PERSONALITY TYPES AND INVESTMENT INTENTIONS OF THE SMALL & MEDIUM SCALE ENTREPRENEURS

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ABSTRACT

The purpose of this study is to examine the impact of personality types of small and medium scale entrepreneurs on their investment intentions within the Sri Lankan context. The ongoing economic crisis within the country has critically affected all the business activities in general. Yet, it is noteworthy to assess the way the diverse personalities of the small business owners affect their intentions to invest. The study was designed as a quantitative study following the deductive approach. It was carried out by selecting a random sample of 234 small businesses from the Minuwangoda divisional secretariat of Gampaha district. A structured questionnaire was employed for collecting the primary data required. Following the big five factor model neuroticism, extraversion, conscientiousness, openness to experience and agreeableness were identified as the exogenous variables. In addition, risk aversion was also identified as an important dimension which affect the investment intentions based on prior scholarly work. Descriptive statistics, correlation analysis and regression analysis were the statistical techniques utilized for the data analysis. The outcomes of the statistical data analysis revealed that the extraversion, conscientiousness, openness to experience, agreeableness and risk aversion positively and significantly affect the investment intentions of the small and medium scale entrepreneurs. Further, the risk aversion exhibited the best predictive ability among others. In essence, the study unveils the significance of developing strong personalities having above attributes through the educational system of the country in order to find sustainable solutions for the current economic crisis. Finally, the future researchers are suggested to utilize qualitative research methodology to discover hidden attributes inherent to the business of our context. Further, it is suggested to study the potential moderating effects of age, gender etc.

Keywords: Investment Intention, Personality Types, Small and Medium scale Entrepreneurs

1.INTRODUCTION

Small and Medium Enterprises (SME) are recognized as the key driver of the economies (Wijayarathna & Perera, 2018; Yogendrarajah et al., 2017). They are playing a decisive role in each and every economy irrespective of the development status (Deyshappriya & Maduwanthi, 2020). And these businesses contribute in

generating employment opportunities, reducing uneven income distribution, abolishing poverty and enhancing the social wellbeing (Niranjala & Jiangue, 2017). Within the Sri Lankan context, SMEs were facing for numerous challenges within the recent past. Amidst such environmental turbulence the growth of SMEs is highly constrained. Nevertheless, investments facilitate the business entities in terms of developing and expanding the business operations to achieve the growth goals. However, the engagement in investments is a choice of the owners of the SMEs and their investment intention leads for such choice.

The investment intention means someone's intention to carry out an activity in the form of investing money or capital in a company or project for profit (Natsir, et al., 2021). Personality is defined as "the way an individual interacts, reacts and behaves with others and is often exhibited through measurable traits" (Crysel et al., 2013). Personality traits consisted of cognitive, motivational, and emotional characteristics that predisposed individuals to make several decisions (Dolan et al., 2012). And, investors' personalities are associated with their investment choices and outcomes (Durand et al., 2008).

The personality types of people highly influence on the investment intention of the individuals. Therefore, the horizon of investment intention can be predicted based on the dimensions of the personality of individuals. When we looked at the past, researchers have analyzed investor behavior and tried to better understand why people engage in investments differently. There is a plethora of previous studies that attempted to explain the investor behavior. The personal characteristics influence investors' perception of risk and their willingness to assume risk can be seen as the common outcome of those literature (Bucciol & Zarri, 2017; Mathur & Nathani, 2019). But there is an unanswered question, that is to which extent the individuals' personal characteristics influence their investment intensions. The limited research done within this area also have generated inconclusive results (Stewart & Roth, 2001). Thus, the present study was carried out with the objective of examining the impact of personality types of SME owners on the investment intentions within the Sri Lankan context.

2.LITERATURE REVIEW

Investment intention is the focus of the present study. Without having an intention to invest, no one can start a business. Investment Intention means someone's intention to carry out an activity in the form of investing money or capital in a company or project for profit (Natsir et al., 2021). This definition suggest that the profit motive is a key concern in making investments. The small and medium scale business owners of the Sri Lankan context are struggling at the moment to secure their profit margins amidst the turbulent economic environment of the country.

Personality types of people make a great impact on the intention of investment of the individuals. Therefore, the horizon of the investment can be predicted based on the dimensions of the personality of the individuals. Studies which identify the personal traits of businessmen is a disciple which is admired from many scientific perspectives. The fields such as Psychology, Economics and Sociology can be taken as examples. Personality can be measured based upon the people's actions, reactions and behavioral patterns (Crysel et al., 2013).

Personality refers, characteristic way of thinking, feeling, and behaving. And, it embraces moods, attitudes, and opinions and is most clearly expressed in interactions with other people (Robbins & Judge, 2011). It influences risk attitudes in various fields of an individual's life, including social, gambling and investment intentions (Soan et al., 2010). Meanwhile, the Big Five factor (BFF) model is widely discussed and utilized in identifying the personality types. BFF model furnishes a classification of five personality types which include: neuroticism, extraversion, conscientiousness, openness to experience and agreeableness (Digman, 1990). We used big five factor (BFF) format in this study for explaining the variations of investments intentions of small and medium scale entrepreneurs during a tough and difficult period. A brief discussion on each of the above factors is followed.

The people with the neuroticism quality are considered to be lack of conceptual understanding, logical thinking, and analytical abilities. Neuroticism is lack of effective cognitive skills associated with poor analytical skills and poverty of critical thinking and conceptual understanding. It tends to freeze high-level cognition it causes people anxiety and fear about being active and failing. Because of the risk behavior is associated with neurological disorders and is more prevalent in people with low neuroticism anxiety in risk making (Young et al., 2012). Accordingly, it is proposed,

H_1: There is an impact of neuroticism on investment intentions.

Extraversion can be defined as the active nature of the individuals. A person with the personality type of extraversion can be identified as energetic, sociable and as a person who always thinks positively. The people with this quality exchange idea on positive impact of oneself with the others. Therefore, they can be identified as the individuals who can attain success in decision making on financial matters (Pan & Statman, 2013). The individuals who possess the personality quality of extraversion, show an inclination and a tendency of achieving higher success as they are ideal risk-takers and ideal decision makers (Durant, 2008). They tend to be guided by external sensitive stimulators (Sadi et al., 2011). Hence, it is proposed,

H_2: There is an impact of extraversion on investment intentions.

The people who have the personality quality of openness to experience can be identified as broad minded people. As well as, they are resourceful and creative people. They have novel and creative ideas (Martins, 2002). The people who have personal quality of openness show a higher interest to unconventional conditions of thumb guided in financial decision making. They have positive attitudes on withstanding risks (Gunkel et al., 2010). People with openness to experience are creative, adaptable, more intriguing and non-traditional and generally inclined to make new experiments and take more risks (Mayfield et al., 2008). Hence, following hypothesis is proposed.

H_3: There is an impact of openness to experience on investment intentions

The personality quality of agreeableness is encircled with helpfulness, cooperation, sympathy and empathy towards the others (Mayfield et al., 2008). The people with this quality believe on monetary analyst's judgment and show a hostile attitude to make personal financial decisions. As well as, the people with this quality always try to avoid conflicts with others and take the information in a more optimistic manner without any critical complain (McCrae & Costa, 2008). People with disagreements are usually curious, considering more information than highly agreeable people, take less risk and make more calculated decisions (Sreedevi & Chitra, 2011). Accordingly, the following hypothesis is proposed.

H_4: There is an impact of agreeableness on investment intentions

The people with the personal quality of conscientiousness possess the qualities such as punctuality, determined, trustworthy and well-planned. However, they cannot be identified as risk-takers (Mayfield et al., 2008). When people are conscientiousness, they get the opportunity to secure themselves on misconceptions and they get the chance of making their investment decisions sensibly (Gunkel et al., 2010). The investors who have the personality quality of conscientiousness do not tend to believe on delusions and take their investment decisions wisely. This opportunity makes them possible to be more particular regarding the option of investment and withstand of risks (Sadi et al., 2011). As well as, the people with conscientiousness personality keep favorable relationships within their trading behavior. Conscientiousness investors are determined as, well-organized, trustworthy, and consistent and work on time and take risks less impulsively. Thus, it is proposed,

H_5: There is an impact of conscientiousness on investment intentions

Risk aversion can be identified as well-thought important dimension of investment behavior (Kiev, 2003). And, it has a significant impact on investments intentions, as found by Kanton et al., (2018). The investors who have attitudes of low risks pay attention on holding money and investments (Wood & Zaichkowsky, 2004) Risk

aversion can be identified as a personality trait implies the willingness to carry out decisions or measures of mechanisms causing impossibility concerning success of failure outcomes (Jackson et al., 2015). Some scholars identify risk aversion as a distinct combination of scores towards the Big Five personality traits while some scholars identify it as sixth personality characteristic that affects towards the intention of the investor.

H_6: There is an impact of risk aversion on investment intentions

3.METHODOLOGY

This section explains the methodology of the present study. The study was designed as a quantitative study following the deductive approach within the positivist philosophical stance. Neuroticism (NE), Extraversion (EX), Openness to Experience (OE), Agreeableness (AG), Conscientiousness (CO) and Risk Aversion (RA) served as the independent variables and Investment Intention (II) served as dependent variable of the study. The potential relationship among the independent and dependent variables are illustrated in the figure 01.

Independent variables

Dependent variable

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┌──────────────────────┐
│     Neuroticism      │
└──────────────────────┘
┌──────────────────────┐
│     Extraversion     │
└──────────────────────┘
┌──────────────────────┐        ┌──────────────────────┐
│ Openness to experience│───────▶│ Investment Intentions │
└──────────────────────┘        └──────────────────────┘
┌──────────────────────┐
│     Agreeableness    │
└──────────────────────┘
┌──────────────────────┐
│   Conscientiousness  │
└──────────────────────┘
┌──────────────────────┐
│     Risk aversion    │
└──────────────────────┘
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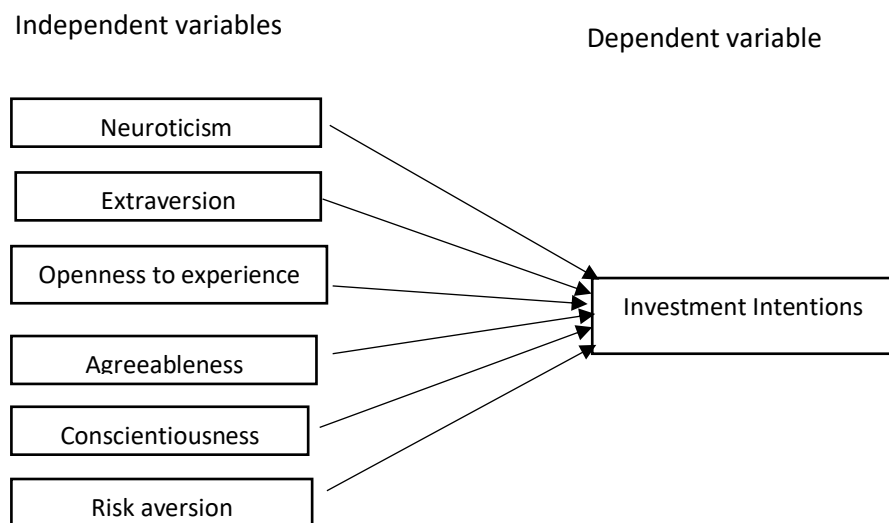
Figure 1: Conceptual Framework

As per the conceptual framework of the study following hypothesis were identified and tested.

The study employed a cross sectional survey in order to collect the primary data required for the analysis. The respondents were the owners of the SMEs within the

Minuwangoda divisional secretariat. The population of the study was identified using the records maintained by the divisional secretariat of Minuwangoda. The number of registered SMEs amounted to 600. Out of registered SMEs, randomly picked 234 businesses. The random selection ensures an identical probability for each element within the population for being picked up and included within the sample (Kothari, 2004). The sample size was determined following the Krejcie & Morgan (1970) with 95 percent confidence level (Sekaran & Bougie, 2016). The unit of analysis was identified as an individual. Accordingly, the owners of the sample firms were recognized as the respondents.

The survey instrument was developed referring to the prior scholarly work. It was designed to fit the conceptual framework of the study. The questionnaire consisted from closed ended questions. There were three (03) sections in the questionnaire as part (A), part (B) and part (C). The part (A) was designed to collect the personal information of the respondents such as gender, age, level of education and years of financial experience. In contrast, section (B) consisted of 27 statements to measure neuroticism, extraversion, and openness to experience, agreeableness, conscientiousness and risk aversion. Moreover, section (C) included 8 statements to measure investment intentions which was the dependent variable of the research. Hence, the questionnaire consisted of 40 questions in total.

The data analysis was accomplished with both descriptive and inferential statistics. Thus, the statistical techniques of descriptive analysis, correlation analysis and regression analysis were employed. The descriptive statistics provide information on the mean, standard deviation, skewness and kurtosis. Correlation is one of the popular analytical tool that is used to determine the degree of linear relationship between independent variable and dependent variable. The correlation coefficient (r) ranges from -1.00 to +1.00. The significance of each relationship was tested at 5% significance level.

The purpose of the regression analysis is to identify the impact of independent variables on the dependent variable. Multiple linear regression analysis was applied in this study. The multiple regression model is constructed with investment intention as the dependent variable and neuroticism, extraversion, openness to experience, agreeableness, conscientiousness and risk aversion as the independent variables.

According to the research model for this study, regression equation developed is,

$$II = \beta_0 + \beta_1 NE + \beta_2 EX + \beta_3 OE + \beta_4 AG + \beta_5 CO + \beta_6 RA + \varepsilon$$

Where,

II = Investment Intention

NE - Neuroticism

EX – Extraversion

OE – Openness to experience

AG – Agreeableness

CO– Conscientiousness

RA – Risk aversion

4.FINDINGS AND DISCUSSION

The self-administered survey instrument measured the responses using a five-point Likert scale (1- strongly disagree: 5 – strongly agree). The instrument was pre-tested to ensure reliability (N = 35). The pilot test carried out generated Cronbach's alpha values free from reliability issues. Hence, a mass survey was conducted. The researchers calculated the reliability of all the variables using Cronbach's Alpha. If Cronbach's alpha value is greater than 0.7 the questionnaire is acceptable (Glen, 2021). According to the results of reliability analysis (Table 01) Cronbach's Alpha for neuroticism, extraversion, and openness to experience, agreeableness, conscientiousness, and risk aversion were 0.837, 0.789, 0.844, 0.857, 0.712 and 0.810 respectively. Since all the alpha values obtained were well above the threshold (0.7), the reliability of the survey instrument was ensured.

Table 1: Reliability Analysis

Variables	Cronbach's alpha	Number of items
Neuroticism	0.837	5
Extraversion	0.789	4
Openness to experience	0.844	5
Agreeableness	0.857	4
Conscientiousness	0.712	5
Risk aversion	0.810	4
Investment Intention	0.823	8
Overall reliability	0.964	35

Thereafter, the demographic analysis (table 02) was carried out. As revealed by the demographic analysis majority of respondents (56%) were females and 79% of the respondents were within 41-50 years of age. Most of the respondents were qualified with GCE Advanced Level (51%). Moreover, nearly half of the respondents had 5-10 years of business experience.

Table 2: Demographic Analysis

		Frequency	Percent
Gender	Male	102	43.6
	Female	132	56.4
Age	19-30 Years	38	16.3
	31-40 Years	81	34.6
	41-50 Years	88	37.6
	More than 51 Years	27	11.5
Edu. Qualifications	O/L	68	29.1
	A/L	118	50.4
	Bachelors	19	8.1
	Masters	14	6
	Other	15	6.4
Experience	1-2 Years	6	2.6
	2-5 Years	88	37.6
	5-10 Years	118	50.4
	More than 10 years	22	9.4

Following the analysis of demographics, analysis of descriptive statistics was carried out. The outcomes are presented in table 03. As per the results obtained the mean values of the responses for the variables NE, EX, OE, AG and CO are indicating that on average the respondents are agreeing with the given statements. Comparatively, the mean values are slightly lower for RA and II. However, the tendency being agreed is high. In addition, normality of data can be tested by using skewness and kurtosis. According to the skewness and kurtosis values, the data lies between +1.96 and -1.96. This indicate that the data are normally distributed (Jain, 2018).

Table 3: Descriptive statistics

	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
NE	4.1632	0.48090	-0.245	0.159	-0.2	0.317
EX	4.2308	0.55168	-0.75	0.159	0.167	0.317
OE	4.2427	0.47951	-0.503	0.159	-0.118	0.317
AG	4.3088	0.45919	-0.087	0.159	-0.998	0.317
CO	4.2932	0.39269	-0.374	0.159	0.383	0.317
RA	3.8942	0.63201	-0.324	0.159	0.664	0.317
II	3.7612	0.59691	0.297	0.159	0.556	0.317

After the descriptive analysis, correlation analysis (table 04) was performed for uncovering the association between the independent variables and the dependent variable. This relationship is statistically significant too. All the independent variables are associated with investment intention. In particular, neuroticism, extraversion, openness to experience, conscientiousness and risk aversion demonstrated strong positive and significant associations (0.833, 0.796, 0.828,789 and 0.828 respectively) with the dependent variable. But agreeableness (0.576) indicated a positive relationship with investment intention.

Table 4: Correlation Analysis

	II	NE	EX	OE	AG	CO	RA
II	1						
NE	.833**	1					
EX	.796**	.801**	1				
OE	.828**	.844**	.749**	1			
AG	.576**	.483**	.251**	.598**	1		
CO	.789**	.687**	.689**	.738**	.531**	1	
RA	.828**	.815**	.813**	.711**	.363**	.693**	1

**. Correlation is significant at the 0.01 level (2-tailed).

A regression analysis was performed (Table 05) as an advanced analysis to assess the magnitude of the impact of the independent variables on the investment intention. The regression model developed was capable in predicting 85.2% (p = 0.000) variation of the dependent variable. The independent variables showed up to be significant predictors of investment intention except for neuroticism.

Table 5: Results of the regression analysis

Variable	Investment intention		
		Coefficient	Sig.
Neuroticism		0.128	0.087
Extraversion		0.234	0.000
Openness to experience		0.167	0.021
Agreeableness		0.260	0.000
Conscientiousness		0.252	0.000
Risk aversion		0.270	0.000
R^2	0.852		
Adjusted R^2	0.848		
F value	217.459		0.000

Furthermore, the researchers used regression analysis for the purpose of testing hypothesis. According to the hypothesis testing, the most powerful predictor of investment intention was risk aversion ($\beta = 0.270$), then agreeableness ($\beta = 0.260$), conscientiousness ($\beta = 0.252$), and extraversion ($\beta = 0.234$) respectively while openness to experience was the least powerful predictor of investment intention. Moreover, the researchers identified that neuroticism wasn't affected the investment intention significantly. Accordingly, the hypothesis H_2, H_3, H_4, H_5 and H_6 were accepted and H_1 was rejected. These results comply with the prior scholarly findings (Pan & Statman, 2013; Mayfield et al., 2008).

Consequently, the following research model was derived.

$$II = -1.723 + 0.234EX + 0.167OE + 0.260AG + 0.252CO + 0.270RA$$

II = Investment Intention

EX – Extraversion

OE – Openness to experience

AG – Agreeableness

CO– Conscientiousness

RA – Risk aversion

5.CONCLUSION

The present study inquired the impact of investors' personality types on their investment intention. A cross sectional survey was carried out by selecting a sample of small and medium scale entrepreneurs from Minuwangoda divisional secretariate region. Descriptive statistics, correlation and regression analysis were utilized to analyse the primary data gathered. The outcome of the data analysis unveiled a positive and significant impact of investor's personality types (Extraversion, openness to experience, agreeableness, conscientiousness and risk aversion) on the investment intention. Risk aversion has the best predictive ability. However, neuroticism exhibited an insignificant positive impact on the investment intentions. The positive impact may be due to the fact that, logical thinking and analytical capabilities are widening the insights of individuals on their investment intentions.

Practical implications call for implementing sound awareness programmes for SMEs who are in their early stage of business. And, it is essential to revisit the school curriculums in order to develop these personality attributes among the youngsters. Because, it is crucial for Sri Lankans to look ahead for futuristic and sustainable solutions to overcome the current economic struggle.

Future researchers are suggested to follow the qualitative methodology to identify any specific factors that affect the investment intentions of SMEs within the Sri Lankan context. Further, they are encouraged to investigate the potential moderating effects by the age and gender etc.

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