

# Perceived Risk and Its Influence on Financial Asset Investment Decisions of Thai Investors

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## Abstract

This study examines how perceived risk influences financial asset investment decisions among Thai investors. Using a quantitative research design, data were collected from 420 respondents through a structured questionnaire measuring five dimensions of perceived risk: financial, performance, psychological, social, and time risks. Descriptive statistics, correlation analysis, and multiple regression analysis were employed to determine the relationships among variables. The findings reveal that financial risk, performance risk, and psychological risk significantly and negatively affect investment decisions, indicating that higher perceived risk reduces investors' willingness to invest. Time risk exerts a weaker but significant influence, while social risk demonstrates no significant effect. These results support behavioral finance theories suggesting that investment behavior is shaped not only by financial information but also by individuals' subjective perceptions and emotional responses to uncertainty. The study highlights the importance of enhancing investors financial literacy, improving transparency in financial products, and developing effective investor education programs to reduce perceived risks and promote more confident and informed decision-making in Thailand's financial markets.

**Keywords:** Perceived risk, Investment decisions, Financial assets, Behavioral finance

## 1. Introduction

### 1.1 Principles and Rationale

Investment decision-making is a complex psychological and economic process influenced by various internal and external factors. Among these, perceived risk plays a critical role in shaping investor behavior, particularly in uncertain financial environments (Bodie et al., 2014). Perceived risk refers to an investor's subjective judgment regarding the potential negative outcomes associated with an investment, which may differ significantly from objective or statistical risk (Kahneman & Tversky, 1979). For many investors, especially in emerging markets, these subjective evaluations can be more influential than actual financial indicators when making investment decisions (Nguyen et al., 2019).

In Thailand, recent developments in financial markets including increasing accessibility to digital investment platforms, greater availability of alternative financial assets, and heightened market volatility have contributed to changing investor behaviors (Bank of Thailand, 2022). Despite growing opportunities, Thai investors remain cautious, often demonstrating risk-averse tendencies rooted in cultural, economic, and behavioral factors (Srijumpa, 2018). Understanding their perception of risk is therefore crucial for explaining and predicting

investment choices in different asset classes such as stocks, bonds, mutual funds, digital assets, and emerging financial instruments.

Previous research consistently shows that perceived risk negatively affects investment intentions and portfolio diversification, as investors tend to avoid assets they associate with high uncertainty or potential losses (Hoffmann et al., 2015; Raut, 2020). Moreover, behavioral finance literature highlights that emotional responses, heuristics, and cognitive biases, such as loss aversion, overconfidence, and anchoring—play an essential role in shaping risk perceptions and decision-making outcomes (Ricciardi & Simon, 2000; Barberis, 2018). In the Thai context, studies indicate that risk perceptions vary according to demographic factors, financial literacy, investment experience, and exposure to financial information (Phan & Zhou, 2014; Wattanatorn & Kanchanapoom, 2020; Phasuk, 2025).

Given the growing importance of financial asset investment in promoting long-term wealth accumulation and economic stability, it is essential to investigate how perceived risk influences the investment decisions of Thai investors. This study aims to examine the relationship between perceived risk and financial asset investment decisions, focusing on how risk perceptions shape investor preferences, behaviors, and decision-making patterns. The findings will contribute to both academic literature and practical applications in financial advisory, investor education, and risk communication strategies tailored to the Thai market.

## **1.2 Research Objective**

The main objective of this study are as follows:

1. To examine the level of perceived risk among Thai investors across different financial assets.
2. To analyze the influence of perceived risk on Thai investors' financial asset investment decisions, including their willingness to invest, asset preferences, and risk-taking behaviors.
3. To investigate the relationship between demographic factors and perceived risk among Thai investors, focusing on variables such as age, income, education, and investment experience.

## **2. Literature Review**

### **2.1 Concept of Perceived Risk in Investment Behavior**

Perceived risk is a foundational concept in behavioral finance and refers to an investor's subjective assessment of the uncertainty and potential negative outcomes associated with an investment decision (Bodie et al., 2014). Unlike objective risk, which relies on statistical probability and financial models, perceived risk reflects personal judgment, emotions, and cognitive biases (Ricciardi & Simon, 2000). Kahneman and Tversky's (1979) Prospect Theory introduced the idea that individuals are loss-averse, meaning they perceive losses more intensely than equivalent gains. This psychological tendency significantly shapes how investors interpret financial risks and influences their investment choices.

In emerging markets, where financial literacy levels vary widely and market volatility is more pronounced, perceived risk tends to have an even stronger effect on decision-making (Nguyen et al., 2019). As investors rely on heuristics and personal experiences, their perception

of risk may deviate substantially from objective financial risk assessments (Hoffmann et al., 2015).

## **2.2 Types of Perceived Risk in Financial Investment**

Perceived risk in investments is multidimensional. Researchers commonly identify several risk components that influence investor decisions, such as:

Financial risk – the possibility of monetary loss.

Market risk – volatility and unpredictability of financial markets.

Liquidity risk – difficulty converting assets into cash.

Psychological risk – emotional discomfort related to investment decisions.

Social risk – influence of societal or peer expectations (Raut, 2020; Ricciardi & Simon, 2000).

These dimensions collectively shape how investors evaluate different asset classes. For example, stocks and digital assets are often perceived as high-risk investments due to their volatility, whereas bonds and mutual funds are perceived as moderately safe (Bodie et al., 2014).

## **2.3 Influence of Perceived Risk on Investment Decision-Making**

Perceived risk significantly affects investment decision-making, often serving as a barrier to investing in high-return but volatile assets (Hoffmann et al., 2015). Empirical studies show that when investors perceive higher risk, their investment intention decreases, and they shift toward safer assets, even at the cost of lower returns (Raut, 2020). This behavior aligns with Prospect Theory, which asserts that individuals avoid uncertain outcomes, particularly when potential losses are possible (Kahneman & Tversky, 1979).

Behavioral factors such as overconfidence, fragmentation of information, and availability heuristics further shape risk perception. Overconfident investors may underestimate risk and engage in excessive trading, while less confident investors may overestimate risk and withdraw from investment opportunities altogether (Barberis, 2018; Ricciardi & Simon, 2000). These biases contribute to differing investment patterns even among investors with similar financial knowledge or demographic profiles.

## **2.4 Perceived Risk and Investment Behavior in Thailand**

Thailand's financial market has undergone significant growth through digital transformation, easier access to investment platforms, and increased exposure to global financial markets (Bank of Thailand, 2022). Despite these advancements, Thai investors typically maintain conservative investment strategies. Research indicates that perceived risk is one of the most influential factors affecting Thai investment behavior, often outweighing expected returns or financial advice (Wattanatorn & Kanchanapoom, 2020).

Additionally, Thai investors' risk perceptions are often shaped by external factors such as economic conditions, financial scams, market volatility, and media reports (Srijumpa, 2018). As a result, understanding perceived risk is essential for improving investor education initiatives and designing risk communication strategies tailored to Thai cultural and behavioral patterns.

### 3. Research Methodology

This study employed a quantitative research design using a structured questionnaire to examine the influence of perceived risk on financial asset investment decisions among Thai investors. Quantitative methods are suitable for investigating causal relationships between psychological factors and financial behaviors, allowing statistical testing of hypotheses using large samples. A cross-sectional survey approach was adopted because it enables efficient data collection from a diverse group of respondents within a specific timeframe (Hair et al., 2020).

#### 3.1 Population and Sample

The population consisted of Thai retail investors who actively invest in financial assets such as stocks, bonds, mutual funds, digital assets, and money market instruments. Due to the large and dispersed nature of this population, non-probability sampling, specifically purposive sampling, was applied. This technique is appropriate when researchers need respondents with specific characteristics, such as individuals with investment experience. A minimum sample size of 385 respondents was determined using Cochran's formula for an unknown population (Cochran, 1977). To increase accuracy and address potential non-response, 420 completed questionnaires were collected.

#### 3.2 Research Instrument and Data Collection

The research instrument was a structured questionnaire divided into three sections:

*Section 1: Demographic Information:* Variables included gender, age, education, income, investment experience, and types of financial assets invested.

*Section 2: Perceived Risk:* Perceived risk was measured using five dimensions commonly applied in financial behavior literature: Financial Risk, Performance Risk, Psychological Risk, Social Risk, and Time Risk.

*Section 3: Investment Decision:* Investment decision behavior was measured on decision-making tendencies, asset allocation preferences, and risk-return trade-offs.

Data were collected via online questionnaires distributed through investment-related social media groups, financial education forums, and LINE communities widely used by Thai investors. Respondents were required to confirm that they had invested within the past 12 months.

#### 3.3 Data Analysis

*Descriptive statistics:* including means, standard deviations, and frequencies, were employed to describe demographic characteristics and variable distributions.

*Correlation Analysis:* Pearson correlation coefficients used to assess the relationships between the dimensions of perceived risk and investment decision behavior.

*Multiple Linear Regression Analysis:* Regression assessed the predictive influence of perceived risk dimensions on investment decision behavior.

## 4. Results

A total of 420 Thai investors participated in the study. Most respondents were between 26–40 years old (58%), held a bachelor’s degree (62%), and had between 1–5 years of investment experience (54%). Stocks (71%), mutual funds (66%), and digital assets (48%) were the most common investment types.

### 4.1 Descriptive Statistics

Descriptive statistics indicated moderate levels of perceived risk (Mean = 3.42, SD = 0.68) and moderately high investment decision confidence (Mean = 3.61, SD = 0.72). Among the risk dimensions, financial risk showed the highest mean (Mean = 3.78), while social risk showed the lowest (Mean = 3.15).

### 4.2 Correlation Analysis

Pearson’s correlation coefficients were computed to assess the relationship between perceived risk dimensions and investment decisions.

Financial Risk was negatively correlated with investment decision ( $r = -.42, p < .01$ ).

Performance Risk also had a significant negative relationship ( $r = -.37, p < .01$ ).

Psychological Risk showed a moderate negative correlation ( $r = -.29, p < .01$ ).

Time Risk demonstrated a weak negative correlation ( $r = -.18, p < .05$ ).

Social Risk showed a small but significant negative correlation ( $r = -.14, p < .05$ ).

These results are consistent with behavioral finance theory, suggesting that higher perceived risk reduces willingness to invest or diversify into new assets.

### 4.3 Regression Analysis

A multiple linear regression analysis was performed to examine the extent to which perceived risk dimensions predicted investment decision-making behavior.

**Table 1 Regression Model Summary**

Predictor Variable	$\beta$ (Standardized)	p-value	Interpretation
Financial Risk	-.31	< .001	Strong negative predictor
Performance Risk	-.24	< .001	Significant negative predictor
Psychological Risk	-.18	< .01	Moderate negative predictor
Time Risk	-.09	< .05	Weak negative predictor
Social Risk	-.06	> .05	Not significant

$R^2 = .38$ , Adjusted  $R^2 = .36$ ,  $F(5, 414) = 51.36, p < .001$

The regression results indicate that financial risk is the strongest negative predictor of investment decision-making ( $\beta = -.31, p < .001$ ). This means that as investors perceive a higher likelihood of financial loss, their willingness to invest decreases substantially. Performance risk also shows a significant negative effect ( $\beta = -.24, p < .001$ ), suggesting that concerns about uncertain or unfavorable investment returns meaningfully reduce investors’ decision confidence. Psychological risk demonstrates a moderate negative influence ( $\beta = -.18, p < .01$ ),

indicating that emotional discomfort, anxiety, or stress associated with investment decisions can discourage participation. Time risk has a weaker but still significant negative effect ( $\beta = -.09$ ,  $p < .05$ ), meaning that the time required to monitor or manage investments may slightly deter investors. In contrast, social risk is not a significant predictor ( $\beta = -.06$ ,  $p > .05$ ), implying that Thai investors are not influenced by concerns about social judgment or peer perception when making investment decisions. Overall, the findings highlight that financial, performance, and psychological risks are the most influential factors shaping investment behaviors among Thai investors.

## 5. Conclusion

This study examined the influence of perceived risk on financial asset investment decisions among Thai investors, focusing on five key dimensions: financial, performance, psychological, social, and time risks. The findings reveal that perceived risk plays a significant role in shaping investment behavior, supporting the foundational assumptions of behavioral finance that investor decisions are influenced not only by objective information but also by subjective perceptions and emotional responses (Kahneman & Tversky, 1979; Ritter, 2003).

The results from the multiple regression analysis indicate that financial risk, performance risk, and psychological risk serve as the strongest predictors of investment decision-making. Thai investors demonstrate heightened sensitivity to potential financial losses and uncertain returns, aligning with previous evidence suggesting that financial and performance risk perception strongly influences risk-averse behavior (Weber et al., 2002). Psychological risk also emerged as a meaningful factor, emphasizing that emotional discomfort, stress, or fear of making poor decisions can discourage investment participation, reflecting the risk-as-feelings framework.

Time risk showed a weaker but still significant influence, suggesting that concerns about the time required to monitor and manage investments moderately affect investor choice. Meanwhile, social risk was not a significant predictor, indicating that Thai investors are less concerned about social judgment or peer opinions, which corresponds with findings that investment decisions in Asian markets are generally more individually oriented (Merikas et al., 2004).

Overall, the study concludes that reducing perceived risk particularly by improving financial literacy, increasing transparency of financial products, and offering accessible investment guidance may encourage more informed and confident investment decisions among Thai investors. Financial institutions and policymakers should focus on providing clearer risk disclosures, investor education programs, and user-friendly digital tools that help investors better evaluate returns and manage emotional responses to uncertainty (Hair et al., 2020). Strengthening these support mechanisms can help mitigate perceived risks and promote more rational, confident participation in Thailand's financial markets.

## Acknowledgment

The author would like to formally express appreciations to Suan Sunandha Rajabhat University for financial support and the Faculty of Management Sciences for providing full assistance until this research was successfully completed. The author is also grateful for suggestions from all those who kindly provide consulting advices throughout the period of this research.

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