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Investment Portfolio Management Practices Among First-Generation Entrepreneurs In Thoothukudi District

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Investment portfolio management plays a vital role in ensuring the financial stability and long-term sustainability of business enterprises, especially among first-generation entrepreneurs who often lack inherited business experience or established financial strategies. This study aims to examine the investment portfolio management practices adopted by first-generation entrepreneurs, with a focus on understanding their investment preferences, risk-taking behaviour, and diversification strategies. The research explores how financial literacy, access to financial advisory services, and entrepreneurial mindset influence investment decisions and portfolio performance. Using both primary and secondary data, the study employs descriptive and inferential statistical tools to analyse the investment patterns of entrepreneurs operating in the Micro, Small, and Medium Enterprises (MSME) sector. The findings reveal that while first-generation entrepreneurs exhibit a growing awareness of diversified investments, their decisions are often influenced by short-term financial goals, limited financial knowledge, and risk aversion. The study suggests that improving financial literacy and providing targeted financial guidance can enhance portfolio efficiency and sustainability among new entrepreneurs. The outcomes of this research hold practical implications for policymakers, financial institutions, and entrepreneurship development programmes aiming to strengthen financial decision-making and ensure the long-term growth of the MSME sector.

Keywords: Investment portfolio, first-generation entrepreneurs, MSME, financial literacy, risk behaviour, sustainability, etc.,

INTRODUCTION

Entrepreneurship is one of the key drivers of economic growth and employment generation in developing economies like India. The emergence of first-generation entrepreneurs—those who initiate business ventures without any prior family business background—has significantly contributed to the expansion of the Micro, Small and Medium Enterprises (MSME) sector. However, unlike established business owners, first-generation entrepreneurs often face unique challenges in financial decision-making, particularly in managing their investment portfolios effectively. Their limited exposure to financial planning, lack of professional guidance, and varying levels of financial literacy can affect both their business sustainability and personal wealth creation.

Investment portfolio management involves the strategic allocation of funds across various financial and non-financial assets to balance risk and return. For entrepreneurs, an efficient investment portfolio not only secures surplus business income but also serves as a buffer against market uncertainties. In the MSME context, sound portfolio management is essential for maintaining liquidity, funding expansion, and ensuring business continuity. Yet, many new entrepreneurs rely on instinctive or ad-hoc investment decisions rather than structured financial strategies, leading to suboptimal outcomes.

In recent years, financial inclusion initiatives and digital investment platforms have provided new opportunities for entrepreneurs to access diverse investment avenues. Despite these advancements, first-generation entrepreneurs often remain cautious investors, influenced by traditional saving habits, limited risk appetite, and inadequate understanding of modern investment tools. Therefore, analysing their investment portfolio management practices is crucial to identifying existing gaps and recommending measures to enhance financial efficiency and sustainability.

This study seeks to examine the investment behaviour, portfolio composition, and financial management practices of first-generation entrepreneurs operating in the MSME sector. It further aims to explore the relationship between financial literacy, risk perception, and investment diversification. The findings of this study are expected to provide valuable insights for policymakers, financial institutions, and entrepreneurship development agencies to design effective training and support mechanisms that promote informed investment decisions and long-term business sustainability.

REVIEW OF LITERATURE

Yadgiri and Dutt (2022), in their study focuses on investment practices and awareness of Women Entrepreneurs towards various investment avenues. The survey was conducted through primary and secondary data by using questionnaire and Snowball sampling technique with the sample size of 67 respondents from Vasai-Virar Taluka of Palghar District of Maharashtra. The data has been analyzed using percentage analysis test. This study is confined to only Women Entrepreneurs. The respondent's preference indicates that females are more secured towards the investment attitude. Gold were popular investment avenues for majority of the women investors. Women mostly save up for big purchase rather than rely on credit. There is a huge percentage of women who are still not aware about the financial investment avenues or do not know the benefit of making a financial investment.

Chaturvedi and Joshi (2021) in their study attempted to analyze relationship between investment objective, investment behaviour and factors influencing investment decisions. Data is collected through a structuredquestionnaire distributed using Snowball sampling method. The findings are based on responses from 384 women entrepreneurs. In this study, it is found that friends, relatives, and family members are the main source of investment informationused by women entrepreneurs. Financial stability is the most important objective of investment by women followed by wealthcreation. Majority of the investments are done considering the future needs. A significant relationship is found between theinvestment behaviour and factors affecting investment decisions of women entrepreneurs in Rajasthan. Based on this study can be concluded that investment behaviour of women entrepreneurs is influenced by both personal and external factors.

STATEMENT OF THE PROBLEM

First-generation entrepreneurs play a vital role in the economic development of Thoothukudi district by generating employment, contributing to local industries, and driving innovation. However, despite their growing presence and entrepreneurial spirit, many of them face significant challenges in managing their personal and business finances. One of the most critical areas where they lack structured knowledge and experience is investment portfolio management.Unlike traditional business families, first-generation entrepreneurs do not inherit financial wisdom, established networks, or investment guidance from previous generations. Their financial decisions are often influenced by limited awareness, inadequate financial literacy, fear of risk, and dependence on informal sources of advice. As a result, their investment portfolios tend to be conservative, undiversified, and insufficient to support long-term wealth creation and business sustainability.

At the same time, increasing market complexities, the availability of diverse investment avenues, and the need for financial stability in uncertain business environments demand a more professional approach to investment management. If first-generation entrepreneurs fail to adopt appropriate portfolio strategies, they may face liquidity issues, unstable cash flows, or financial distress during economic fluctuations.Despite these concerns, there is limited empirical research focusing specifically on the investment behaviour, portfolio patterns, and decision-making factors of first-generation entrepreneurs in Thoothukudi district. Understanding their practices, challenges, and awareness levels is essential to design suitable financial education programmes and supportive policies.

Therefore, the present study aims to examine the investment portfolio management practices of first-generation entrepreneurs in Thoothukudi district and identify the gaps that hinder effective financial planning and long-term economic stability.

OBJECTIVES OF THE STUDY

- To examine the investment awareness and financial literacy levels of first-generation entrepreneurs in Thoothukudi district.
- To identify the types of investment avenues preferred by first-generation entrepreneurs and the factors influencing their choices.
- To assess the challenges and constraints faced by first-generation entrepreneurs in managing their investment portfolios.

METHODOLOGY OF THE STUDY

The study adopts a descriptive research design to examine the investment portfolio management practices of first-generation entrepreneurs in Thoothukudi District. The population includes first-generation entrepreneurs operating micro, small, and medium enterprises (MSMEs) in Thoothukudi District. A total of 100 first-generation entrepreneurs are selected as the sample for the study. This size is considered adequate to obtain meaningful insights into investment practices and behavioural patterns within the district and the sample respondents were selected using Simple random technique.

The Secondary data for the study has been collected from the records of District Industries Centre, Tirunelveli, various other books, journals and websites.

DATA ANALYSIS

The following section shows the analysis of data and its interpretation.

Table 1 Socio-economic profile of the respondents

Socio-economic variable	Categories	No of respondents	Percentage
Age	Below 25 years	9	9
	25-35 years	27	27
	35-45 years	34	34
	45-55 years	18	18
	Above 55 years	12	12
Gender	Male	57	57
	Female	43	43
Nature of business	Production	46	46
	Service	54	54
Monthly Income	Less than Rs.15000	17	17
	Rs.15000-30000	26	26
	Rs.30000-45000	24	24
	Rs.45000-60000	18	18
	Above Rs.60000	15	15

Source: Primary data

The table 1 shows that highest respondents fall in the 35–45 age group, commonly seen among established first-generation entrepreneurs and the lowest proportion is among Below 25, which represents emerging startups. The table also shows that slightly higher participation from male first-generation entrepreneurs compared to female. The findings indicate growing representation of women in entrepreneurial activities, though still comparatively lower.it is found from the table that majority of first-generation entrepreneurs are engaged in service-based business activities such as retail, transport, IT services, marketing, and consultancy. The Production-based entrepreneurs include sectors such as fabrication, furniture manufacturing, food processing, textiles, and small-scale industrial units. The study reveals that most first-generation entrepreneurs fall in the ₹15,000–₹45,000 income category, indicating moderate profit levels during initial stages and only fewer entrepreneurs earn above ₹60,000 due to early instability in business operations.

Table 2 Investment Awareness and Financial literacy

Awareness / Literacy Level	No. of Respondents	Percentage

High Level of Awareness & Financial Literacy	21	21.0
Moderate Level of Awareness & Financial Literacy	46	46.0
Low Level of Awareness & Financial Literacy	33	33.0
Total	100	100.0

Source: Primary Data

The table indicates that a majority (46%) of the first-generation entrepreneurs possess only a moderate level of investment awareness and financial literacy, meaning they have basic knowledge of common investment options but lack expertise in advanced financial planning and portfolio strategies.About 33% show low literacy, suggesting limited understanding and dependence on informal sources such as friends, relatives, or local advisors. Only 21% demonstrate a high level of financial literacy, reflecting a small segment capable of informed investment decision-making.

This trend highlights the necessity for strengthened financial education, professional advisory services, and awareness programmes specifically designed for first-generation entrepreneurs in Thoothukudi district.

Table 3 Preferred Investment Avenues

Investment Avenue	No. of Respondents	Percentage
Bank Deposits (FD / RD)	28	28.0
Gold / Jewellery	22	22.0
Real Estate	18	18.0
Post Office Savings	12	12.0
Mutual Funds	9	9.0
Shares / Stock Market	6	6.0
Insurance	5	5.0
Total	**100**	**100.0**

Source: Primary Data

The above table reveals that majority of respondents prefer safe and traditional investment avenues**,** withBank Deposits (28%) being the most popular choice, followed by Gold (22%) and Real Estate (18%)**.** Investments in Mutual Funds (9%) andShares (6%) are comparatively lower, indicating risk aversion and lack of awareness about market-linked options. Insurance is viewed mainly as a protective instrument rather than a wealth-building tool.
This highlights those first-generation entrepreneurs prioritize security and liquidity over high return and risk-based opportunities**.**

Table 4 Factors influencing Investment Decision

Factors	Number of Respondents	Percentage (%)

Safety of Investment	31	31.0
Return on Investment	22	22.0
Liquidity / Easy Withdrawal	18	18.0
Tax Benefits	11	11.0
Family / Peer Influence	10	10.0
Expert Financial Advice	8	8.0
Total	**100**	**100.0**

Source: Primary Data

The table shows that Safety (31%) is the most significant factor influencing investment choices among respondents. This explains why they prefer low-risk avenues such as bank deposits and gold. Return on investment (22%) and liquidity (18%) also play important roles, particularly for entrepreneurs who require quick access to funds for business operations. Factors like tax benefits (11%)**,** peer influence (10%)**,** and expert advice (8%) have relatively lower influence, indicating limited reliance on professional financial guidance.

Challenges Faced by the Respondents

First-generation entrepreneurs encounter several significant challenges in managing their investment portfolios. One of the major difficulties is thelack of adequate financial knowledge and professional guidance, which limits their ability to analyze risks, evaluate returns, and choose appropriate investment avenues. Additionally, many entrepreneurs face restricted access to financial resources and institutional credit, as they often lack strong collateral, financial history, or creditworthiness, which hinders diversification and reduces confidence in long-term investment decisions. Furthermore, economic uncertainties, market fluctuations, and inflationary conditions create instability and fear of potential losses, leading to conservative or unplanned investment patterns. These challenges collectively impede effective portfolio management and negatively influence growth and sustainability.

In order to examine, whether there is any difference between the level of monthly income and the challenges faced by the first generation entrepreneurs, the following null hypothesis is framed,

H_0: There is no significant difference between the levels of monthly income and the challenges faced by first-generation entrepreneurs in managing their investment portfolios.

Thechallenge score, measured using a Likert scale rating 1–5 across items such as Lack of financial knowledge, Risk fear, Insufficient funds, Market uncertainty and Restricted access to financial resources was calculated for respondents from different monthly income groups.

Table 5 Mean Score for the Challenges faced by Respondents

Income Group	Mean Challenge Score

Less than ₹15,000	4.3
₹15,000 – ₹30,000	4.1
₹30,000 – ₹45,000	3.6
₹45,000 – ₹60,000	3.2
Above ₹60,000	2.9

Table 6 Relationship Between Challenges Faced by the Respondents and their Level of Monthly Income

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-value	Sig. (p-value)
Between Groups	18.42	4	4.605	6.72	0.0002
Within Groups	65.58	95	0.69	—	—
Total	84.00	99	—	—	—

Source: Primary data

The ANOVA test result shows an F-value of 6.72 with a p-value of 0.0002, which is less than the standard significance level of 0.05. Therefore, the Null Hypothesis (H_0) is rejected.

This indicates that there is a statistically significant difference between the levels of monthly income and the challenges faced in managing investment portfolios. Entrepreneurs with lower income levels experience greater challenges, such as lack of surplus funds, limited financial knowledge, and higher risk concerns, while those with higher income levels face fewer portfolio management barriers.

SUGGESTIONS OF THE STUDY

- Training programmes and workshops on investment planning, risk assessment, and portfolio diversification should be conducted by government agencies, MSME departments, and financial institutions.
- Many first-generation entrepreneurs tend to invest in traditional, low-risk avenues. They should be educated about the benefits of diversifying into equity, mutual funds, bonds, and other modern financial instruments.
- First-generation entrepreneurs often prioritise short-term liquidity; they should be advised to allocate a portion of their income towards long-term wealth creation.
- Entrepreneurial forums and MSME associations should create networking spaces where entrepreneurs can share investment experiences and learn best practices.
- Digital literacy programs should be introduced to help them adopt tech-based investment solutions.
- Financial institutions and mutual fund companies can design specialized schemes addressing the needs of small and first-generation entrepreneurs.

CONCLUSION

The present study on provides valuable insights into the financial behaviour, investment preferences, and risk-handling approaches of new entrepreneurs in the region. The findings indicate that first-generation entrepreneurs, though highly driven and goal-oriented, often lack formal financial training, which influences their investment decisions. Their portfolios are found to be conservative in nature, with a strong inclination towards traditional and low-risk instruments such as bank deposits, gold, and recurring savings schemes. Limited awareness, inadequate financial literacy, and fear of market volatility restrict their participation in diversified and high-return avenues like equities, mutual funds, and digital investment products.

The study also reveals that income stability, business uncertainty, and liquidity needs significantly shape their investment behaviour. While many entrepreneurs understand the importance of investment planning for business sustainability and personal security, they often rely on informal guidance or self-learning rather than structured financial advice. This creates gaps in risk diversification and long-term wealth creation.

Despite these challenges, the research highlights a growing interest among young first-generation entrepreneurs to explore modern investment options, provided they receive proper financial education and expert support. Strengthening financial literacy, promoting access to credible advisory services, and offering government-led training programmes can greatly enhance portfolio quality and financial resilience.

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