for Investment

S. No.	Source of Information	Respondents	Percentage
1	Newspaper / TV	21	7.87
2	Internet	34	12.73
3	Social media	83	31.09
4	Friends / Relatives	58	21.72
5	Company Reports	52	19.48
6	Financial Advisor	19	7.12
Total		267	100.00

Source: Compiled from the Questionnaire.

The data in Table-10 reveals that the social media has been the most effective source of awareness among investors, responsible for 31.09 per cent of the total data. This indicates the significance of social media in influencing investment decisions in the pharmaceutical industry. The next most effective source of awareness among investors has been friends and relatives, responsible for 21.72 per cent of the total data, which indicates the importance of personal connections in influencing investment decisions. Company reports are the next most effective source, responsible for 19.48 per cent, which indicates the significance of formal communication in influencing investment decisions.

Table 11: Investment Behaviour towards Pharmaceutical Sector

S. No.	Investment Behaviour	SD	D	N	A	SA
1	I prefer to invest in pharmaceutical companies	19 (07.12)	29 (10.86)	26 (09.74)	115 (43.07)	78 (29.21)
2	I believe that investments in the pharmaceutical sector are safe	16 (05.99)	38 (14.23)	19 (07.12)	71 (26.59)	123 (46.07)
3	I seek expert advice before making investments	18 (6.74)	26 (09.74)	11 (04.12)	93 (34.83)	119 (44.57)
4	Market trends influence my investment decisions	24 (08.99)	17 (06.37)	6 (02.25)	131 (49.06)	89 (33.33)
5	I am willing to take risks to earn more	21 (07.87)	14 (05.24)	13 (04.87)	155 (58.05)	64 (23.97)
6	I diversify my investments	28 (10.49)	19 (07.12)	15 (05.62)	63 (23.60)	142 (53.18)
7	I get influenced by other investors	23 (08.61)	33 (12.36)	19 (07.12)	65 (24.34)	127 (47.57)
8	I feel confident while making investments in the pharmaceutical sector	27 (10.11)	16 (05.99)	11 (4.12)	146 (54.68)	67 (25.09)

Source: Compiled from the questionnaire; Figures in parentheses denotes percentage.

The data in Table-11 indicate that a high percentage of respondents have a favourable outlook on investing in pharmaceutical firms. Approximately 43.07 and 29.21 per cent of them concur and strongly concur that they are ready to invest in this sector. Equally, 46.07 per cent of them strongly agree and 26.59 per cent agree that pharmaceutical investments are safe which means that there is high level of security regarding the investment. The Informed decision-making is also emphasized in the results. A considerable number of respondents (44.57 per cent strongly agree and 34.83 per cent agree) take expert advice before making investment decisions. Meanwhile, the market trend has a significant role with 49.06 per cent agreeing and 33.33 per cent strongly agreeing that market conditions are a factor in their investment decisions.

Table 12: Factor Influencing the Investment Decision

S. No.	Factor influencing	SD	D	N	A	SA
1	Expected returns are high, and this affects my investment decision	24 (08.99)	38 (14.23)	21 (07.87)	121 (45.32)	63 (23.60)
2	The level of risk also affects my investment decision	14 (05.24)	19 (07.12)	11 (04.12)	82 (30.71)	141 (52.81)
3	Liquidity of investment also affects my investment decision	21 (07.87)	19 (07.12)	16 (05.99)	78 (29.21)	133 (49.81)
4	The reputation of the company also affects my investment decision	16 (05.99)	22 (08.12)	11 (04.12)	67 (25.09)	151 (56.55)
5	Government policies also influence my investment decision	14 (05.24)	23 (08.61)	15 (05.62)	129 (48.31)	86 (32.21)
6	Current market trends also affect my investment decisions	22 (08.24)	18 (06.74)	12 (4.49)	144 (53.93)	71 (26.59)
7	Technological advancements also influence my investment choice	19 (07.12)	22 (08.24)	14 (05.24)	126 (47.19)	86 (32.21)

Source: Compiled from the questionnaire; Figures in parentheses denotes percentage.

The data in Table-12 has shown clearly that the financial, institutional, and market-driven factors have an impact on investment decisions made by respondents in the pharmaceutical industry, although their weightings vary. The influences of finance include expected returns, which is among factors that will motivate a person to invest, with 45.32 per cent of the respondents concurring and 23.60 per cent strongly agreeing that expected returns is one of the factors that will influence their investment decisions. The level of strong agreement however, is comparatively moderate as compared to other aspects which indicate that although returns are critical, they are not the only determinant. Perception of risk seems to be a stronger determinant as 52 per cent of the respondents strongly agree and 30.71 per cent agree that the degree of risk influences their choices. This underscores the conservative nature of investment, with investors analyzing the possibility of uncertainties that may arise in the investment very keenly before they plunge their money.

Liquidity is another important factor as 49.81 per cent strongly agree and 29.21 per cent agree that ease of converting investment into cash is a factor in their decisions. This is an indication of favouring flexibility and financial security particularly in a dynamic market environment. Interestingly, the reputation of the company is the most effective one, as it has the strongest percentage of strong agreement (56.55 per cent), as well as 25.09 per cent strong agreement. It means that respondents trust well-established and credible companies significantly and corporate image and reliability play a significant role in the investment decision. Another strength of investment behaviour is external factors. A large percentage of respondents (48.31 per cent agree and 32.21 per cent strongly agree) are sensitive to regulatory frameworks and policy changes, which may be attributed to government policies. In the same fashion, the decisions are largely influenced by the current market trends with 53.93 per cent concurring and 26.59 per cent per cent strongly concurring with the trend of the market and the sentiments of investors. The

technological innovations also play a positive part with 47.19 per cent of the respondents agreeing and 32.21 per cent strongly agreeing that innovation affects their investment decisions. It means that it is not unaware of the increasing significance of the technological advancement in the pharmaceutical industry.

Table 13: Respondents’ Investment Attitude

S. No.	Investment Attitude Variables	SD	D	N	A	SA
1	I am ready to take risks for higher returns	17 (06.37)	27 (10.11)	15 (05.63)	132 (49.44)	76 (28.46)
2	I prefer stable returns rather than taking risks for investments.	76 (28.46)	126 (47.19)	10 (03.75)	34 (12.73)	21 (07.87)
3	I am comfortable investing in risky sectors such as pharmaceuticals.	24 (08.99)	21 (07.87)	16 (05.99)	137 (51.31)	69 (25.84)
4	I feel comfortable when changes in the stock market	19 (07.12)	23 (08.61)	12 (04.49)	139 (52.06)	74 (27.72)
5	I diversify my investments to reduce risks	28 (10.49)	73 (27.34)	14 (05.24)	131 (49.06)	21 (07.87)

Source: Compiled from the questionnaire; Figures in parentheses denotes percentage.

The data in Table-6.13 explain that the risk willingness, 49.44 per cent of the respondents were willing to take risks to get better returns and 28.46 per cent strongly willing to take risks to get better returns; this shows that majority of the investors are willing to get better returns even at the expense of taking risks. This implies that there is a considerable share of the sample that is pro-active risk-takers, and is ready to take risks of volatility of returns in the hope of financial rewards. In terms of risk aversion, 47.19 of respondents disagreed and 28.46 strongly disagreed with the preference of stable returns to risky investments, which means that risk aversion is less prone. This demonstrates that a significant proportion of investors in the sample is less conservative and can easily take a risk that is uncertain, which is in line with the results on risk willingness. On sector-specific risk, 51.31 per cent answered in the affirmative, 25.84 per cent strongly in the affirmative to the question of being comfortable to invest in risky sectors like pharmaceuticals resulting in a confidence that respondents had in high-growth and high-risk sectors.

Under emotional stability, 52.06 per cent of respondents consented and 27.72 per cent highly consented that it is comfortable to feel even in the face of change in the stock market, which indicates that most respondents were able to cope with the volatility in the stock market without fear which is a major characteristic of long-term investors. Diversifying investments as a method to reduce risk was agreed upon 49.06 per cent and disagreed 27.34 per cent in making a decision and risk management, so although most investors apply diversifying strategies to risk management, a significant minority still employs less diversified strategies, which implies that there is variation in the use of strategic behaviour among the sample.

The data in Table-14 reveals that the case of growth and innovation, 45.32 per cent of the respondents concurred and 31.09 per cent strongly concurred that there are good growth

potentials in the pharmaceutical industry. This means that a high percentage of investors are aware of the potential of the industry in the long term and its ability to innovate.

Table 14: Perception of Pharmaceutical Investors'

S. No.	Risk Attitude of Investors	SD	D	N	A	SA
1	This industry has high growth prospects	24 (08.99)	27 (10.11)	12 (04.49)	121 (45.32)	83 (31.09)
2	This industry is a stable industry	29 (10.86)	19 (07.12)	16 (05.99)	72 (26.97)	131 (49.06)
3	Investments in this industry are less risky	16 (05.99)	21 (07.87)	7 (02.62)	144 (53.93)	79 (29.59)
4	The government supports this industry	36 (13.48)	73 (27.34)	11 (04.12)	126 (47.19)	21 (07.87)
5	The performance of this industry in the long-term	32 (11.98)	24 (08.99)	13 (04.87)	83 (31.08)	115 (43.10)

Source: Compiled from the questionnaire; Figures in parentheses denotes percentage.

To be stable and resilient, 49.06 per cent strongly agreed and 26.97 per cent agreed that the pharmaceutical industry is a stable industry, which shows that investors perceive the sector as a stable and reliable industry even in unstable economic conditions. Regarding the risk perception, 53.93 per cent of respondents responded affirmatively and 29.59 per cent strongly affirm that investments in the pharmaceutical industry are less risky, a fact that demonstrates that the risk that investors have towards the pharmaceutical industry is less risky compared to other high-risk industries, probably because of established companies and regulatory frameworks. As to the government support, 43.10 per cent said there was government support of the pharmaceutical industry and 31.08 per cent said there was not, which indicates a sense of moderate institutional support, but also a concern with the reliability of regulations or policies. Lastly, to be confident and attracting investment, 43.10 per cent strongly agreed and 31.08 per cent agreed with the long-term performance of the industry which demonstrated high investor confidence and strong belief of the sector as a good long-term investment.

Conclusion

The findings of the study clearly indicate that investment decisions in the pharmaceutical industry are influenced by a combination of multiple factors rather than a single determinant. Investors tend to evaluate returns, risk, company credibility, and external market conditions in a balanced manner before making decisions. The higher level of agreement regarding risk and company reputation highlights that investors prioritize security and trust over mere profit maximization. This reflects a more informed and cautious approach, where long-term stability and reliability of companies play a crucial role.

Furthermore, the study reveals that investors in the pharmaceutical sector generally exhibit a moderate to high risk-taking attitude. They are willing to engage with market fluctuations and pursue higher returns while maintaining emotional control during volatility. Although

diversification is practiced by many investors, it is not universally adopted, indicating the need for improved awareness and guidance in risk management strategies. Overall, investors demonstrate a blend of rational decision-making and calculated risk-taking behaviour.

In addition, the analysis shows a strong level of confidence among investors in the pharmaceutical industry, particularly regarding its growth potential, stability, and long-term performance. While the perceived risk is relatively moderate, varying opinions on government support suggest that policy factors also influence investment decisions. Collectively, these insights suggest that the pharmaceutical sector is viewed as a promising and reliable investment avenue, appealing to both growth-oriented and moderately risk-tolerant investors.

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