

# Interplay of Individual Entrepreneurial Orientation and Investment Behavior

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## ABSTRACT

India is one of the fastest growing economies of the world along with China. For economic development, it is necessary to invest savings in meaningful way. The objective of present paper is to study the relation between the individual entrepreneurial orientation and investment behavior. The data was collected from 200 respondents from Jalandhar city. The study found that there was relation between individual entrepreneurial orientation and investment behavior.

## 1. Introduction

India is already regarded as an emerging economic power with potential to rank among the first 5 major nations of the 21<sup>st</sup> century. India is one of the fastest growing economies of the world along with China. For economic development, it is necessary to invest savings in meaningful way. Investment is involved in almost every area of economy, such as business management & finance, whether for households, firms or government. The economic growth of any nation depends upon the financial behaviour of its people. Financial behaviour includes every activity relating to funds and its management. Financial behaviour includes every activity relating to funds and its management. How people raise money, manage it, make their loving, save for their future and appreciate their savings by investing them in beneficial options and schemes.

Entrepreneurial Orientation : It refers to the processes, actions, methods, practices and decision making styles within a firm/ organization. Entrepreneurial Orientation is generally characterized as a multidimensional develop, connected at the hierarchical level, which describes association's entrepreneurial conduct. It includes: Risk taking behaviour extends from 'safe risks' such as bank deposits, investing in Treasury Bills or restocking the shelves to 'highly risky actions' such as borrowing heavily, investing into unexplored technologies or introducing new products into new markets. Proactiveness refers to how a firm relates to market opportunities in the process of new entry by seizing initiative and acting opportunistically in order to influence trends and even create demand. Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/ services as well as technological leadership via R & D in new processes. Competitive aggressiveness is the intensity of a firm's efforts to outperform rivals and is characterized by a strong offensive posture or aggressive responses to competitive threats. Autonomy is the key dimension of an Entrepreneurial Orientation and refers to the independent action undertaken by entrepreneurial leaders or teams directed at bringing about new idea or a vision or a new venture and carrying it through to the completion without being held back by overly stringent organizational constraints.

## 2. Review of Literature

Kollmann et al (2011) attempted to study framework which is based on the entrepreneurial orientation and transferred this construct to the individual level. They compared the risk averse Germans' entrepreneurial orientation with other countries China, Latvia and Greece. They showed how entrepreneurial factors influence the entrepreneurial orientation of the entrepreneur. Walter et al (2011) examined how uniqueness of university departments affect the employment intentions of students. They argued that four organizational-level factors i.e entrepreneurship education, entrepreneurship support programs, industry ties, and research orientation. They surveyed 1530 students and 132 professors at 25 university departments and showed that entrepreneurship education and industry ties were related to self-employment intentions only for the males. They found the negative effect of the department's research orientation. Bolton and Lane (2012) developed a measurement instrument for individual entrepreneurial orientation (IEO) to be used to measure the EO of students and other individuals. They generated, validated and then tested the measure of IEO on 1100 students of mid-south university. They modified the measures for EO at organizational level to assess EO for an individual. They used five EO dimensions by using Exploratory Factor Analysis these items resulted into three dimensions; innovativeness, risk-taking and Proactiveness that accounted for 60% of the total variance. They observed innovativeness, risk-taking and Proactiveness being the three distinct factors which statistically correlated with measures of entrepreneurial intention. Felgueira and Rodrigues (2012) studied the Entrepreneurial Orientation and Performance of Teachers and Researchers in Higher Education Institutions. They proposed the conceptual model for analyzing the relationship among these. They had applied structural equation modeling. They proposed the concept of individual entrepreneurial orientation and a measurement scale. Ahmed et al (2014) studied the leader & individual entrepreneurial orientation, organizational factors and project success in IT firms. The data was collected from 42 teams of 25 IT firms which include 42 team leaders and 378 employees. They used factor analysis and structural equation modeling for the data analysis. They found that organizational factors for

entrepreneurial activities, autonomy and empowerment were important factors of IEO. Gudmundsson (2014) explored the dimensions of individual entrepreneurial orientation and studied the relationship between competitive strategy and firm performance. They used PLS path. They found that the different impacts of individual entrepreneurial orientation dimensions on competitive strategy and the effects of cost leadership and differentiation on performance. They also found that there was negative relation among risk-taking and competitive aggressiveness and differentiation and cost leadership strategies were positively related to performance. Ajmi (2008) collected the data from 1500 respondents by using questionnaire and found the determinants of risk tolerance of investors in Bahrain. He observed that women had less risk tolerance. Highly educated investors with sound wealth were more likely to seek risk than the less educated one. The risk tolerance declined as the investors moved towards retirement age. Bahrain residents were found to be less risk tolerant than non Bahrain residents. Mayfield et al (2008) attempted to examine the five personality traits namely neuroticism, extraversion, openness, agreeableness and conscientiousness and their investment management. They collected the data from 194 respondents through a structured questionnaire and analyzed the same through statistical tools like Kurtosis, Skewness and Chi Square test. They observed a negative relation between extraversion and investment specific risk tolerance and concluded that the persons who were creative and non-traditional, preferred large investment risk. They found that risk aversion people did not invest in long term assets and the people who were open to their experience preferred to invest in long term assets. Kasilingam and Jayabal (2009) conducted a study to measure the perception of teachers towards small saving schemes. They used questionnaire to collect the data from 614 respondents. They found that the attitude of investors was influenced by age and tax payment and had great influence on range of investment and risk bearing capacity. If the investors got good return during their term of investment then they had positive perception towards investment. Anirudh and Pavani (2010) divided the target people into different age groups & gender groups and found out the reasons for their preference towards investment avenues. They found male investors with age between 20-30 preferred to invest in real estate and shares, 30-40 preferred to invest in insurance and gold and above in real estate whereas female investors with age between 20-30 preferred mutual funds, 30-40 preferred fixed deposits, insurance, gold and 30-50 preferred insurance and post saving schemes and above 50 preferred real estate and mutual fund. Geetha and Ramesh (2011) conducted a study on data of 210 respondents collected through a structured questionnaire and analyzed with Chi Square test to understand people's choices in investment avenues of Kurumbalur. They found the respondents in Kurumbalur being less aware about the investment avenues and concluded that age groups below 50 mostly preferred to invest in insurance, public provident fund, bank, and national saving certificates than other avenues, the low income level people preferred to invest in safety avenues. The most preferable investment instrument was gold for age group 50-60. Kaviha (2015) concluded that there was a significant relationship between investor's attitude and stock market investments. It was suggested that to have more

participants on NSE, efforts should be directed towards stronger regulation and awareness. The study revolved around the investor's attitudes and perception towards stock market investments and analyzed how investor's level of awareness influence their intention to invest in stock market. Both primary and secondary data was used for the study. Mistry (2015) analyzed the behavior of individual investors in Indian stock market, specifically their attitude and perception with respect to stock market information influencing investment decisions, categorization of investors. The research was descriptive in nature. The sources are both primary as well as secondary data. The questionnaire was framed and filled from people. It was found that small investors do not consider various financial elements before investing in stock market. They do not take decision immediately. They understand the market first and then react. Sowmya and Reddy (2016) analyzed the perception of investors towards various investment avenues. They have tried to know about investor's knowledge and preference of investing in investments. The study was based on both primary and secondary data, gathered from reports, journals, websites etc. The study concluded that majority of respondents were aware of all the savings schemes. The investors had prime objective of regular income for investment. Manikandan and Muthumeenakshi (2017) analyzed perception of investors towards investment pattern on different investment avenues. The study concluded that most investors preferred bank deposits and most investors were not aware of investing their funds in Mutual funds. Bhat (2018) analysed the behavior of Retail investors in Jammu and Kashmir towards various Investment alternatives. The data was collected from 200 retail investors in Jammu and Kashmir. The objectives of the study were to study investment behavior towards investment avenues and study perceptions of different age groups towards various financial investments. He found that there were more male investors in the study and many investment avenues were available in Jammu and Kashmir. Nallakannu and Selvraj (2018) studied the saving and investment pattern of college teachers in Terunelvi District of Tamil Nadu. The study was conducted with the objective of studying the socio economic background, to evaluate the saving habits of college teachers, to analyse the investment pattern of college teachers and to offer suggestions based on the findings. They found that the college teachers were sensitive about their investments. There was a significant relationship between annual income and annual savings of the teachers.

### 3. Objectives of the study

To study the relation between individual entrepreneurial orientation and investment behavior of the respondents.

H<sub>01</sub>: There is no relationship between individual entrepreneurial orientation and time horizon for holding investment

H<sub>02</sub>: There is no relationship between individual entrepreneurial orientation and their preference for particular investment avenue

H<sub>03</sub>: There is no relationship between individual entrepreneurial orientation and investment objectives of individuals

#### 4. Research Methodology

The present study is descriptive research. The respondents for the study were individuals, whether they are employees, professionals, businesspersons, retired or household. The data was collected through a structured questionnaire from 200 respondents from Jalandhar city by applying purposive sampling technique. The individual entrepreneurial orientation was measured by adopting and modifying the measurement scale of Bolton and Lane (2012). The statements were converted and related to investment behaviour. A total of 27 statements: 10 for Innovativeness, 8 for

Risk Taking and 9 for Proactiveness, were developed and tested. The result of reliability test is shown in the table number 1. The Cronbach's alpha of 27 items was 0.709 which supports the acceptance of items and scale.

#### 5. Data Analysis and Interpretation

For testing the first null hypothesis  $H_{01}$  of the study, the Correlation Analysis was applied between Individual Entrepreneurial Orientation and the Time Horizon of holding the investment.

**Table 1: Relation between Individual Entrepreneurial Orientation and the Time Horizon**

		EO SCORE	Time horizon Score
EO SCORE	Pearson Correlation	1	-.154 <sup>*</sup>
	Sig. (2-tailed)		.023
	N	220	220
Time horizon Score	Pearson Correlation	-.154 <sup>*</sup>	1
	Sig. (2-tailed)	.023	
	N	220	220

The table 1 shows a very low degree of negative correlation between Individual Entrepreneurial Orientation and the Time Horizon of holding the investment i.e. -0.154 but the p-value at 5% level of significance is 0.023 which shows that the correlation between variables is statistically significant, hence the first null hypothesis is rejected. So the first alternative hypothesis  $H_1$  that assumes a significant association between Individual Entrepreneurial Orientation and the Time Horizon of holding the investment is accepted.

The second null hypothesis  $H_{02}$  of the study was tested by applying Chi Square test. The respondents were asked to rank 11 investment avenues as per their preference and then applied the Chi Square test to know the significance of relationship between Individual Entrepreneurial Orientation and their preference for particular investment avenue. The results of the same are shown in table number 3 given in the appendix. The results show that the p-value for all the investment avenues is less than 0.05 which support the rejection of second null hypothesis  $H_{02}$ .

**Table 2: Relation between Individual Entrepreneurial Orientation and their preference for particular investment avenue**

Sr. No	Investment Avenues	Chi Square Value	Significance p-value	$H_0$
1	Shares	33.607	0.002	Rejected
2	Debentures/Bonds	91.585	0.000	Rejected
3	Mutual Funds	138.964	0.000	Rejected
4	Bank Deposits	157.494	0.000	Rejected
5	Insurance plans	119.289	0.000	Rejected
6	Public Provident Fund	137.781	0.000	Rejected
7	Post Office Saving Scheme	124.000	0.000	Rejected
8	Real Estate	122.813	0.000	Rejected
9	Precious Metals	239.524	0.000	Rejected
10	National Saving Certificate	149.562	0.007	Rejected
11	Govt. Securities	187.050	0.000	Rejected

Hence we accept second alternative hypothesis  $H_2$  that assumes a significant association between Individual Entrepreneurial Orientation and their preference for particular investment avenue.

For the third hypothesis  $H_{03}$  of the study, the respondents were asked to rank 7 objectives behind the investment decisions as per their preference and then the Chi Square test was applied to know the significance of relationship between

Individual Entrepreneurial Orientation and their preference for objectives behind investment. The results are shown in table number 4 given in the appendix which shows that the p-value for all the investment objectives is less than 0.05 which support the rejection of second null hypothesis  $H_{03}$ . Hence we accept the third alternative hypothesis  $H_3$  that assumes a significant association between Individual Entrepreneurial Orientation and their preference for objectives behind investment.

**Table 3: Relation between Individual Entrepreneurial Orientation and the objectives behind making investment**

Sr. No	Investment Objectives	Chi Square Value	Significance p-value	H <sub>0</sub>
1	Safety of principal amount	203.772	0.032	Rejected
2	Regular return	157.538	0.000	Rejected
3	Capital appreciation	140.438	0.000	Rejected
4	Tax concessions	181.402	0.006	Rejected
5	Improvement in std. of living	260.486	0.000	Rejected
6	Children education/marriage	211.573	0.000	Rejected
7	Source of regular income in old age	92.486	0.000	Rejected

## 6. Conclusion

Hence it is concluded that there is statistically significant association Individual Entrepreneurial Orientation and the investment strategies of individuals. The companies should try to focus on the investors class to link among the investor and

investment because it is changing according to the risk factor. The investor prefer to investment in a particular investment avenue by taking into mind the risk tolerance.

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