

# Financing Access and SME Performance: A Case Study from Batik SME in Indonesia

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This research examines the influence between access to financing and performance through the mediation of entrepreneurial-oriented finance in batik SMEs. The structural equation modelling (SEM) analysis results of 265 SMEs reveal that entrepreneurial-oriented finance has an influence between financing access and SME performance. A positive direct effect is found in the relationship between financing access and entrepreneurial-oriented finance as well as entrepreneurial-oriented finance and SME performance. Entrepreneurial-oriented finance has a full mediation role in financing access towards SME performance. No positive influence is found between financing access and SME performance. Based on the research results, in order to improve business performance, it is not enough to only rely on financing access. Entrepreneurs should also improve their ability to obtain and utilise funds to develop their businesses. Therefore, the financial aspect can optimise business performance through entrepreneurial oriented financial activities completed by entrepreneurs.

**Key words:** *Entrepreneurial finance, financial access, entrepreneurial-oriented finance, SME performance*

## Introduction

The availability of financial resources plays a significant role in business. SMEs rely more on internal funding sources due to limited access to external funding sources (Shinozaki, 2014). A poor financial system causes innovation stagnation, whereas a good financial system can result in better innovation opportunities and business processes (Farkas, 2016).

SMEs in Asia and Africa experience constraints in external financial access, so that they obstruct business development (Edewor, Imhonopi, & Amusan, 2014; Shinozaki, 2014; Urim & Imhonopi, 2015; Wang, 2016). Numerous studies have already been conducted on financing in equity (Balboa, Martí, & Zieling, 2011; Bruton & Ahlstrom, 2003) or debt (Campello, 2006; Mallick & Yang, 2011) to develop businesses.

Previous research has attempted to examine financial aspects, including financing access in the form of utilising debt and equity for businesses. These research results are still inconclusive. Financing in the form of debt is shown to have a positive influence on business performance (Campello, 2006; Ortiz-Walters & Gius, 2012) and a negative influence on performance (Campello, 2006; Comeig, Brio, & Fernandez-Blanco, 2014; Mallick & Yang, 2011). Nevertheless, there are also financial aspects which are shown to have no influence on business performance (Belwal, Tamiru, & Singh, 2012). These inconsistent findings are also evident in financing in the form of equity towards business performance. There are also studies which reveal a positive influence (Kölling, 2015; Raude, Wesonga, & Wawire, 2015), a negative influence (Balboa et. al., 2011; Lehner, Grabmann, & Ennsgraber, 2015), as well as no influence between both (McMahon, 2007; Ortiz-Walters & Gius, 2012).

Although access to finance is expected to improve performance, this relationship occurs indirectly. In addition, if there are proven relationships, it does not imply that they all have positive influences. It has been discovered that there is another variable which mediates the relationship between company financing and performance, which is entrepreneurial oriented financing possessed by the entrepreneur. Previous research has distinguished between entrepreneurial finance from funding supply, which discusses how financial resources and compositions are used to assemble resources and do innovation for business developments (Chemmanur & Fulghieri, 2014; Giordani, 2015; Klonowski, 2016; Mitter & Kraus, 2011; Paré, Rédis, & Sahut, 2009).

However, from an entrepreneurial perspective (demand side) entrepreneurial finance literature is still very limited. This implies that the ways in which entrepreneurs can obtain and utilise funds to develop their businesses has not been empirically analysed. Mitter and Kraus (2011) and (Klonowski, 2016) allude to the need for entrepreneurs in financing activities and utilising funds for business purposes; however, they do not specifically mention the kinds of activities.

The purpose of this research is to empirically test whether 1) financing access has an influence on entrepreneurial-oriented finance, 2) entrepreneurial-oriented financing, and 3) financing access has a positive influence on SME performance, 4) entrepreneurial-oriented finance mediates the influence of financing access on SME performance. The SME samples are taken from three batik producer locations in the Province of Central Java, Indonesia.

## Literature Review

### *Financing Access and Entrepreneur-Oriented Finance*

The problem of agency problem makes it difficult for SME entrepreneurs to access external funds, as fund providers are reluctant to bear the risk of company failure. In contrast, fund providers who understand the conditions and risks of SME businesses will want to provide funding, so that external financial access will increase. When debt increases, then financial capital structure changes, where debt to equity ratio (DER) will increase (Shyam-Sunder & Myers, 1999). Entrepreneurs will utilise funds for investment. When SME investment level is high, creditors will facilitate access to debt for entrepreneurs. On the other hand, if investment level is low, it will provide a negative signal such as lack of vitality and trust from outside parties, so that creditors will increase the costs for financial capital to minimise asymmetric information and under investments in SMEs (Nunes, Mendes, & Serrasqueiro, 2012).

According to opportunity based entrepreneurship theory, the main components that need to be considered in business activities – including accessing funding sources – include locus of changes, sources of opportunity and initiator of changes (Eckhardt & Shane, 2003). The locus of change can be found in the new product creation stage, new market discovery stage, new resource finding/ creation stage, the appearance of new production methods, as well as changes within the organisation. Sources of opportunity can be diverse, such as the presence of asymmetric information between market participants, imbalances between requests and demands, as well as new shocks in the market. Meanwhile, participants who initiate change play a role in producing entrepreneurial opportunities.

Financing access is related to entrepreneurial ability to obtain and use funds to develop business. The availability of financial resources causes an increase in the intention to innovate (Giudici & Paleari, 2000; Kim, Aldrich, & Keister, 2006) as well as to invest (Beck & Demircug-Kunt, 2006; Shinozaki, 2014). Wide financial access can be obtained by entrepreneurs who will facilitate them to acquire funds, in order to capture current opportunities and beat the competition (Hughes, 2008), as well as improve their production and economic welfare (Fletschner & Kenney, 2014).

**Hypothesis 1:** Financing access has a positive influence on entrepreneurial oriented financing

### ***Entrepreneurial-Oriented Financing and SME Performance***

Entrepreneurs who have entrepreneurial capabilities will make an effort with previously calculated risks, be intensively involved in market innovations and have products that are able to beat the competition, and fulfil consumer needs (Miller, 1983). Those companies which have superior resources and abilities will be able to build foundations, in order to obtain and sustain competitive advantage (Ferreira, Garrido Azevedo, & Fernández Ortiz, 2011). One of these resources is human capital. The role of entrepreneurs in recognising opportunities, developing ideas, and collecting resources, whether real or conceptual, can encourage companies to have superior performance over their business rivals.

An increase in debt can also improve financial performance (Campello, 2006; Ortiz-Walters & Gius, 2012), because in general SMEs still require a range of funds, whether from internal or external sources. Only entrepreneurs who have better performance expectations in the future will be able to make improved choices about using debt (Abor, 2007). Increasing debt ratio and assets will improve customer satisfaction, because the company will be able to serve more market needs (Anderson & Mansi, 2009), fix internal business processes to become productive and improve financial performance (Margaritis & Psillaki, 2010), as well as improve entrepreneurial performance (Meza & Webb, 1999). Developing innovative investment activities will improve financial performance (Sher & Yang, 2005), increase customer satisfaction (Su, Chen, & Sha, 2006), as well as make entrepreneurs more successful (Meza & Webb, 1999). Profit advancing activities which are proactive for investments will increase customer satisfaction (Aghion, et. al. 2004), improve financial performance (Sher & Yang, 2005), as well as intensify entrepreneur success (Glancey, 1998; Larson, 1991).

Kerr, Lerner, and Schoar (2010) show that companies which have the ability to access high financing will also have high performance. SMEs which have sufficient financial capital, entrepreneurship, and technology will be able to process input to achieve innovative output. Innovative investments are marked by allocating funds for creative activities, research, and developments or experiments to create new products, markets, methods and material. Entrepreneurs who have entrepreneurial ability and management will be able to allocate their profit for proactive activities to initiate markets (Ferreira et. al., 2011). Therefore, when entrepreneurial oriented financing increases, work performance will also increase.

**Hypothesis 2:** Entrepreneurial-oriented finance has a positive influence on SME performance.

### ***Financing Access and SME Performance***

Beck and De La Torre (2007) postulate that financial depth or the development of the financial sector in a particular country directed to financial access is able to improve business performance; it will even stimulate economic growth on an aggregate basis. The special characteristics of SME financing are that it is quick and the amount is relatively small but occur with regular frequency (Duan, Han, & Yang, 2009). SME financing is very sensitive towards market conditions. When SMEs capture business opportunities, they will soon propose financing to another party. When access to financing increases whether in amount, process, or frequency of obtaining funds, it will support the creation of mutual opportunities with other productive resources through value creation. The results of this opportunity creation will enable the fulfilment of market needs, increasing profit and letting entrepreneurs enjoy rewards.

According to Campello (2006), at a moderate level debt can improve business performance compared with companies which do not have any debt. When SMEs are still in the pioneering or introduction stage, they tend to keep using debt as long as they can fulfil their business funding needs. Debt will continuously be taken whenever it provides greater additional advantages than additional costs. Easier financing access and low interest rates can improve financing from external sources for SMEs (Beck, 2007; Duan et al., 2009), which can be used to produce more and be more efficient, so that it can improve financial performance (Levine, 2003), making customers more satisfied, as well as developing entrepreneurial performance (Demirguc-Kunt & Levine, 2008). Performance can be improved as entrepreneurs obtain additional knowledge from fund providers, which can become input and solutions in operating a business (Raude et al., 2015).

**Hypothesis 3:** Financing access has a positive influence on SME performance

### ***The Mediating Role of Entrepreneurial-Oriented Finance on the Relationship between Financing Access and SME Performance***

According to resource-based view theory, when financing access increases, the availability of financial resources that are reflected from the internal and external financial capital increases (Ferreira et al., 2011). Regardless, resource-based entrepreneurship theory emphasises that increasing these resources does not directly improve performance, but depends on the unique ability of entrepreneurs to recognise opportunities, obtain required resources to take advantage of opportunities, and the organisational ability to combine input to become work performance (Alvarez & Busenitz, 2001), as well as the ability to collaborate through resources (Lockett & Thompson, 2004).

Entrepreneurial finance theory clarifies that entrepreneurs can materialise their ideas and business opportunities that have already been previously identified through the mobilisation of financial resources and their allocation in business activities, risk management, and financial contract optimisation to increase added value (Klonowski, 2016). Low skills in reaching the market, low education level of entrepreneurs, difficulty to access resources and availability of skilled employees, as well as the lack of managerial knowledge causes funds to not be ineffective regarding business performance. This shows weak entrepreneurship and management ability in utilising financial capital does not have an effect on improving business performance. Conversely, increasing funds will be meaningful when entrepreneurs are able to allocate the funds towards innovative and proactive activities, to improve performance .

**Hypothesis 4:** Entrepreneurial-oriented finance mediates the influence of financing access SME performance.

## Methods

### *Design*

The research population consists of SMEs which operates in batik businesses located in the province of Central Java , including Pekalongan and Rembang Regency as well as Surakarta Municipality. There are many batik SMEs in these three locations, including those that already export or those that do not . Each region has noticeable batik uniqueness, which consist of batik with shoreline and non-shoreline patterns (Rita, et. al. , 2018). Cultural differences between shoreline and non-shoreline society have an influence on product variations (Priyanto, et. al. , 2016). The analysis base for this research consists of entrepreneurs or batik SME owners responsible for business finances and management. Probability sample designs consist of area sampling restricted/ complex probability sampling (Sekaran & Bougie, 2013) based on culture.

Sekaran and Bougie (2013) explain the stages of area sampling: 1) choosing the population target based on the city or regency map in the province of Central Java which has batik SMEs; 2) after the three areas are chosen, sub-districts and village districts are selected where batik SMEs are concentrated; 3) the distribution of the population was chosen, so that the number of samples are produced in each location due to the variety of total population . The calculation of the sample totals from each location is based on the total number of expected samples which consists of 265 respondents. This total is established on the basis of considering the sufficient sample total in the SEM analysis (Hair, Black, Babin, & Anderson, 2014), which are undertaken a minimum of ten times for the parameter estimations as well as to handle data elimination resulting from the presence of external problems. The structural

model built in this research had an estimated 20 parameters , so that the minimum number of samples was 200 (10 x 20), which were randomly chosen.

In referring to the total population for each location, it was found that the proportion of samples for the three locations was: 70% for Pekalongan, 10% for Rembang and 20% for Surakarta. The sample total retrieved in each location is presented in detail in Table 1.

**Table 1: Total Regions and Respondents**

| No. | Region       | Population   | Proportion  | Total Respondent |
|-----|--------------|--------------|-------------|------------------|
| 1   | Pekalongan   | 878          | 70%         | 185              |
| 2   | Rembang      | 120          | 10%         | 30               |
| 3   | Surakarta    | 232          | 20%         | 50               |
|     | <b>Total</b> | <b>1,230</b> | <b>100%</b> | <b>265</b>       |

**Source:** MSMEs and Co-operative Agencies (2019)

Secondary data was obtained from co-operative agencies and local MSMEs to obtain total data and SME addresses that were educated. Primary data was collected through distributing questionnaires and interviews. This procedure was undertaken to obtain a high response level and in-depth information from respondents.

### ***Variables***

#### ***Exogenous Latent Variable: Financial Access***

Financing access is measured by three indicators: 1) equity funds 2) fund obtaining process and 3) frequency of obtaining funds . This measurement modifies the SME financing access indicator from Duan et. al. (2009) and Xiao (2011). Financing access is defined as the modelling potential which can be obtained by an entrepreneur quickly, easily, and based on business development needs.

#### ***Endogenous Latent Variable***

Measuring entrepreneurial-oriented finance variable is derived from the dimensions of entrepreneurship and finance . Entrepreneurial-oriented finance variable is proxied using three indicators: 1) risky financing 2) innovative investment and 3) proactive profit policy. These indicators are modified from the entrepreneurial orientation indicator by Miller (2011) and Duarte (2011), which consist of risk taking, innovation and being proactive, which are then combined with the finance indicator from Klonowski (2016), which includes financing, investment and profit policy. Proactive profit policy is done by SME entrepreneurs is analogous to the dividend policy that is completed by the corporate company. However, the



## Results

### *Descriptive Statistics*

There are 265 respondents analysed (185 from Pekalongan. 30 from Rembang. 50 from Surakarta). Below are the data analysis results from the respondent profiles in the three locations. Based on the age category, the average age of respondents is 40 years . A rather large distribution of respondent ages is found in Pekalongan, whereas Surakarta and Rembang have approximately the same age distribution. There are various reasons why respondents chose to pursue careers in the batik business, such as continuing their family businesses, familiarity with the batik business environment in their daily activities, as well as an interest in or encouragement to become batik business entrepreneurs after graduating from school.

**Tabel 2:** Batik SME Entrepreneur Profile

|                                      | <b>Surakarta Municipality</b> | <b>Rembang Regency</b> | <b>Pekalongan Regency</b> |
|--------------------------------------|-------------------------------|------------------------|---------------------------|
| <b>Age</b>                           |                               |                        |                           |
| Min                                  | 24                            | 22                     | 19                        |
| Max                                  | 69                            | 60                     | 72                        |
| Average                              | 46                            | 41                     | 40                        |
| Standard Deviation                   | 10                            | 10                     | 12                        |
| <b>Gender</b>                        |                               |                        |                           |
| Male                                 | 38 (76%)                      | 10 (33%)               | 125 (68%)                 |
| Female                               | 12 (24%)                      | 20 (67%)               | 60 (32%)                  |
| <b>Experience</b>                    |                               |                        |                           |
| Min                                  | 5                             | 5                      | 5                         |
| Max                                  | 43                            | 15                     | 48                        |
| Average                              | 16                            | 7                      | 13                        |
| Standard Deviation                   | 9                             | 2                      | 8                         |
| <b>Education Level</b>               |                               |                        |                           |
| Elementary School                    | 1 (2%)                        | 8 (27%)                | 9 (5%)                    |
| Middle School                        | 5 (10%)                       | 10 (33%)               | 24 (13%)                  |
| High School                          | 21 (42%)                      | 10 (33%)               | 100 (54%)                 |
| Academy/Undergraduate Degree         | 23 (46%)                      | 2 (7%)                 | 51 (27.5%)                |
| Master's Degree/<br>Doctorate Degree | 0 (0%)                        | 0 (0%)                 | 1 (0.5%)                  |

**Source:** Processed primary data (2019)

Male entrepreneurs are predominately in Surakarta and Pekalongan, while Rembang is dominated by female entrepreneurs. Based on the findings in the field, it was discovered that batik firms in Surakarta and Pekalongan are more likely to be managed by heads of households. Women also assist in the business, but they are not too actively involved in the business management. A different condition is seen in Rembang batik firms, where women are more active in company management, while men tend to work outside of the batik sector.

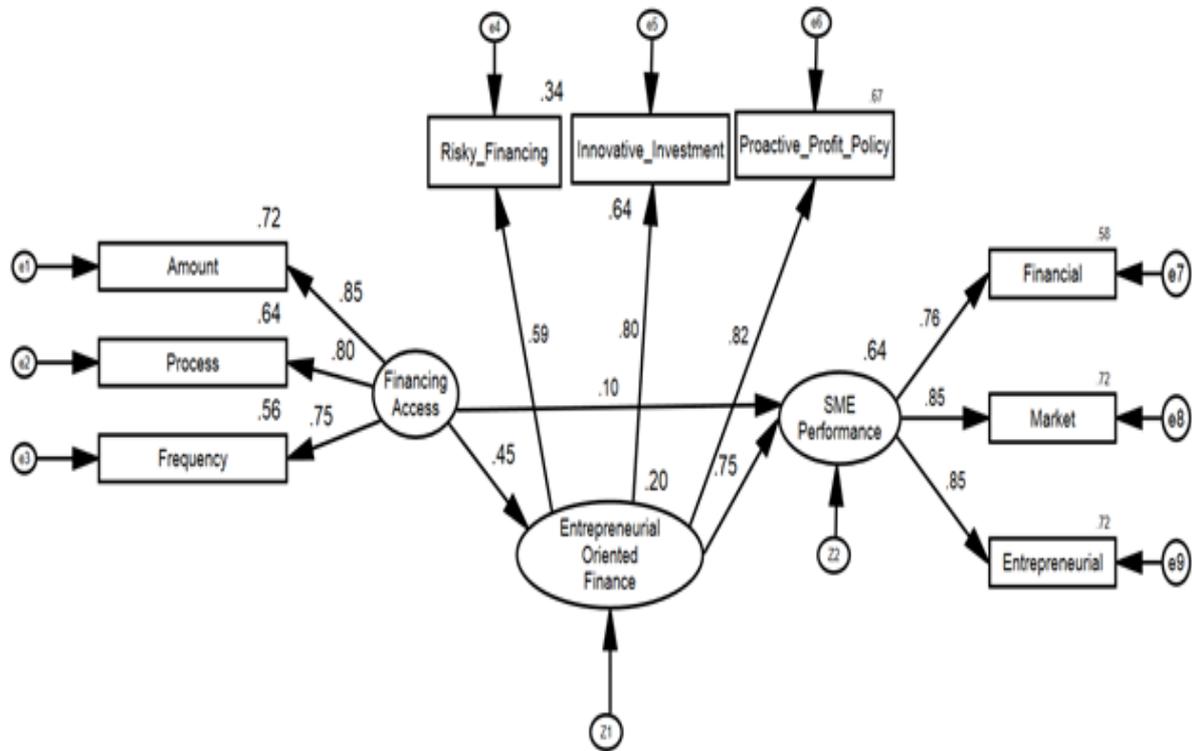
Respondents had more than 10 years of experience in Surakarta and Pekalongan, but in Rembang they are still relatively young with about 7 years of experience. Despite of this, it can be generally stated that their firms are able to get past the early years that are full of fluctuations, because they are able to be sustained for more than five years (Barkham & Gudgin, 2002). As a result, SMEs can focus more on the development of their firm. Carson and Gilmore (2000) state that a firm's early stage is an environmental change oscillation cycle that is quick and inseparable from threats and opportunities for small businesses.

The majority of respondents in the three regions have a high school education. Variation in respondents' level of education is due to differences in levels of physical educational as well as sociological and economical backgrounds.

### ***Hypothesis Test Results***

The full model test results reveal that the goodness-of-fit indexes show that the value is above the cut-off (CMIN/DF: 3,784; GFI: 0,922; CFI: 0,941; TLI: 0,916; RMR: 0,036), which divulges that the model can be used for estimations.

**Figure 1.** Full Model Test Results



The hypothesis testing is based on the AMOS 24.0 output as shown below.

**Table 3:** Hypothesis Test Results

|                                  |     |                                  | Standardised Estimate | S.E. | P    |
|----------------------------------|-----|----------------------------------|-----------------------|------|------|
| Entrepreneurial-Oriented Finance | <-- | Financing Access                 | .448                  | .079 | ***  |
| SME Performance                  | <-- | Entrepreneurial-Oriented Finance | .753                  | .065 | ***  |
| SME Performance                  | <-- | Financing Access                 | .100                  | .056 | .130 |

Source: Processed primary data (2019)

$\alpha=5\%$  (Table 4).

**Table 4:** Direct Effects, Indirect Effects and Total Effects

| No | Path              | Direct Effects | Indirect Effects | Total Effects | P-Value  |
|----|-------------------|----------------|------------------|---------------|----------|
| 1  | FinAcc→ EOF→ SPer | 0.100          | 0.337            | 0.437         | 5.4 E-07 |

Source: Primary processed data (2019)

## Discussion

The results show that financing access has a positive influence on entrepreneurial-oriented finance. When the total internal funds, external funds and debt are increased, the ability of entrepreneurs to aggressively look for funds, and the management of funds for innovative and proactive investment activities will increase. The opening of financial access increases entrepreneurial intention and innovation in a firm. Conversely, when financial access is low, it will cause entrepreneurs to have difficulty in obtaining funds, in order to develop their businesses (Aminu & Shariff, 2014; Kersten, et. al., 2017). These results are consistent with previous research (Chemmanur & Fulghieri, 2014; Fletschner & Kenney, 2014; Kim et. al., 2006; Xiao, 2011).

This research demonstrates that there is a positive relationship between entrepreneurial-oriented finance and SME performance. When entrepreneurial-oriented finance consisting of risky financing, innovative investments, and proactive profit policies increase, SME performance will also increase. This agrees with previous research by Arshad, et. al., 2014; Margaritis & Psillaki, 2010; Tan & Liu, 2014). Debt which is used to finance a firm in its initial, growth or expansion stage is allocated for innovative investment activities. Likewise, when a firm is able to produce profit, its use will be proactive the firm development. A particular characteristic of a batik firm is to be creative, so that its innovation and creativity will be highly developed, whether within the business itself or when faced with competition. SME entrepreneurs who have a high entrepreneurial-oriented financial ability will be able to obtain funds and utilise them for investments and attain profit, so that their businesses will become more competitive. Businesses will have superior performance, both financially and non-financially, including market and entrepreneurial aspects.

This study also reveals that there is an entrepreneurial-oriented finance mediation role in the relationship between financing access and SME performance. Based on the premise of the resource-based perspective, when financial capital is added, then available financial resources for entrepreneurs will increase (Ferreira et. al., 2011), so that it can improve the firm's performance. However, there is another variable that can increase the finance acceleration of performance, which is entrepreneurial competence. According to the theory of resource-based entrepreneurship, increasing financial resources will have an impact on firm performance when the entrepreneur has a unique ability to recognise opportunities, obtain resources, take advantage of opportunities, and organise a series of inputs to become valuable (Alvarez & Barney, 2017; Alvarez & Busenitz, 2001). The availability of heterogeneous resources owned by a company does not automatically guarantee a firm's success, but the ability is needed to manage and collaborate resources in an innovative, risky, and proactive way to achieve superior performance (Hassim, Asmat-Nizam, & Bakar, 2011).

However, financing access is proven not to have a significant influence on SME performance. These results are not consistent with findings by Beck, et. al. (2008) or Cowling, Liu, and Zhang (2018). Funds are a vital resource for a company to sustain its existence. Nevertheless, when the total accompanying funds that include internal or external financial capital are insufficient, there are limitations in the fund obtaining process that covers facilitation, speed and credit service quality, as well as a minimum frequency of obtaining funds for SMEs, therefore financial access will not make an impact on company performance. Harvie, Narjoko, and Oum (2013) explain that the financing gap does not affect the performance of SMEs for all categories, not only innovative high tech SMEs. This condition is endemic for SMEs in developing countries such as Indonesia.

## **Conclusion**

This study concludes that there is a positive influence between 1) financing access towards entrepreneurial-oriented finance, 2) entrepreneurial-oriented finance on SME performance, 3) financing access does not have a significant positive influence on SME performance, and 4) entrepreneurial-oriented finance mediates the relationship between financing access and SME performance.

Based on these findings, when there is a desire to improve business performance, SME entrepreneurs should collaborate to manage their finances (funding and investments) and businesses innovatively, proactively, and by proper calculation of risks. It is not sufficient to rely on the availability of existing financing, because without the support of an entrepreneur's capabilities and capacities to manage the finances and business, the firm will not be able to attain superior performance.

Perception research with a Likert scale often has limitations. A Likert scale can only rank individuals/ observations in a scale (strongly disagree – strongly agree) regarding attitudes towards issues raised. It is advised to use ratio data, so that the size of a variable's contributions towards other variables can be analysed.

This research model assumes that there is a linear causality relationship between exogenous and endogen variables. It allows for bias in the analysis results if there is a relationship between non-linear variables. Future research can consider a non-linear data analysis model whenever research variables have a non-linear relationship.

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## APPENDIX

|     | Question   | Answer          |            |                 |             |                  |
|-----|--|-----------------|------------|-----------------|-------------|------------------|
|     | <b>Financing Access</b>  |                 |            |                 |             |                  |
|     | <b>A. Amount of Fund Inclusion</b>   | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
| 1.  | How much internal financial capital is used in your business?  |                 |            |                 |             |                  |
| 2.  | How much external financial capital is used in your business?  |                 |            |                 |             |                  |
| 3.  | How much debt is used in your business?  |                 |            |                 |             |                  |
|     | <b>B. Fund Obtaining Process</b>   | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
| 4.  | How easy is it to obtain funds for your business?  |                 |            |                 |             |                  |
| 5.  | How quickly can you obtain funds for your business?  |                 |            |                 |             |                  |
| 6.  | What is the quality of credit service in obtaining funds for your business?                            |                 |            |                 |             |                  |
|     | <b>C. Fund Obtaining Frequency</b>   | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
| 7.  | How much funding have you received in the last three years?  |                 |            |                 |             |                  |
| 8.  | How many funding sources (individuals/ parties) have you obtained?                                     |                 |            |                 |             |                  |
| 9.  | How many kinds of funding sources (short term, middle term, long term) have you obtained up until now? |                 |            |                 |             |                  |
|     | <b>Entrepreneurial-Oriented Finance</b>  | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
|     | <b>A. Risky Financing</b>  |                 |            |                 |             |                  |
| 10. | In the initial stage of your business, did you use financing that mostly originated from debt?         |                 |            |                 |             |                  |
| 11. | In the business growth stage, did you use financing that mostly originated from debt?                  |                 |            |                 |             |                  |

|     |   |                 |            |                 |             |                  |
|-----|---|-----------------|------------|-----------------|-------------|------------------|
| 12. | In the business expansion stage, did you use financing that mostly originated from debt?          |                 |            |                 |             |                  |
|     | <b>B. Innovative Investments</b>  | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
| 13. | Do you routinely allocate funds to experiment on producing new products?                          |                 |            |                 |             |                  |
| 14. | Do you routinely allocate funds to try out production processes?                                  |                 |            |                 |             |                  |
| 15. | Do you routinely allocate time to produce new and better methods in creating products?            |                 |            |                 |             |                  |
|     | <b>C. Proactive Profit Policy</b>   | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
| 16. | Do you routinely allocate profit to develop your business?  |                 |            |                 |             |                  |
| 17. | Do you utilize profit to produce new batik designs that have not been made before by competitors? |                 |            |                 |             |                  |
| 18. | Do you utilize profit to produce new products that have not been made before by competitors?      |                 |            |                 |             |                  |
|     | <b>SME Performance</b>  |                 |            |                 |             |                  |
|     | <b>A. Financial</b>   | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
| 19. | What is the role of assets towards improving your business profit at this time?                   |                 |            |                 |             |                  |
| 20. | What is the role of sales earnings towards increasing your business profit at this time?          |                 |            |                 |             |                  |
| 21. | What is your sales growth at this time?   |                 |            |                 |             |                  |
|     | <b>B. Market</b>  | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
| 22. | What is your customer satisfaction at this time?  |                 |            |                 |             |                  |

|     |   |                 |            |                 |             |                  |
|-----|---|-----------------|------------|-----------------|-------------|------------------|
| 23. | What is the condition of your customer growth at this time?                       |                 |            |                 |             |                  |
| 24. | What is the market access of your company at this time?                           |                 |            |                 |             |                  |
|     | <b>C. Entrepreneurial</b>   | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> | <b>High</b> | <b>Very High</b> |
| 25. | What is the employee welfare like in your company at this time?                   |                 |            |                 |             |                  |
| 26. | How satisfied are you towards the increase in your company's profit at this time? |                 |            |                 |             |                  |
| 27. | What is the growth of your company's employees at this time?                      |                 |            |                 |             |                  |