

Assessing the Variables of Personal Characteristics Affecting the Formation of Investment Intentionality: Case of Unit Trust

¹Tan Kwe Lu*, ¹Azlinah Abdullah,
¹Nurul Wahilah Abdul Latif and ¹Irene Ting Wei Kiong
¹Universiti Tenaga Nasional, Kampus Sultan Haji Ahmad Shah,
26700 Bandar Muadzam Shah, Pahang, Malaysia.
*Corresponding e-Mail: tan@uniten.edu.my

Abstract

The paper examines the personal characteristics on unit trust investment among working adults in Malaysia. Specifically the objective of the study to investigate empirically the extent to which the personal traits contribute to the intention to invest in unit trust. Structured questionnaires were deployed to various strategic locations in Malaysia randomly and conveniently selected. The personal characteristics were classified into work ethic, pursuit of excellence, mastery, dominance, internal attributing factor, chance attributing factor and powerful others. The coefficient of determination R^2 shows that 13.8% of the variance of intention to invest is explained by the variance of work ethics, excellence, mastery, dominance, chance attributing, internal attributing and powerful others.

Keywords: *Personal characteristics, Investment intention, Working adults, Unit trust*

1. INTRODUCTION

1.1 Background of unit trust in Malaysia

A unit trust is an investment in which the funds are pooled and then invested. The fund is "unitized" and the investor, who is one party to the unit trust, is a unit holder, holding a certain number of units. A second party, the manager, is responsible for day-to-day running of the trust for investing the funds, the trustee, who is governed by the Trust Companies Act 1976, is the third party, and their role is to monitor the manager's performance against the trust's deed. It is understandable as risk factor increases during any economic downturn; people are looking for a better and safe alternative to keep their savings. The question is during the normal economic situation, what actually trigger people putting their money in unit trust in the first place? And are there any specific personal characteristics that are associated with unit trust respondents? As we know, the intention to invest in unit trust is not an accidental act; rather it is a decision which involves usually a long decision making process. And the individual's personal characteristics often play an influencing factor in that process. The problem is very few studies have been carried out on the personal characteristics that associated with unit trust respondents. In view of this, the present study intends to empirically examine the impact of personality traits on the propensity towards unit trust funds. Two motivational theories are used to develop the research framework and these are *Achievement Motivational theory* and *Locus of Control Theory*.

1.2 Achievement motivation theory

Motivation can be defined as the driving force behind all the actions of an individual. The influence of an individual's needs and desires both have a strong impact on the direction of their behavior. According to Harackiewicz, Barron, Carter, Lehto and Elliot (1997), achievement goals can affect the way a person performs a task and represent a desire to show competence. These basic physiological motivational drives affect our natural behavior in different environment. Achievement motivation has been conceptualized in various ways. Motivational researchers have sought to promote a hierarchical model of approach and avoidance achievement motivation by incorporating the two prominent theories: the achievement motive approach and the achievement goal approach. Achievement Motivation

Theory studies the individual's achievement motivation which defined as non-conscious concern for achieving excellence in accomplishments through one's individual efforts. Achievement motivated individuals set challenging goals for themselves, assume personal responsibility for goal accomplishments, are highly persistent in the pursuit of goals, take calculated risks to achieve goals, actively collect and use information for feedback purposes. (House and Aditya, 1997).

1.3 Locus of control theory

Locus of control theory is a theory in psychology that identifies individual differences between people on a continuum between – *internals*, who attribute events to their own control, and *externals*, who attribute events in their life to external circumstances. Locus of control was formulated within the framework of Rotter's (1954) social learning theory of personality. Rotter (1975) cautioned that internality and externality represent two ends of a continuum. Internals tends to attribute outcomes of events to their control. Externals attribute outcomes of events to external circumstances. Furthermore, Rotter (1966) believed that internals exhibit two essential characteristics which are high achievement motivation and outer-directedness. The development of locus of control is associated with family style and resources, cultural stability and experiences with effort leading to reward (Schultz and Schultz, 2005).

1.4 Research objective

Specifically the objective of the study is to investigate empirically the extent to which the personal traits contribute to the intention to invest in unit trust.

1.5 Format of the study

This paper is organized into five sections. The first section is the introduction of the research. It is followed by literature review in the second section. The third section summarizes the sampling, research methodology and research framework. The fourth section consists of analysis of data and the findings. Finally, the fifth section concludes the paper and gives recommendation for future research

2. LITERATURE REVIEW

2.1 Achievement motivation theory

McClelland, Atkinson, 1958, 1964; Atkinson & Feather, 1966; Atkinson & Raynor, 1974; McClelland, 1961; McClelland, Atkinson, Clark, & Lowell, 1953; McClelland, Baldwin, Bronfenbrenner, & Strodbeck, 1958 and several others suggested that achievement motivation was a personality trait that developed in some people more than others as a result of early socialization experiences, and the emotional concomitants of these experiences. Atkinson and Feather (1966) state, "The strength of motivation to perform some act is assumed to be a multiplicative function of the strength of the motive, the expectancy (subjective probability) that the act will have as a consequence the attainment of an incentive, and the value of incentive: $Motivation = f(Motive \times Expectancy \times Incentive)$ " (p. 13). Successful people are confident, enthusiastic, positive and optimistic. They expect to succeed and work hard to achieve it. Individuals with strong self – efficacy are less likely to give up than are those who are paralyzed with doubt about their capabilities. (Alderman, 1999, p. 60). According to Parker and Johnson (1981), an individuals' achievement motive may be seen as a personality trait. Each person has different degrees of achievement motivation. High achievers may be classified as driven, striving for success, competitive, or taking charge. Low achievers may be seen as quitters, non-participants, or failures.

2.2 Work ethics

Some individuals have a need to achieve. They want to be successful at whatever they attempt. They have a high attitude toward success and work hard to ensure they are

successful (Atkinson, 1974). If they are intrinsically motivated, they participate in the activity for the sake of learning that activity or improving their ability at that activity. If they are extrinsically motivated, they participate in the activity with the expectation of reward (Eskeles-Gottfried, Fleming, and Gottfried, 1998). People who succeed at a task and believe that they can continue to work hard are likely to expect future success and be motivated to expend the effort. People who do not work hard and perform poorly on a task are likely to be motivated to continue if they believe that harder work will produce success. High achievers work harder and will try different means to accomplish success. Work ethic is also seen as a motivational attribute of the individual which influences attitudes, values and behavior (Furnham, 1984; Mirels and Garrett, 1971)

2.3 Pursuit of excellence

Those who strive for excellence and success without consideration of some reward have a high level of achievement motivation (McClelland, 1961). According to McClelland (1985), achievement motivation is based on a desire to excel. Like several other social motives, need for achievement is largely learned and is evident in many areas, such as in school, in the workplace, and in athletic competitions (McClelland, 1985; Smith, 1969).

2.4 Mastery

Performance goals can lead to mastery in individuals with a high perceived competence and a helpless motivational pattern in those with low competence (Elliot & Harackiewicz, 1996). The mastery and performance-approach goals are characterized as self-regulating to promote potential positive outcomes and processes to absorb an individual in their task or to create excitement leading to a mastery pattern of achievement results (Elliot & Church, 1997). Mastery goals are said to promote intrinsic motivation by fostering perceptions of challenge, encouraging task involvement, generating excitement, and supporting self-determination while performance goals are the opposite. Performance goals are portrayed as undermining intrinsic motivation by instilling perceptions of threat, disrupting task involvement, and creating anxiety and pressure (Elliot & Harackiewicz, 1996). Spence and Hemreich (1983) identify mastery as a distinct factor of motivation as well as a necessary life skill for problem solving.

2.5 Dominance

According to Gregory & Frank (2003), Dominance is referring to the degree to which the subject takes the lead and the initiative in directing the improvisation, the extent to which developments are his choice of action. Based on the Journal of Research and Personality that have been done by them, they conclude that in general, dominance is one of the personality traits that are not fairly consistent over time. For instance, people high in tolerance, dominance or self-confidence at age 27 were not necessarily still relatively high on those dimensions at age 72.

2.6 Locus of control (LOC)

The LOC construct was first conceived by Rotter (1966) and it can be divided into two; internal LOC and external LOC. The identification of internal LOC as a possible entrepreneurial trait spurred numerous empirical studies. Early studies during the 1970s showed generally positive findings (Jennings 1983). For example, Borland (1974) found in a sample of 375 business-school students that those students who expected to start a company someday had a stronger belief in internal control. Brockhaus (1975) found that business students with entrepreneurial intentions tended to have a higher internal LOC than those who did not have such intentions. In a similar study, Pandey and Tewary (1979) found entrepreneurs to score higher on internal LOC measures. More recent empirical studies also generally support the claim that entrepreneurs are more internal than nonentrepreneurs. Stinerock, Stern and Solomon (1991) used LOC to understand gender differences in the use of professional advisors and found that men felt more in control of their finances than

women. Research has suggested that individuals possessing an internal LOC were more self-confident and more in charge of the situation (Cox and Cooper, 1989; Strickland, 1977) and thus less satisfied with their stockbrokerage firm with lower behavioural intentions.

Results from Tang's (1995) study, which examined LOC in conjunction with money attitudes, further suggest that the LOC construct may indeed influence individuals' money attitudes. Specifically, Tang found that people with an internal LOC orientation were more likely to budget their money carefully. This is in line with findings of past studies, which suggest that LOC beliefs may be able to discriminate between those who have an ability to save money and those who do not. Lim, Teo and Loo (2003) used Rotter's I-E Scale (Rotter, 1966) in their attempt to examine the effects that LOC may have on the meaning that people attribute to money. Rotter's original scale consisted of 23 forced-choice LOC items and six filler items to obscure the purpose of the test. They found that internals were more likely to budget their money more carefully. This finding is consistent with Tang's (1995) results.

3. RESEARCH METHODOLOGY

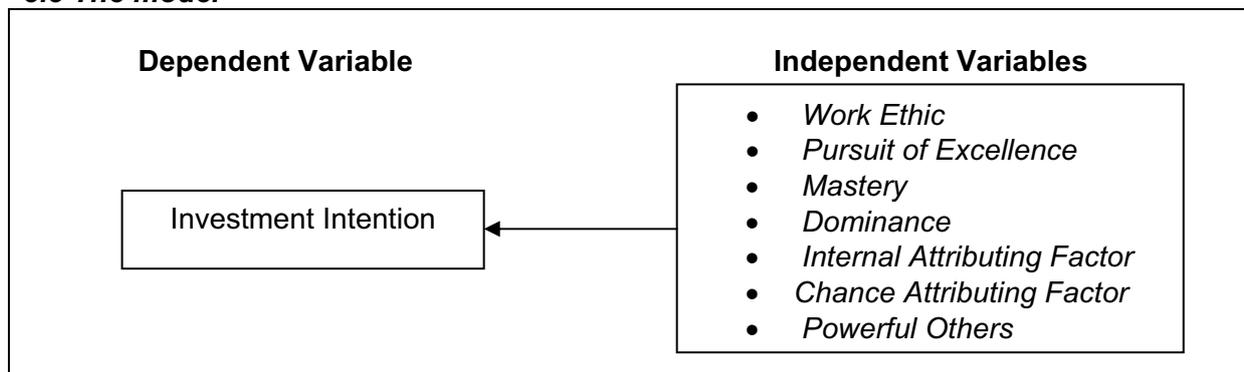
3.1 Sample design

The targeted sample size was 300 and the data collectors were deployed to various strategic locations. Structured questionnaires were then administered to the respondents who were randomly and conveniently selected. When the questionnaires were returned, we have a total of 405 usable sample subjects. These sample subjects were the working adults consisting of both executive and non-executive from various areas within the Klang Valley.

3.2 Research instrument

This self-administered and structured questionnaire consists of two sections--sections A and B. The investor's achievement motivation was measured by four different dimensions and these are the work ethic, the pursuit of excellence, mastery and dominance. Each of these dimension consists of four items (statements). There are three dimensions to measure the investor's locus of control and again each consists of a few items (statements). This study consists of a total of 28 items which are extracted from the previous study of Litttumen (2000). However, some modifications are purposely made by researchers for reason of clarity. Questionnaires were close-ended questions with closed alternatives in the form of five-point Likert type format.

3.3 The model



The model of this study is as follow:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon_t \tag{1}$$

Y is the Intention to invest as dependent variable and the independent components are:

- X₁ = work ethic
- X₂ = pursuit of excellence
- X₃ = mastery
- X₄ = dominance
- X₅ = internal attributing factor
- X₆ = chance attributing factor
- X₇ = powerful others

The following hypothesis is formulated for the study.

H₁: The personal characteristics are significantly related to the intention to invest in unit trust.

4. OUTPUT ANALYSIS

4.1 Reliability test

Table 1 shows the reliability coefficients of the main variables of the study. All the 8 variables were higher than 0.7 except variable “work ethics” and its shows that the reliability among items was consistent (Hair, 2006). It serves as a reliable foundation for further testing and subsequent analysis.

Table 1: Reliability of scales

Dimension	No. of Items	Cronbach Alpha	Mean
Intention	4	0.895	3.381
Work Ethics	4	-0.137	2.999
Excellence	3	0.879	4.047
Mastery	4	0.547	3.049
Dominance	4	0.731	3.432
Chance Attributing	4	0.782	3.096
Internal Attributing	4	0.877	3.859
Powerful Others	4	0.9	3.261

4.2 Regression result

The general results for the linear multiple regression analysis of intention to invest in unit trust arising from work ethics, excellence, mastery, dominance, chance attributing, internal attributing and powerful others are reported in Table 5. Multicollinearity test of the seven independent variables (work ethics, excellence, mastery, dominance, chance attributing, internal attributing and powerful others) has been done. Using a cut-off value of VIF less than 5 (VIF for work ethics = 1.343, VIF for excellence = 1.771, VIF for mastery = 1.574, VIF for dominance = 1.757, VIF for chance attributing = 2.012, VIF for internal attributing = 1.900 and VIF for powerful others = 1.936 and respectively); no multicollinearity among the variables is found. The coefficient of determination R² shows that 13.8% of the variance of intention to invest is explained by the variance of work ethics, excellence, mastery, dominance, chance attributing, internal attributing and powerful others. The F-value is statistically significant at the 1% level implying that the regression model is reliable for prediction.

The estimated coefficient of correlation (R = 0.372) shows a relatively moderate linear correlation between the independent and dependent variables. The regression result shows that work ethics has positive effect on intention to invest as the estimated coefficient is 0.22 with the confidence level of 99%. In other words, an increase in work ethics by 1%, the intention to invest would increase by 0.22%. The internal attribution also has positive

association with the investor's intention to invest as the estimated coefficient is 0.241 and significant at 1% level inferring that when internal attribution increases 1%, the intention to invest would increase 0.241%. Another variable that has association with the investor's intention to invest is powerful others. However, it is negative statistically significant with intention to invest at 95% confidence level as the estimated coefficient is -0.148. This can be explained as 1% increase in the others' power, the intention to invest will decrease by 0.148%.

However, the regression also reveals that excellence, mastery and dominance has a positive effect on intention to invest but not significant. In the mean time, chance attribution has a negative effect on investor's intention to invest but the result is insignificant.

Table 2: Standardized (simultaneous) regression between intention to invest and the measurement variables

Dependent variable			
Intention to Invest			
Independent variables	β	t	Sig.
Work Ethics	0.220***	4.005	0.000
Excellence	0.049	0.782	0.435
Mastery	0.073	1.226	0.221
Dominance	0.007	0.111	0.912
Chance Attributing	-0.049	-0.722	0.471
Internal Attributing	0.241***	3.696	0.000
Powerful Others	-0.148**	-2.245	0.025
R= 0.372 R ² = 0.138 F-Value = 8.786 (P<0.01) DW = 1.801			

Notes: The regression coefficients shown in the table are standardized regression coefficients (beta coefficients), and the value in the parentheses of the table is the t-statistic. ***, ** indicates that the estimated coefficient is significant different from zero at 1 percent and 5 percent respectively.

5. CONCLUSION

In the overall sample, the general linear regression result indicate that the dimension 'work ethic' and 'internal attributing' were by far the strongest and positive predictors of investment intentionality. Another variable that has shown association with intention to invest is 'powerful others'. However, it is negatively and statistically significant. Based on this regression result, H_1 , *the personal characteristics are significantly related to the intention to invest in unit trust*, is supported.

Although the finding is significant for investment intention, there is few limitation of our research. First, in terms of population demographic, the research was conducted in urban area rather than rural area. This potential drawback in terms of limitation in the focus area may be partially offset by the particular characteristics of investment intention. The result could be bias at certain point. A second potential limitation of this research concerns the measurement used. The research focuses on the cognitive process of the respondent and omitted the external factors such as social capital that might influence the investment intention. Moreover, we found out we could not achieve reasonable response because respondents were reluctant to provide such information because they did not feel comfortable assessing their personal characteristics with investment intention.

In terms of future research, we have several suggestions. First, our findings here highlight the personal characteristics that influence the investment intention e.g. work ethic, pursuit of excellence, mastery, dominance, internal attributing factor, chance attributing factor and

powerful other. A longitudinal exploration of the relationships identified here might be helpful by external factors. An examination of sensitivity of external factors such as macroeconomic conditions will definitely affect the investor's intention to invest. Generally, higher economic growth encourages investors to invest more and permits them to get higher margins of return. To measure the relationship between economic and market conditions with intention to invest, several factors might be considered such as gross domestic product, money supply growth, annual inflation rate and market capitalization.

Secondly, the research can be extended by treating personal characteristics as mediating effect to find out why nowadays people prefer to invest in unit trust compare with other investment. The study is suggested to examine the reason why people prefer to select unit trust as their main investment instrument by identifying several reasons such as diversification factors, liquidity factors and fund management factors. Thirdly, there are a myriad of factors that are related to investment intention at various levels of analysis (e.g., family size, education level, races, age etc.). We could not incorporate all such factors in this analysis; future researchers may wish to broaden their inclusion of such phenomena at their respective levels of analyses in their studies, and it would be instructive to explore some of the other personal characteristics that affect the investment intention. Finally, our research only focused on urban area which was Klang Valley as a whole as the unit of analysis. Future research may develop a richer measure of population demographic to the investment intention can be considerable.

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