

The Influence of Attitude and Herding on the Credit Decision-Making of Micro, Small, and Medium Enterprises

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Abstract—This research aims to analyse the influence of attitude and inner group (herding) in making credit decision by micro, small, and medium enterprises (MSMEs) person. The samples of this research was conducted with 150 samples of 1350 units population of MSMEs in Salatiga and using purposive sampling technique in data collection. The results of this research shows that attitude and herding have a significant influence to interest and interest have a significant influence towards credit decision-making of MSMEs. This result is based on the calculation in this study by including intervening variables in the form of interest, giving the result that the direct effect between attitudes and herding with the decision to take credit on MSMEs becomes insignificant, but the relationship of interest with credit decision making is significant with a high t-statistic value. So that with the interest of being able to increase the urge to do something and that environmental factors also influence the interest or motivation of a person.

Keywords—attitude; herding; interest in taking credit; credit decision-making

I. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are one sector that has a strong role in the economy. According to Agyapong, in his research in Ghana, the existence of MSMEs also helped alleviate poverty, because MSMEs were able to absorb many workers at a lower cost [1]. In addition, MSMEs not only have substantial growth effects in developing countries [2] but also MSMEs contribute substantially to the global economy [3] and are able to compete in the share market with large companies. Not only in developing countries, MSMEs in developed countries are agile businesses and as a motor of innovation.

Based on the explanation above, the contribution and role of MSMEs in the economy are quite large, but that does not mean that MSMEs do not have obstacles. Based on Aruna [4] and Caca and Kushi [5], human resource and capital factors become obstacles to the development of MSMEs in the future. In financial behavior is influenced by irrational attitudes and actions. The intended attitude is the attitude of individuals in perceiving behavior, social factors that affect individuals in decision making, and individual emotional aspects. But in the

Theory of Interpersonal Behavior, attitudes are shaped by confidence and evaluation of the results, social factors shaped by norms, roles, and self-concepts. Financial behavior is meant by irrational actions, namely actions that are influenced by psychological characteristics, such as fear, greed, and regret. In the Theory of Interpersonal Behavior Testing has been conducted by several previous studies to prove the factors that influence interest in various disciplines. As in the field of information technology there are Moody and Siponen [6] and Pee et al. [7].

Funding decisions are an important factor in the establishment of a MSMEs, because capital is an internal factor inhibiting the development of a MSMEs [5]. So there are many ways taken by MSMEs to meet their funding needs, because funding decisions taken by companies have a positive impact on the value of the company. Based on previous research, the behavior of following the group or herding that has to do with economic activity, including investment recommendations [8], the behavior of stock prices at the time of funding offerings [9], profit forecasting [10], decision capital structure [11].

Interest is the ability and the desire collected into one to be an impulse in doing an action [12]. In Manstead [13] and Warburton and Terry [14] also state that environmental factors also influence one's interest or motivation. The social group determines the strength of the external environment to be able to influence individuals to take a certain actions. The stronger of the social group's drive, the higher of the individual's interest in doing something. In addition, deciding actions in the human social environment not only based on verbal information obtained, but also influenced by the reputation or actions of the people who are considered superior.

Interest is also be able to encourage individuals to do an action [15]. But in another statement [16], said that although individuals have strong interests, there are times when individuals cannot do a behavior. This happens if a behavior requires certain skills or resources where the person does not have it [17]. Therefore, individuals will try to have an interest when individuals feel able to do a behavior.

Based on an explanation of the importance of the role of MSMEs and irrational phenomena that exist in economic

activities above, it is become the basis of researchers to reveal how the influence of attitudes and herding phenomena that occur in MSMEs activities. So, this study has the main contribution in the exploration of the influence between attitudes and herding on credit decision making on MSMEs with intervening variables in the form of interest.

II. METHOD

A. Population and Sample

The population in this study is the MSMEs actors in the Salatiga city area. Disperindagkop data from Salatiga shows that in March 2016 there were 1,350 MSMEs in the city of Salatiga. The Sampling is using Non-Probability Sampling

technique with purposive sampling. The sample taken in this study is MSMEs in the city of Salatiga who have used credit or are using credit. The number of samples in this study were 150 MSMEs.

B. Research Instruments

There are 3 (three) variables in this study, namely independent, intervening and dependent variables. Dependent variables are credit decision making. Independent variables are attitudes, herding and intervening variables in the form of interest. The measurement in this study uses interval scale with 5 likert points. With alternative answers (5) to strongly agree, (4) agree, (3) enough, (2) disagree and (1) strongly disagree. In detail, the research variables are presented in the table 1.

TABLE I. RESEARCH INSTRUMENTS

Variables	Sub Variables	Definition	Indicator
<i>Attitudes</i>	Confidence in the results	belief in the potential benefits in the future that become the basis for being positive about a behavior [18].	<ul style="list-style-type: none"> Confidence Benefits Positive perception
	Evaluation of the results	Individual tendency to evaluate a behavior from its negative impact [19].	<ul style="list-style-type: none"> Losses Difficulty Negative impact
<i>Herding</i>	Group behavior	Group behavior is an environmental factor that influences the interest or motivation of a person, where group behavior determines the strength of the external environment to be able to influence individuals to take certain actions, the stronger the group's motivation, the higher the individual's interest in doing something.	<ul style="list-style-type: none"> Influence of most group members Recommend by the group. Based on group phenomena.
	Behavior of other parties with good reputation	Decision making based on other parties who have a better reputation, where the parties include increased turnover, labor and production value	<ul style="list-style-type: none"> MSMEs who are known to take credit. MSMEs who are widely known for taking credit Actors known as MSMEs succeeded in taking credit.
<i>Interest</i>		A conscious plan or decision taken by an individual to show a behavior	<ul style="list-style-type: none"> Desire Willingness Interest. Intend to continue
<i>Credit Decision Making</i>		Decisions taken by individuals to decide on taking credit.	<ul style="list-style-type: none"> Use bank credit when needing funds Use bank credit for business development Prioritizing the use of bank credit Choose to use credit

So that the following hypothesis can be formulated:

- H1. Individual Attitudes MSMEs has a significant positive effect on credit decision making.
- H2. Herding has a significant positive effect on credit decision making.
- H3. The attitude of MSMEs has a significant positive effect on interest.
- H4. Herding have a significant positive effect on interest.
- H5. Interest has a significant positive effect on credit decision making.

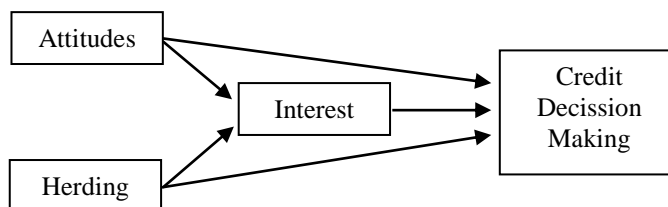


Fig. 1. Research model.

C. Data Collection Method

The data in this study are sourced from primary data, namely data obtained directly from field research and self-processed. Data collection in this study was carried out by using questionnaires as well as direct interviews (in-depth interviews) to MSMEs. Questionnaires distributed are divided

into 3 parts, namely the first part in the form of respondents' identities, the second part is essay questions and the third is questions related to research variables.

D. Analysis Techniques

The hypothesis in this study was tested using a structural equation model with the smallest partial square or structural equation modeling with partial least squares (SEM-PLS). SEM is chosen because it is considered capable of simultaneously testing complex research models [20]. In addition, PLS is considered suitable because it can handle small sample sizes and multicollinearity among independent variables. Another reason for using PLS is that PLS does not require normal data distribution assumptions. Next, WarpPLS version 3.0 software was chosen.

The purpose of using SEM-PLS analysis is to maximize variance explained by variables in the model with R-Square as a goodness-of-fit measure [21]. Then using a bootstrap-sampling procedure was carried out to estimate t-statistics in the SEM-PLS path coefficients. In this study using a sample bootstrap of 500. This number is chosen so that the data approaches the normal distribution and leads to an estimate of results that are better than statistical tests even though PLS does not require normal distribution.

III. RESULTS AND DISCUSSION

A. Description of Respondent

Based on gender, 60.7% or 91 respondents were male and the rest were female. Judging from the level of education, respondents were dominated by high school graduates equivalent to the percentage of 39.3%. Then followed by 45 respondents or 30.0% elementary school education. Respondents with the minimum level of diploma education are 4 respondents or 2.7% of the total respondents. Judging from age, respondents in this study were dominated by age between 36 years to 55 years as much as 61.4%. Then from the side of the year the business started to spread almost evenly from before 1990 to 2017.

The characteristics based on the business sector in the region by the manufacturing industry sector is 34.0%, this is in accordance with the condition of MSMEs in the city of Salatiga which is also dominated by the processing industry sector. Based on the provisions of the Ministry of MSMEs in Indonesia, it is divided into 9 sectors, but there are several sectors not found in the city of Salatiga. So that in this study only took representatives from 5 sectors in the city of Salatiga. Judging from the turnover owned, the respondents were dominated by micro-enterprises by 76.7% or 115 respondents.

B. Description of the Results of the Validity and Reliability Instrument Quality Test

Measurement models are used to evaluate the relationship between indicators and variables by assessing the reliability and validity of the indicators related to these variables. Determine the relationship between indicators and latent variables (constructs) that represent them. Based on the analysis of measurement research shows that all indicators are

significant. It is said to be significant because all indicators have loading values above 0.70. This means that the indicators of each variable are able to explain the latent variables used. Furthermore, to find out the reliability of the variables we can see the variable composite numbers. A variable is said to be reliable when its value is more than 0.7. From this study all four variables have composite values above 0.70 which means that each variable is reliable.

Based on the results of the validity and reliability presented in Table 2, valid and reliable indicators and variables are presented. In this table, test four variables with twenty-three indicators. The original variable is Credit Taking Decision (D) with 5 indicators, Interest (I) with 6 indicators, Attitude (A) with 4 indicators and Herding (H) with 8 Indicators being each variable has four indicators because other indicators are invalid.

TABLE II. TESTS FOR VALIDITY AND RELIABILITY

			Loading factor	Cronbach alpha
A1	<---	A	0,866	0,861
A2	<---	A	0,877	
A3	<---	A	0,772	
A4	<---	A	0,823	
H5	<---	H	0,629	0,885
H6	<---	H	0,616	
H7	<---	H	0,869	
H8	<---	H	0,743	
I1	<---	I	0,848	0,864
I2	<---	I	0,837	
I3	<---	I	0,856	
I4	<---	I	0,830	
D1	<---	D	0,871	0,859
D2	<---	D	0,897	
D3	<---	D	0,851	
D4	<---	D	0,731	

Source: Primary Data, 2017.

Furthermore, an assessment of the Goodness of Fit criteria is carried out. This assessment is carried out to test the conformity of the model structure with the criteria specified by the test equipment. Table 3 shows that the model determined is in accordance with criteria. In the Average Path Coefficient (APC) and Average R-squared (ARS) criteria the model is said to be fit if the p-value is <0.001. Average Block VIF (AVIF) criteria are said to be fit if the model results are less than 5.

TABLE III. RESULTS OF THE GOODNESS OF FIT MEASUREMENT MODEL

Model fit criteria	Standard	Model Results	P-value	Model Evaluation
Average Path Coefficient (APC)	P<0.001	0.307	P<0.001	Fit
Average R-squared (ARS)	P<0.001	0.477	P<0.001	Fit
Average Block VIF (AVIF)	AVIF<5	1.240		Fit

Source: Primary Data, 2017.

C. Description of Path Analysis Results

The results shown in table 4 show a direct relationship between attitudes and herding of credit decision making. Table 4 shows that attitude is not significantly positively related to credit decision making (coefficient: -0.01; $p = 0.17$, $R^2 = 0.68$). Therefore the H1 hypothesis which states the attitude of the MSMEs group has a significant positive effect on unsupported credit decision making. Furthermore, the relationship between Herding and credit decision making is also not significantly positive (coefficient: 0.09; $p = 0.48$, $R^2 = 0.68$). So the H2 hypothesis which reads the Herding of the MSMEs actors has a significant positive effect on unsupported credit decision making. The next result, shows the relationship between attitude is significantly positive related to interest (coefficient: 0.21; $p < 0.01$, $R^2 = 0.27$). This figure shows the hypothesis of the attitude of the MSMEs group has a significant positive effect on interest (H3) supported. The next hypothesis which reads Herding from MSMEs actors has a significant positive effect on interest (H4) also supported by the coefficient: 0.40; $p < 0.01$, $R^2 = 0.27$. The last hypothesis of interest has a significant positive effect on the decision to take credit is obtained a significant positive result (coefficient: 0.81; $p < 0.01$, $R^2 = 0.67$). This number indicates that H5 is supported.

TABLE IV. SUMMARY OF RESEARCH RESULTS

Hyphotesis	Direct effect	R-square	Indirect effect	Total effect	Test Result
A ----> D (H1)	-0.11	0.68	0.175	0.158	Not Supported
H ----> D (H2)	0.09	0.68	0.324	0.298	Not Supported
A ----> I (H3)	0.21*	0.27			Supported
H ----> I (H4)	0.40*	0.27			Supported
I ----> D (H5)	0.81*	0.68			Supported

* $p < 0.01$ (one-tailed)

Source: Primary Data, 2017.

D. Discussion

This study adds new literature on the effect of financial behaviour in the management of MSMEs. First, the attitude of MSMEs does not have a significant positive effect on credit decision making. Secondly, Herding's behaviour from MSMEs actors did not have a significant positive effect on credit decision making. This result is contrary to the results of Liu, study which states that group behaviour and the behaviour of those with good reputation have a significant positive effect on

decision making [22]. There is a difference in the process of analysis between this study and Liu research [22]. This study included intervening variables in the form of temporary interest in Liu study directly [22]. In accordance with the function of the intervening variable that is as an interruption between the independent variable and the dependent variable where the independent variable does not directly affect the results of the dependent variable. So that with the intervening variable, it will affect the final results.

Credit decision making behaviour from the MSMEs group has a significant positive effect on interest. This result is supported by Banerjee research which states that individuals do what everyone (groups) do, even though their private information implies to do different things [23]. Behaviour carried out by a group can increase the interest of MSMEs because MSMEs are reluctant to be labelled as MSMEs in their groups. These results are also supported by the results of Manstead [13] and Warburton and Terry [14] who stated that interest. The MSMEs actors in determining choices tend to be based on parties who have actions taken by those who have a good reputation. From the two results, it shows that there are attitudes and herding in fostering the interests of MSMEs. High interest arises based on experience and also high ability to conduct behaviour [24]. Similar research results have also been found in previous studies that herding behaviour has to do with economic activity, for example investment recommendations [8], stock price behaviour at the time of funding offerings [9], profit forecasting [10], decision capital structure [11].

Interest has a significant positive effect on credit decision making. Interest has a big impact on credit decision making. The results of this study are consistent with previous research that in one's decision making is influenced by emotional factors [25]. The higher of the interest, the more determined of the decision to take credit.

In addition, this research can also see the direct effect of each relationship. The relationship between attitude and herding with interest and interest with credit decision making has a high and significant direct effect. The relationship between attitude and herding with credit decision making has a small and insignificant direct effect. However, with the existence of intervening variables interest in making the Indirect effect of attitudes and herding with credit decision making greater than the direct effect. In addition, in this study shows the total effect of the relationship between attitude and herding with credit decision making.

IV. CONCLUSION

This study examines whether attitudes and herding affect the decision to take credit in MSMEs and if so, how is the effect of intervening interest in credit decision making. Using a sample of 143 MSMEs in Salatiga, the final results show that attitudes and herding have an influence in determining credit decision making in MSMEs. This result is based on the calculation in this study by including intervening variables in the form of interest, giving the result that the direct effect between attitudes and herding with the decision to take credit on MSMEs becomes insignificant, but the relationship of interest with credit decision making is significant with a high t-

statistic value. Furthermore, in this study found a significant correlation between the years of starting a business and credit decision making, so that it is expected that in subsequent studies to evaluate further between the year of starting a business or the length of time the business goes with the influence on herding and financial decision making. Although there are limitations in this study, researchers believe that this study provides additional evidence about the existence of herding in credit decision making in MSMEs.

ACKNOWLEDGMENT

The researchers would like to say thank you for the Institution of Research and Community Service in Stikubank University Semarang by supported this research.

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