Bootstrap Financing Practices in Small Enterprises to Support Rural Green Tourism

[1*] Bambang Agus Pramuka, [2]Zahrotush Sholikhah, [3]Mohammad Fathon Pramuka, [4]Khalid Eltayeb Elfaki

[1*] Universitas Jenderal Soedirman, bambang.pramuka@unsoed.ac.id, Indonesia
[2]Universitas Negeri Yogyakarta, zahrotush.s@uny.ac.id, Indonesia
[3]Universitas Jenderal Soedirman, mfscout30@gmail.com
[4]University of Gezira, khalid.elfaki@uofg.edu.sd, Sudan
*Bambang Agus Pramuka

ABSTRACT

Rural tourism is surrounded by various forms of small business that face serious financial challenge during the covid-19 pandemic. In this study, we use phenotypic traits as a lens to investigate how bootstrapping affects the success of small businesses during the covid-19 pandemic. To better understand entrepreneurial behavior, this study investigates small business bootstrapping in the green tourism domain. Based on a survey of 123 small company owners and interviews with 8 entrepreneurs in the zone, this study creates a taxonomy of bootstrapping strategies and investigates their constituent elements and logics. Additional qualitative research was conducted to confirm the taxonomy of entrepreneurial bootstrap behavior. The report presents a comprehensive picture of bootstrap funding in small businesses. With this research, we gain a better knowledge of how small enterprises approach resource mobilization and why entrepreneurs use specific bootstrapping tactics.

Keywords: Bootstrap, Financing, Small Business, Rural Area, Green Tourism

1. Introduction

Green tourism promotes the beauty of nature as part of tourist attraction. Majority of tourist attractions are bringing their business alive post Covid 19 pandemic. The use of conventional bank loans and external equity financing has been proven to be mainly avoided by small businesses. The question of how and why small ventures might pursue new prospects without soliciting external financing has been the subject of a growing amount of study in recent years (Moghaddam et al., 2017). This line of inquiry suggests that the novel resource-gathering strategies of bootstrap finance are crucial (Fraser et al., 2015; Purwidianti et al., 2021). Activities linked with bootstrapping involve coming up with innovative ways to raise funds in the face of challenges (Block et al., 2018; Pramuka & Pinasti, 2020). The research on bootstrap financing in the field of entrepreneurial finance has provided useful insights by outlining the use of bootstrap financing activities and emphasizing the importance of such novel resource mobilization methods for the success of small companies (Adomdza et al., 2016; Purwidianti et al., 2021).

Bootstrapping is a response to resource constraints in the form of alternative methods. Bootstrappers exist in various forms, just as there are many forms of entrepreneurship, each with its own unique approach to meeting the challenges presented by limited funds. As a result, there is a wide range of entrepreneurial tactics for resource mobilization, with a wide variety of possible motivators. This is just one of many reasons why it's important to study these kinds of tactics, even if you never plan on using them in real life.

The potential for diversity in bootstrapping methodologies to address resource needs has not been thoroughly explored in prior research on bootstrap finance. Prior studies have lacked a classification of small businesses' actions to mobilize resources through bootstrapping (Malmström, 2014). In fact, experts in the field (Block et al., 2018; Harrison et al., 2022; Nguyen, 2021) have called for studies that clearly differentiate between and prove aspects of the bootstrap financing construct that enable comparison and an understanding of the defining features of various strategies. The current research intends to fill this gap by delving into (1) the many types of bootstrap financing techniques and (2) the different levels of these strategies for resource mobilization in small businesses.

This paper provides a classification of bootstrap finance techniques that facilitate entrepreneurship by drawing on resource-based theory, the bootstrap financing framework, and general ideas from literature. The classification initially illustrates the character of each strategy by suggesting constituent parts of entrepreneurial bootstrapping behavior. Second, it illustrates the rationales of bootstrapping actions. Each tactic has a somewhat different stance on business modeling and the resource mobilization actions it entails. This research therefore contributes to a better understanding of the motivations behind entrepreneurs' focus on resource mobilization and provides fresh perspectives on the tactics they use to get off the ground. Third, the entire classification offers an analytical framework for explaining various entrepreneurial techniques for mobilizing resources. We provide a framework for elucidating, differentiating, and organizing bootstrapping entrepreneurship. The classification shed light on various forms of entrepreneurial resource behavior and has the potential to produce comprehensive and relevant depictions, enabling improved predictions based on a particular classification of the entrepreneur's expected resource mobilization actions and responses, as well as their success. Thus, the classification aids in comprehending the bootstrap funding structure.

2. Literature Review

2.1 Bootstrapping Financing

There is a growing body of management literature that addresses topics like bootstrapping, including bricolage tactics (Malmström, 2014; Valos & Baker, 1996) and resource co-optation(Johannes Gerschewski, 2013). These schools of thought are united by their examination of how business owners in low-resource settings employ ingenuity to gain access to the tools they need, often at the expense of others' unused assets. As a result, businesses can grow through bootstrap financing activities without increasing their exposure to debt, which might reduce their liquidity and impede their ability to operate. This research agrees with the definition of bootstrap finance activities as a variety of "very inventive means of getting the use of resources without borrowing money or raising equity financing from traditional sources" (Freear, Sohl, and Wetzel 1995: 395). To get the money they need, some people may resort to dishonest means (Bates 1997; Ebben and Johnson 2006; Winborg and Landstro, 2000), such as borrowing equipment or taking out loans from friends and family. It follows that bootstrapping can be used in conjunction with or as an alternative to more conventional forms of financing (Manigart and Struyf 1997; Sapienza, Korsgaard, and Forbes 2003).

However, a survey of recent writings on the topic of entrepreneurial finance reveals a slant in the field's investigation toward endeavors that involve raising substantial sums of money from outside investors like venture capitalists and business angels (Purwidianti et al., 2021; Rokhayati et al., 2019). While there are not as many studies on bootstrapping as there are on other forms of financing startups, what little there is can shed light on what it takes to be an entrepreneur. One major takeaway from this type of study is the demonstration of the dynamism, yet manageability, of resource mobilization in small companies, since entrepreneurs frequently appear to be able to overcome resource limits. It has been stated that bootstrapping is an entrepreneur-driven form of financing since it requires entrepreneurs to use their own initiative and initiative alone to meet the financial needs of their business (Ebben and Johnson 2006; Winborg and Landstro 2000). Therefore, the bootstrap finance concept revolves around the entrepreneurs (Lam 2010). As Timmons (1999) points out, "bootstrapping is a way of life in entrepreneurial organizations." Previous research provides strong support for the idea that bootstrapping is an important method for small enterprises to pool their resources (Smith, 2009; Winborg, and Landstro, 2000). Eighty to ninety five percent of small businesses practice bootstrapping in some way, according to studies on the topic (Freear, Sohl, and Wetzel 1995; Harrison and Mason 1997; Harrison, Mason, and Girling 2004; Winborg and Landstro 2000). In addition, authors have stressed the value of bootstrapping for entrepreneurs in facilitating organizational (Ebben and Johnson, 2006), commercial (Brush et al., 2006; Vanacker et al., 2011), or product development procedures (Harrison, Mason, and Girling 2004; Smith 2009). More than that, From what we've seen, bootstrapping appears to be vital in the commercial ventures of small enterprises, notably when it comes to navigating demand variations.

Scholars have lately stated that while most small businesses undertake bootstrapping activities and a considerable number of businesses rely heavily on bootstrapping finance, these factors vary widely (Cassar 2004; Harrison, Mason, and Girling 2004; Timmons and Spinelli 2004). For example, research by Van Auken and Neely (1996) indicated that businesses with large capital investment needs were more likely to use bootstrap financing. In contrast to the findings of Harrison, Mason, and Girling (2004), which suggest that established small ventures engage in a higher use of bootstrap financing activities when compared with newly founded ventures, Ebben's (2009) research suggests that illiquid and underperforming ventures were more likely to use certain bootstrapping activities than other ventures.

In addition, we found that studies on the topic of bootstrapping have focused on issues of gender (Brush et al., 2006; Neely and van Auken, 2010); social capital and social contracting (Adomdza et al., 2016; Maher et al., 2020) and regional or industry-specific variations (Harrison et al., 2022). For instance, a recent study shows that entrepreneurs' bootstrapping operations mediate the impact of social networks on firm success (Jones & Jayawarna, 2010).

2.1.1 *Small business resources*

Small businesses that can mobilize more resources are more likely to develop sustainable competitive advantages and to generate premium returns (Barney 1991). To remain in business small business must have abundance of resources rather (Barney 1991; Cooper, Gimeno-Gascon, and Woo 1994). Similarly, resource-based theory is founded on the idea that the composition of a venture's resources and the efficiency with which those resources can be mobilized vary across ventures (Connor 1991; Miller and Shamsie 1996).

Choice and trade-off activities are involved in acquiring the resources necessary to run a venture and upgrading the venture's arsenal of resources (Choen and Levinthal 1990; Lichtenthaler 2008; Tidd, Bessant, and Pavitt 2001). Maintaining a versatile approach has Kbeen shown to help small businesses thrive (Dreyer and Gronhaug, 2004; Volberda, 1996). Being able to tap into the funds on an as-needed basis for a limited time period provides flexibility and reduces reliance on financial backers (Choen and Levinthal 1990; Tidd, Bessant, and Pavitt 2001). As an alternative to conventional sources of external financing like bank loans, bootstrapping can help businesses gain and keep a competitive edge during the resource mobilization process (Smith, 2009; Winborg, and Landstrom, 1997). Thus, it is incumbent upon entrepreneurs to coordinate the most fruitful and efficient means of securing the resources essential to the continued operation and growth of their ventures. To ensure the success of their ventures, entrepreneurs must develop a strategy for generating revenue through self-funding (Choen and Levinthal 1990).

For any resource acquisition strategy to be successful, the decision to combine specific activities is crucial (Lichtenthaler 2008; Zahra 1996). As a result, it is highly probable that entrepreneurs of small ventures will develop a preference for a distinct orientation toward a combination of bootstrap financing activities and, as a result, a strategy for resource mobilization. Differences in resource mobilization practices between enterprises have been documented in prior research (e.g., Reynolds and White 1997). As a result, we should anticipate substantial variation in bootstrapping approaches to resource acquisition across different types of small businesses.

We anticipate discovering distinct patterns in the ways in which small ventures go about mobilizing necessary resources (Mintzberg, 1978), as well as a few distinct patterns of behavior among groups of ventures that pursue similar strategies. This leads us to the conclusion that research into bootstrap financing strategies is analogous to that of strategic categorizations. Unfortunately, few studies have looked into the possibility of heterogeneity in approaches to meeting resource needs in the context of bootstrap finance. Researchers Winborg and Landstrom (2000) found diversity in practice and proposed six types of bootstrapper: (1) those who delay, (2) those who prioritize relationships, (3) those who prioritize subsidies, (4) those who prioritize minimization, (5) those who prioritize not bootstrapping, and (6) those who rely on private owner financing. In addition, they discovered that the bootstrapper groups had different perspectives on how to acquire resources, with each representing a unique combination of the first two models (intrinsic and social resource acquisition, and quasi-market resource acquisition).

Recently, Malmström (2014) distinguished between cost-cutting bootstrappers, capital-constrained bootstrappers, and risk-averse bootstrappers, all of whom make use of bootstrap activities in their own unique ways. Ebben (2009) has also differentiated bootstrapping from reactive financial strategies by highlighting its proactivity. Even more so, some studies suggested that bootstrapping can be a method of financing and/or resource management (Harrison et al., 2022). Results show that different types of bootstrapping activities will be used by different types of entrepreneurs, and the strategies may shed light on the unique paths to resource mobilization taken by different types of business owners.

3. Research Methodology

The study is exploratory in nature, as it attempts to find out information concerning the mode financing used by small businesses located in rural tourism area during the Covid-19 outbreak.

3.1 Population and Sample

Population of the study was all small businesses operating in Baturaden Tourism object in Banyumas regency. The sample consist of small businesses selling creative goods/ souvenir in the Baturraden surrounding. The total number of sample involve in the study were 123 respondents and 8 informants were interviewed for further analysis.

3.2 Data collection

Data were collected by two means: questionnaires and in-depth interview. The questionaires consist of items related to resources mobilization strategy during the covid-19 outbreak, as a way to remain in business. A primary premise for the data gathering questionnaire was to employ tested and reliable measuring scales. On a five-point Likert scale ranging from "never usage" to "use very often". Small business owners/ managers were asked how often they employed various bootstrap financing activities in the survey. In total, 8 business owners were interviewed twice using a semi-structured format, for a total of 60 minutes of in-depth conversation with each entrepreneur.

3.3 Data Analysis

Data with nominal categories were analyzed using descriptive statistics and draws using line chart to see the pattern of movement. The result of interview was in the form of text transcription before reduce into meaningful terms.

4. Results

4.1 Description of respondents

The respondents were analyzed based on their age and

Tabel 1. Description of respondents

Variabels	Category	Number	Percentage
Age	<=20	8	6.5%
	21-30	24	19.5%
	31-40	24	19.5%
	41-50	36	29.3%
	51-60	22	17.9%
	61-70	9	7.3%
	Total	123	100.0%
Business types	Food and beverage	50	40.7%
	merchandise	68	55.3%
	Service	5	4.0%
	Total	123	100.0%

Majority of the respondents age are between 41-50, indicating the length of business, while less than 10 percent below 20 years old. Based on the business types around 68 percent were selling souvenirs to serve the visitors coming to the tourist object.

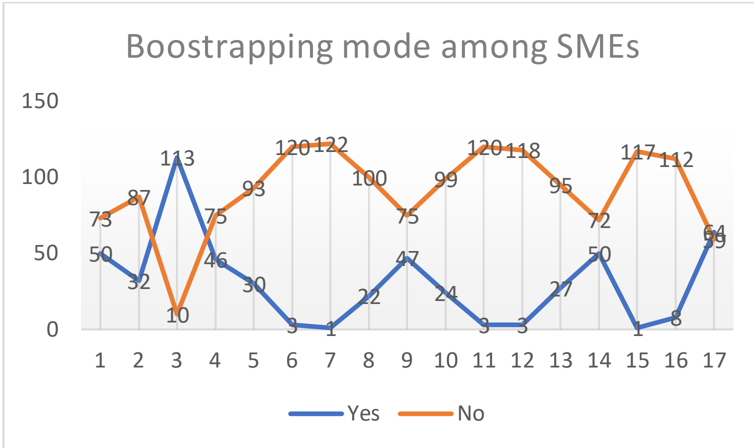
4.2 Bootstrapping Financing mode

Respondents were asked to fill in questionarires distributed using google forms. They were asked to choose between yes or no answers, on several questions related to resources mobilization during the covid-19 outbreaks, the results is presented in table 2.

Tabel 2. Resources mobilization model

Indicator	Quick-fix bootstrappers		Proactive bootstrappers		Efficient bootstrappers	
	Yes	No	Yes	No	Yes	No
Not Calculating or Maintaining a Business Owner's Salary	50	73				
Retaining part of the business owner's salary	32	87				
Using personal savings (Owner)	113	10				
Obtaining capital through the work of the owner from other jobs/businesses			46	75		
Customers make prepayments			30	93		
Borrowing business equipment such as machines from other businesses			3	120		
Rent a machine per hour			1	122		
Buying used equipment or machinery			22	100		
Making joint purchases with other companies			47	75		
Doing barter/exchange instead of buying/selling goods/services			24	99		
Deliberately delaying payments to suppliers					3	120
Deliberately delaying tax payments					3	118
Agreements with suppliers to pay after sales					27	95
Looking for the best possible conditions/agreements/contracts with suppliers					50	72
Factoring or selling or handing over rights to trade receivables to third parties (Banks/Financial institutions)	1	117				
Obtain subsidies from the local government.	8	112				
Funding or receipt of capital from the family	64	59				

The choice of funding among small businesses' owners can graphically presented below



5. Conclusion

This study demonstrates the significance of recognizing bootstrap financing options in order to fully comprehend the entrepreneur's mindset in order to support rural tourism in Indonesia. While earlier works on bootstrapping finance depicted the use of bootstrapping finance activities, this study sheds light on the variety of resourcing routes available to entrepreneurs and the factors that influence their decision to employ a particular bootstrapping strategy while supporting tourism activities. This research adds to our understanding of bootstrapper behavior by confirming the prevalence of bootstrapper methods in small businesses and illuminating their important differentiating features. Therefore, the results of this study provide a nuanced depiction of bootstrap financing as it is typically employed by small businesses and suggest key features and underlying logics of the strategic resource mobilization measures taken by such enterprises. In addition to corroborating the four constitutive elements and six underlying logics associated with bootstrapping identified through a review of the bootstrapping literature (i.e., the scope of orientation, approach to finance or resources, refusal to be constrained by limitations, and improvisation), this study also uncovered two new constitutive elements and two new underlying logics related to entrepreneurship. This implies that bootstrapping provides notably different methods of financing. Considering this, it is possible to classify small businesses according to how they coordinate bootstrapping efforts with strategic sourcing channels.

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