

Influence of Personality Traits on Investment Choices among Small and Medium-Sized Enterprise Owners: A Study with Special Reference to the North Western Province of Sri Lanka

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Abstract

This study investigated the relationship between personality traits and investment choices across small and medium-sized enterprise (SME) owners in Sri Lanka. The SME sector comprises approximately 75% of total enterprises in Sri Lanka. They contribute around 52% to gross domestic production while providing nearly 45% of employment, being a massive strength to national economic development. Despite their iconic significance to the national economy, SMEs face considerable investment constraints, with entrepreneur personality factors playing an unresearched role in investment decision-making processes. This study examined how the Big Five personality traits – extraversion, agreeableness, openness, conscientiousness and neuroticism – influence Sri Lankan entrepreneurs' investment choices across different activities in business development. This comprehensive study adopted the quantitative method and employed a deductive approach, applying descriptive statistics, correlation analysis and regression analysis to examine data gathered from 187 SME owners representing diverse sectors within the Kuliyaipitiya divisional secretariat area, where a significant number of SMEs are registered in the province. The outcomes of the statistical data analysis indicated that extraversion, conscientiousness, openness to experience and agreeableness exert a positive and statistically significant influence on the investment choices of SME entrepreneurs. This study contributes to understanding the personal traits of entrepreneurial decision-making in developing economies and suggests that tailored financial instruments addressing both financial gaps and personality-based risk preferences could enhance SME sector growth in Sri Lanka. The findings have implications for financial institutions developing SME support programmes and for entrepreneurship education initiatives. Finally, it is recommended that future researchers adopt a qualitative research methodology to uncover the hidden attributes inherent to the business within our context.

Keywords: economic development, investment choices, personality traits, small and medium-sized enterprises