

Financial Self-Efficacy on Women Entrepreneurs Success

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Abstract: It is noticed that the role of women entrepreneurs in contributing economy aspect in developing countries is significant. In Indonesia, business development running by women is potentially as a main driven factor of women empowerment process and social transformation, which finally can bring positive impact on decreasing the poverty level.

This study was made as an explanatory research to argue the influence of education, age, working experience, business age, number of employee, and financial self-efficacy on the success of women entrepreneurs. The population was all women entrepreneurs in East Java, Indonesia. The sample was taken through random sampling method

The result shows that age of women entrepreneurs and age of business are able to influence the success of SME's while education, working experience, and the number of employee do not impact significantly. The last analysis shows a positive and significant impact between financial self-efficacy and the success of SMEs.

Keywords: *Financial self-efficacy, Entrepreneurs success, Women entrepreneurs*

INTRODUCTION

In Indonesia, the development of women entrepreneurs in society has being auspiciously as a main trigger to improve the economy and social transformation, which is finally can have positive impact on reducing the poverty level. However, there are still many challenges faced by the women entrepreneurs to develop their business. Some parties still doubt women's ability in management aspect.

Based on Ministry of Cooperatives and Small-Medium sized Enterprises data, it is accounted for 60% of total micro business and SMEs activities in Indonesia are managed by women entrepreneurs. As well as in East Java, women entrepreneurs associated in Indonesia Women's Business Association or IWAPI are getting increase at seeming ease.

Some experts have discussed several factors that contribute to the success of SMEs by talking about human/social and financial capital (Caputo & Dolinsky, 1998); (Chandler & Hanks, 1998) (Carter, Williams, & Reynolds, 1997). Successful entrepreneurs tend to have education, training or working experience in industry, as well as ability to keep enough amount of capital to start and run the SMEs. Unfortunately, it is noted that still lack of experts who analyze the role of

socio-cognitive factor in the success of SMEs. Study and literature that defining or measuring the characteristics of self-confident and self-ability, named as self-efficacy, can be said to be rare apparently.

Self-efficacy is completely appropriate for entrepreneurship study because of its nature that create certain task, including assessment of self-confidence both internal (personality) and external (environment). (Krueger, 2000) found that self-efficacy becomes a good predictor to start up a business. (Markman, Balkin, & Baron, 2002) asserted that self-efficacy is as a prominent factor of new business growth. This study focused on one of those characteristics, it is the self-efficacy of woman entrepreneurs about financial management, which will be needed on the success of starting and running the SMEs.

In this study, variable of success was depicted from the amount of sales obtained, then, the factors influencing the success used in this study are age, education, working experience, business age, company size and ability of financial management, which previously had been examined by (Nyamwanza, Mapetere, Mavhiki, & Dzingirai, 2012) and (Amatucci & Crawley, 2011). Involving self-efficacy in financial aspect enables this study to differ with the other study since it combines theory of entrepreneurship and behavioral finance. (Shefrin, 2000) defined behavioral finance as a study of the influence of psychological phenomena that affecting financial practitioner's behavior. (Nofsinger, 2001) pointed that behavioral finance examines actual human behavior in a taking a financial setting. Therefore, theory of behavioral finance demonstrates the actual method in taking financial decision.

The advantages of this study are: (1) the research is more comprehensive, because it explores the role of sociocognitive factors in business success that shows the relationship between age of employer, education, work experience, duration of operation, financial management capability belief to success of woman entrepreneur; (2) this research is a rare study in the field of financial management, because it combines entrepreneurship theory and behavioral finance theory; and (3) in the end this research will give birth model of business success concept of woman entrepreneur.

LITERATURE REVIEW

Characteristics of Entrepreneur

The components of essential key supporting the success of SMEs, according to (Storey, 1994), are characteristics of entrepreneurs and SMEs. This view is supported by (Kolvereid, 1996) and (Mazzarol, Volery, Doss, & Thein, 1999) who found that the demographical characteristics of entrepreneurs, such as age, gender, background including education and working experience will influence on business interest.

(Reynolds, Hay, Bygrave, Camp, & Aution, 2000) concludes that the most active age for business is around 25-44 years old. In India, according to (Sinha, 1996) the most successful entrepreneurs are relatively young. However, it contradicts to the research by (Kristiansen, Furuholt, & Wahid, 2003) that examined business of internet café in Indonesia. The finding is the older of entrepreneurs age (above 25 years old), the more success of the business compared to the younger entrepreneurs.

(Charney & Libecap, 2000) suggest that education background of the entrepreneurs will create individuals possessing knowledge about company and entrepreneurship. Furthermore, it is noted that entrepreneurship education enables to encourage new company, self-employment, new product development and bachelor who build self-business as well as high technology based business. For employee, entrepreneurial education will increase the company sale growth.

In the same vein, (Sinha, 1996) analyzed the education background factor that shows 72% of successful entrepreneurs, at least, have technical qualification and most of failed entrepreneurs do not have technical education background. Moreover, (Sinha, 1996) claims that business and technical education background are able to make entrepreneurs more appreciating and analyzing either the worst situation or behave intuitively. These factors are fast becoming a key instrument in entrepreneurship effectiveness.

Regarding to working experience, (Kolvereid, 1996) states that experienced individual will have a high interest on business. However, (Mazzarol, Volery, Doss, & Thein, 1999) did not engage with further research on employees working at private sector.

Characteristics of SMEs

The length of business can be equalized to learning curve because old player in business have much learned from past experience compared to new business. Similarly, (Kristiansen, Furuholt, & Wahid, 2003) argues that company age relates to the success of its business. Company size is identical to the number of employees. According to (McMahon, 2001), company size connected with company performance. The bigger company size, the more success it is.

Self-Efficacy Related to Financial Management

The term of self-efficacy, firstly, was introduced by (Bandura, 1977) in theory of social learning, refers to the extent of belief in one's own ability of certain task performance. Ten years later, this term was included in organization behavior literature and it is linked to job, productivity, career choice, and learning and achievement (Gist, 1987); (Gist & Mitchell, 1992). Self-efficacy and stereotype threat, which is negative, are able to undermine self-efficacy and make a prediction that individual is not able to accomplish the task.

Although, such approaches have failed to address women entrepreneurs' behavior on finance, there are some articles in education have examined women behavior about lessons that has quantitative characteristics. It claims that women anxiety about that type of lessons and lack of self-confident to handle the quantitative problems starts from early age. This phenomenon, in turn, will influence their performance on the course, which has quantitative characteristics, the major chosen at university as well as their career choice.

Likewise, the study by (Altman, Crothers, & Blair, 2007) about academic achievement of female students and its academic concept reported that there is a disparity on academic achievement between female and male students in mathematics and sciences, more, this academic self-concept is less positive at secondary school and getting low at senior high school period. For higher education, the study of (Jensen & Owen, 2001); (Benedict & Hoag, 2002); (Ballard &

Johnson, 2005) concludes that female students who choose economics but with low mathematics literacy and self-efficacy show low academic performance.

Other findings which focus on the unpleasant feeling experienced by female students, regarding to the course materials that has quantitative aspect, influence the career orientation. Even in some cases, it is able to impede beneficial career opportunity. This view is supported by (Turner & Bowen, 1999), noted that during last couple decades, the number of discrepancy between female and male students choosing mathematics, engineering, and physics is getting big. (Correll, 2001) argues that male students are more confident in mathematics rather than female student despite the fact the score of both groups is same. Besides, (Correll, 2001) also found that female students take calculus to improve their self-confident in mathematics. In other words, female students with higher mathematics literacy will choose calculus or other course that is quantitative. (Correll, 2001) proposes that female and male students taking different career path is not caused by the difference of ability, but culture belief about gender and mathematics, which mathematics is often stereotyped as something masculine. This issue that occurs to female students and mathematics is critical gateway for mathematics, science and engineering career.

RESEARCH METHODS

The population in this study is all women entrepreneurs in East Java area, with the number of sample is 45 SMEs managed by women entrepreneurs. Multiple regression analysis technique was adopted to examine the influence of education, age, working experience, business age, and the number of employee, and financial self-efficacy with the success of SMEs among women entrepreneurs. The equation for multiple regressions is:

$$\text{SMEs' success} = \alpha + \beta_1 \text{ Education} + \beta_2 \text{ Age} + \beta_3 \text{ Working Experience} + \beta_4 \text{ Business Age} + \beta_5 \text{ number of employee} + \beta_6 \text{ Financial self-efficacy} + e \quad (1)$$

RESULT

Prior validity and reliability test was done on variable of financial self-efficacy. The result shows that from 6 items of questionnaire, it is found that there are 2 invalid questions, that of the first and second questions. Therefore, variable of self-efficacy was measured using 4 questions. The result of validity test demonstrates that variable of self-efficacy has the value of 0.854 or categorized as reliable.

Classical assumption test was done before the multiple regression analysis. The result of normality test that can be seen from table of Kolmogrov-Smirnov test shows kolmogrov-smirnov unstandardized residuals test having significance number of 0,222 and more than 0,050, thus it can be concluded that regression model is normally distributed. It shows that there is no multicollinierity from six independent variables because of $VIF < 10$. Based on scatterplot graphic, it is seen that the dots do not spread randomly both above and below 0 on Y axis. Moreover, certain pattern is noticed. Therefore, it can be concluded that heterocedasticity does not exist in this study.

Table 1: Test result statistics

| Variable | Coefficients | t-statistic | Probability | VIF |
|--------------------------|--------------|-------------|-------------|-------|
| EDU | 0.231 | 1.083 | 0.285 | 1.359 |
| AGE | -0.565 | -2.784 | 0.008* | 3.547 |
| EXP | 0.136 | 1.067 | 0.293 | 2.614 |
| AGE_CO | 0.253 | 2.409 | 0.021* | 4.238 |
| EMP | 0.395 | 1.271 | 0.212 | 5.005 |
| SELF_EFI | 0.727 | 2.680 | 0.011* | 1.944 |
| f-statistic | | 14.886 | 0.000* | |
| Ad R ² Square | 0.654 | | | |

DISCUSSION

Based on the calculation of the first statistic test, educational level of women entrepreneurs has significance value (p-value) of 0,285. This is more than probability level with 0,050, therefore education background does not influence significantly on the success of SMEs management by women entrepreneurs in East Java. This result is possible because respondent data shows that average of women entrepreneurs in East Java have graduated from High School and bachelor degree, so there is no variation. As a result, level of education does not give impact on the success of SMEs management. This finding contradicts to the study from (Kolvereid, 1996) and (Mazzarol, Volery, Doss, & Thein, 1999)

Based on the calculation of the second statistic test, the age of women entrepreneurs has significance value (p-value) of 0,008. This value is less than probability level with 0,050. Thus, age has negatively significant impact on the success of SMEs management by women entrepreneurs in East Java. It happens because the age of women entrepreneurs is dominated by youth. It shows that the younger women entrepreneurs, the more success managing the SMEs. This result has same view with (Sinha, 1996) research conducted in India. It is claimed that most of success entrepreneurs are relatively young. This phenomena caused by high innovation and creativity possessed by youth, which lead them to have more power to develop their business. However, it converses with the study of (Kristiansen, Furuholt, & Wahid, 2003) showing that the older entrepreneurs, the more success its business.

Based on the calculation of the third statistic test, working experience owned before women entrepreneurs starting the business has significance value (p-value) of 0,293. This value is greater than probability level with 0,050 which means working experience does not give impact on the success of SMEs management by women entrepreneurs in East Java. It happens because variable of working experience is small in number which means that women entrepreneurs does not created from being worker, but it is from family business run by their parents. This result is in line with the study from (Mazzarol, Volery, Doss, & Thein, 1999) and contradicts with the study from (Kolvereid, 1996).

Based on the calculation of the fourth statistic test, business age has significance value (p-value) of 0,021. This is less than probability level, with 0,050. It means business age has positive significant influence on the success of SMEs management by women entrepreneurs in East

Java. The older business, the more experiences had to face business problems, which give impact on SMEs performance.

Based on the calculation of fifth statistic test, the number of employee has significance value (p-value) of 0,212. This value is greater than probability test, with 0,050. Therefore, the number of employee does not significantly influence on the success of SMEs management by women entrepreneurs in East Java. Company size also does not give impact on the success of business. If the company has limited number of employee but able to run the business efficient and effectively, the business will be more success.

Based on the calculation of the sixth statistic test, financial self-efficacy has significance value (p-value) of 0,011. This is less than probability test, with 0,050. Thus, financial self-efficacy positive significantly influences on the success of SMEs management by women entrepreneurs in East Java. The higher self-efficacy in financial management, the better decisions related to funding and investment, so it improves company's performance.

CONCLUSION

Based on the findings, which driven factor of SMEs' success in East Java is entrepreneurs' age, business age, and financial self-efficacy, entrepreneurs' age is found negative. It means the younger women entrepreneurs, the more success SMEs. However, for the variable of business age, it is found to be positive which means the older the business, the more success SMEs management. Those findings are seemly interesting, if it is combined to see the older business age that is managed by youth, the success SMEs will be. Those results probably happen if women entrepreneurs who have younger age have run the old business inherited by their parents. Moreover, these results are supported by other results stating that the success of SMEs management does not determined by prior working experience. The next prime factor on SMEs management in East Java is financial self-efficacy showing that women entrepreneurs who have self-efficacy in each financial decision making will have better control towards the business.

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