

Debt Financing Behavior of SME's Entrepreneurs

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Abstract—This study aims to know the role of mediation of entrepreneurial achievement motivation on the influence of entrepreneur's self efficacy and social environment on SMEs debt financing decisions. The study on 180 SME entrepreneur's handicraft sector in the Bali Province which was determined by purposive sampling technique. Data were collected by questionnaire, then analyzed by SEM-PLS. The results of study showed that 1) entrepreneur's self efficacy and achievement motivation had been a positive and significant effect on SMEs debt financing decisions 2) entrepreneur's self efficacy had a positive and significant effect on the entrepreneur's achievement motivation 3) the social environment had not been effect on the entrepreneur's achievement motivation and 4) achievement motivation of entrepreneurs partially influence mediation of entrepreneur's self efficacy and social environment on SMEs debt financing decisions.

Keywords: *achievement motivation; debt financing behavior; entrepreneur's self efficacy; social environment*

I. INTRODUCTION

Business growth in SMEs is still very low due to classic reasons for the lack of ability of entrepreneurs to access debt financing sources. In fact, various coaching programs have been provided by the central and regional governments to improve these capabilities. However, study found that the low growth of business in SMEs was precisely because of the behavior of the entrepreneurs [1]. Therefore, it is important to know the factors that influence SMEs debt financing decisions to understand their financial management practices.

Previous study findings are not consistent in explaining SMEs debt financing decisions. This inconsistency is only emphasized on the business characteristics and demographics of entrepreneurs without considering the aspects of cognition and social environment. In fact, the aspects of cognition and social environment most play a role in influencing a person's behavior [2], [3]. Aspects of cognition and social environment are important in explaining SME debt decisions because there is no strict separation between owner and manager and is a family business that tends to be located in rural areas.

Self efficacy is the result of a process of cognition influencing behavior, the way people behave and a person's behavior choices [4]. The use of self-efficacy to explain SME debt financing decisions because entrepreneur's self

efficacy does not show how much ability the entrepreneur has but how high is his confidence in making the decision. Self efficacy is related to one's motivation and behavior [4], [5].

The social environment of entrepreneurs is important to explain SME debt financing decisions because in general SMEs tend to be family companies located in rural areas. The social environment consists of social norms and descriptions have been confirmed to influence business decisions and one's behavior [6]–[8].

Entrepreneurial achievement motivation is considered in explaining SME debt decisions because of entrepreneurial behavior of entrepreneurs by having high achievement motivation [9], [10]. In addition, several studies found that entrepreneurial achievement motivation is closely related to entrepreneurial behavior and business success [11], [12]. However, there are no studies that explain how the mediation mechanism of entrepreneurial achievement motivation on the influence of entrepreneur's self efficacy and social environment on SME debt financing decisions. This explanation of mediation is important, so that the findings produced are more comprehensive and when applied practically can be more useful [13], [14].

Based on the description, it is important to know and examine the mediating role of achievement motivation on the influence of entrepreneur's self efficacy and social environment on SME debt financing decisions.

II. LITERATURE REVIEW

A Social Cognitive Theory / SCT explains and predicts changes in one's behavior through human interaction with their environment [4], [15]. Self efficacy is an important aspect of SCT that affects a person's behavior and behavior choices. Self-efficacy for an entrepreneur is called entrepreneur's self efficacy [16]. Entrepreneurship's self efficacy involves a specific task, namely the entrepreneur's self-confidence in his ability to make certain decisions. Entrepreneurial self efficacy has a positive and significant effect on the capital structure and aggressiveness of the allocation of company resources [17]. Based on these theories and empirical findings, the following hypothesis was formulated.

H₁: Entrepreneurship's self efficacy has a positive effect on debt financing decisions on SMEs.

The social environment is one component of the Theory Reasoned Action (TRA) [18]. This theory assumes that a) humans do things in a reasonable way; b) humans consider all available information; c) explicitly or implicitly humans consider the implications of their actions [19]. The social environment can be measured directly by formulating several questions concerning descriptive norms and social norms [6]. The social environment has been confirmed to influence business decisions on SMEs [7], [20]. Based on these theories and empirical findings, the following hypothesis was formulated.

H₂: The entrepreneur's social environment has a positive effect on SME debt financing decisions.

Motivation is a motivating factor for a certain person [21]. Motivation is a function, process and ultimate goal. Entrepreneurs with high achievement motivation to achieve financial benefits tend to use debt financing more [22]–[24]. Entrepreneurial achievement motivation has been confirmed to influence behavior and business success [11], [25]. Based on these theories and empirical findings, the following hypothesis was formulated.

H₃: The entrepreneur's achievement motivation has a positive effect on SME debt financing decisions.

Achievement motivation is an intrinsic motivation that is influenced by one's personal aspects and social environment [26], [27]. Therefore, self efficacy is an aspect of cognition influencing one's motivation, emotions and behavior [15], [28]. Therefore, entrepreneur's self efficacy is thought to influence the entrepreneur's achievement motivation in managing his business. Based on the theory and empirical findings, the following hypothesis is formulated.

H₄: Entrepreneurship's self efficacy has a positive effect on the achievement motivation of SME entrepreneurs.

Motivation is a psychological process that encourages a person to achieve behavioral goals [21] and arises because of stimuli from internal and external factors of individuals [29], [30]. Entrepreneurship's self efficacy as a personal aspect and social environment is thought to influence the entrepreneur's achievement motivation and SME entrepreneur's debt decisions. Based on the theory and empirical findings, the following hypothesis is formulated.

H₅: Entrepreneurial achievement motivation mediates the influence of entrepreneur's self efficacy on SME debt financing decisions.

H₆: The achievement motivation of entrepreneurs mediates the influence of the social environment on SME debt financing decisions.

III. RESEARCH METHOD

This explanatory research aims to SME debt decisions by examining the mediating role of achievement motivation on the influence of entrepreneur's self efficacy and social environment. UKM entrepreneurs in the handicraft industry sector in Bali Province as the subject of research because the growth of their business is still very low compared to other sectors. The research sample was determined by purposive sampling technique as many as 180 entrepreneurs [31]. Data collected by questionnaire were then analyzed by SEM-PLS because it was more accurate to analyze data about perception.

IV. RESULTS AND DISCUSSION

Business characteristics and entrepreneurs are shown in Table 1 as follows.

TABLE 1. BUSINESS CHARACTERISTICS AND ENTREPRENEURS

No	Characteristics	Criteria	f	%
1	Company Age	4-10	47	26,11
		10 >	133	73,89
2	Business Size	Small business	75	41,70
		Medium business	105	58,30
1.	Sex	male	137	76,11
		female	43	23,89
2.	Age of entrepreneur's	25 -39	5	2,78
		40 -49	77	42,78
		50 ≥	98	54,44
3	Education	< bachelor	69	38,3
		bachelor ≥	111	61,7

The measurement model test results show that all research indicators are valid with a loading factor > 0.5, Average Variance Extracted (AVE) satisfying the coefficient > 0.5 and the reliability of the construct with the reliability composite value > 0.7. While the results of the structural model test (inner weight) are stated in accordance with the Goodness of Fit with the R-Square coefficient > 0.5. The results of the direct influence test between variables are shown in Table 2 as follows.

TABLE 2. DIRECT INFLUENCE BETWEEN RESEARCH VARIABLES

Pengaruh	Path coefision	t calculate	p value	Infomation
ESE -> debt financing	0,747	4,222	0.0000	Sig.< 1%
NS-> debt financing	-0,058	0,384	0,6493	Not Sig.
AM -> debt financing	0,238	1,722	0,0434	Sig. < 5%
ESE -> AM	0,742	3,559	0,0002	Sig.<1%
NS -> AM	0,223	1,051	0,1473	Not Sig.

The results of the mediation role of entrepreneurs' achievement motivation showed that 1) significant

entrepreneur achievement motivation mediated partially the influence of entrepreneur's self efficacy on SME debt financing decisions because the coefficient of variance accounted for / VAF was 0.24 (24%), 2) significant entrepreneur motivation motivated partial the influence of the social environment on SME debt financing decisions because the VAF coefficient is 0.5971 (59.71%).

Entrepreneurial self efficacy and achievement motivation of entrepreneurs have a positive and significant effect on SME debt financing decisions. This finding is in accordance with the predictions of Bandura's social cognitive theory / SCT, [4], [5], [15] and the findings of Shortridge-Baggett [32] that cognition processes influence a person's behavior and behavioral choices. It provides an understanding that cognitive processes influence the behavior of SME entrepreneurs [17], [20]. Entrepreneurial self efficacy is consistent in explaining business decisions for SMEs.

The entrepreneur's achievement motivation has a positive and significant effect on SME debt financing decisions. High achievement motivation encourages aggressive entrepreneurs to finance growth opportunities [11]. High entrepreneur achievement motivation to achieve financial benefits tends to use debt financing more and the use of debt financing encourages entrepreneurs to manage their businesses better, more actively and efficiently [22], [24].

Entrepreneurial self efficacy has a positive and significant effect on the achievement motivation of SME entrepreneurs. Achievement motivation is a result of psychological processes is influenced by one's personal aspects and social environment [26]. Similarly, other findings stated that high efficacy and achievement motivation is a characteristic of entrepreneurial behavior in SME entrepreneurs [9], [33], [34].

The social environment does not affect the entrepreneur's achievement motivation and SME debt financing decisions. This finding shows that in the social life of UKM entrepreneurs in Bali Province is very close but in managing their business is very independent. In addition, SME entrepreneurs have enough experience in managing business so that they tend to ignore the role of their social environment. Social environment does not play a role in the behavior because it is not to get support, recognition and not in accordance with its objectives [35]. Contrary, other studies concluded that the social environment has a dominant influence on SME business decisions [7], [8], [20].

Achievement motivation plays a role in partially mediating the influence of entrepreneur's self efficacy and social environment on external financing decisions of SMEs. Entrepreneurship's high self-efficacy influences the higher motivation of entrepreneurial achievement and the more courageous entrepreneurs to use debt financing sources. It can be used to design coaching programs for entrepreneurs to increase access to debt financing sources and grow their businesses [36]–[38].

Achievement motivation mediates partially the influence of the social environment on SME debt financing decisions. Entrepreneurial achievement motivation is influenced by personal and social aspects [26], [27]. SME entrepreneurs need to create a positive and harmonious social environment because business growth can be achieved if the social environment can be predicted and support the growth of the business [1]. This finding adds insight into the importance of achievement motivation in explaining the influence of social environmental aspects on SME debt financing decisions.

Theoretical implication that SME financing decisions can be explained by social cognitive theory and motivation theory. While the practical implications are consideration for parties who care about empowerment of SMEs in determining appropriate policies, strategies and coaching materials.

V. CONCLUSION

Based on the discussion of the results of the study conclusions can be formulated: 1) entrepreneur's self efficacy and achievement motivation of entrepreneurs have a positive and significant effect on SME debt financing decisions, 2) the social environment does not affect SME debt decisions 3) entrepreneur's self efficacy has a positive and significant effect on entrepreneur achievement motivation 3) The social environment does not affect the entrepreneur's achievement motivation 4) Significant achievement motivation mediates partially the influence of entrepreneur's self efficacy and social environment on SME debt financing decisions.

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