

## Exploring Personal Finance in Small-Medium Businesses Managed by Women : from Quantitative to Qualitative

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*This research is financed by Institute of Research and Community Services (Lembaga Penelitian dan Pengabdian Masyarakat) of Parahyangan Catholic University.*

### Abstract

The research intends to explore the behavior of several entrepreneurs in managing their finances in small-medium businesses. Many have studied financial problems in this type of business with the quantitative method, but only few analyse those problems using the qualitative approach. This paper presents some observation and interviews with nine women entrepreneurs based in West Java, Indonesia. Out of twenty entrepreneurs only nine provide sufficient information, and so the research focuses on these nine entrepreneurs. This research continues the previous one which used the quantitative method. The previous research found that economic capital is the significant factor for business sustainability while habitus and environment were not. However, these results do not provide any comprehensive and complete analysis quantitatively. This time around the research makes use of the qualitative approach whose focuses are on group discussion and transcript analysis. The transcript and the result of some observations have been analysed and interpreted employing Bourdieu's theory of habitus and capital. The research shows that despite the previous findings, habitus in the form of entrepreneurial tacit knowledge is the most significant matter for old players to get their benefit, while cultural capital in the form of high education, and social capital in the form of network are the most significant factors for young entrepreneur to succeed.

**Keywords** : women entrepreneurs, personal finance, capital, qualitative.

### 1. Introduction

More than ninety percent of Indonesian business enterprises are found at the small and medium business level. From the national center for statistics bureau it is known that until 2010 98.9% of all enterprises in Indonesia come from small and medium businesses while the remaining 1.1% are large businesses. This percentage has not changed much in the period 2010 to 2012. Trade conditions which are dominated by small and medium enterprises for almost 100% have been contributing greatly to the economic nation's strength.

Personal finances in the context of financial planning and management conducted by entrepreneurs in their business form a key factor needed in the development of business, both in the small and medium enterprises and the large ones. Regional economic development will depend on the development of small enterprises and medium enterprises in the region. In order to encourage economic growth in the region, there is a need to study personal finance run especially in small-medium businesses or enterprises.

Some businesses started from very small scale operations currently growing into middle, or even large businesses. This research tries to arrive at a deeper understanding of several small-medium businesses in West Java. Starting from twenty small-medium enterprises supervised by our university (Parahyangan Catholic University in Bandung), this research is continued from the previous one whose purpose was to assess the business sustainability. Many researchers have studied the financial matters from the quantitative perspective. However, only few have studied these matters from the qualitative perspective. This research attempts to examine the overall factors that influence personal finance in small-medium businesses to provide a more comprehensive analysis.

### 2. Literature Review

Yilmazer, Tansel and Schrank, Holly (2010) conducted a literature study of the sustainability of small-medium business managed by a family (family business). It generally uses or merges financial resources between business and family together. From the study of the existing literature, Yilmazer and Schrank concluded that, in addition to the practice of mixed/intermingling financial resources in the businesses and family as well as the

'financial bootstrapping' found by Bhide's research (1992), the use of owner's equity/resources has never been discussed, and furthermore that there is a risk of mixing up the use of resources in relation with continuation of the business. It is important to reach a thorough understanding of the use of owner's resources.

The previous research by Yilmazer and Schrank (2006) was conducted to study the use of credit cards for business. One interesting idea proposed by Coleman (2002) in a paper [quoted by] Yilmazer and Schrank is that businesses run by women are not affected by human or financial capital. Coleman proposes further research, to establish the determinants, such as what factors influence the development/growth of a business run by women. Furthermore, Bird and Brush (2007) suggested that businesses commonly use the frame of mind of men, to observe the difference between businesses run by women. The women tend to prefer personal relations and management, rather than men. Marlow and Patton (2005) also concluded that women suffer from loss or inability to gain access to specific funding (financially) because of their gender.

This research focuses on how the women entrepreneurs run their small-medium businesses, and how they manage their personal finance for success.

### 2.1. Personal Finance

Every business needs good financial management and receives some financial report from the operation of their business. Several businesses already have good financial reporting, but many more have not recorded and reported the business transaction completely or accurately. Most of it depends on financial planning and financial literacy of the owner (entrepreneur) called "personal finance".

Personal finance planning according to Vickie Bajtelsmit (2006) is:

*"the process of developing and implementing an integrated, comprehensive plan designed to meet financial decisions, such as budgeting, saving, spending, insurance and investment."*

Personal finance is the application of the principles of finance to the monetary decisions of an individual or family unit. It addresses the ways in which individuals or families obtain, budget, save, and spend monetary resources over time, taking into account various financial risks and future life events.

Components of personal finance and savings might include checking accounts, credit cards and consumer loans, investments in the stock market, retirement plans, social security benefits, insurance policies, and income tax management. According to Sundjaja, R. (2010) there are six steps to be taken in making a financial plan – especially when someone starts up a business, namely :

- Knowing the financial position and performance of today's family
- Determining the family's financial goals and classify it according to the period of time
- Analyzing the family's financial problems, what's going on at this time
- Making a plan to the next steps to be performed to achieve the family's financial goals
- Implementing the family's financial plan that has been prepared
- Reviewing all the steps that have been taken in the family's financial goals

### 2.2. Bourdieu's Theory of Habitus and Capital

The works of Pierre Bourdieu (1930-2002) as an intellectual and sociologist from France have made a considerable contribution to the social sciences. He tried to construct a general theory of practice. This has been established through the creation of a method with which we may grasp the many levels of practical life, using an economic metaphor. The intention of Bourdieu's work can be seen to transcend this opposition between two conceptions of scientific knowledge, and to transform them into a dialectical relationship between structure and agency.

His main ideas about Habitus are as follows : *"Habitus refers to a set of dispositions, created and reformulated through the conjuncture of objective structures and personal history. Dispositions are acquired in social positions within a field...."* (Harker R., et al, 1990)

For instance, in the behavior of a person, such an adjustment is often implied through the person's sense of social distance or even in their body postures. Thus one's place and one's habitus form the basis of friendship, love and other personal relationship, as well as transforming theoretical classes into real groups.

The definition of capital is very wide for Bourdieu and includes material things (which can have symbolic value), as well as intangible things but culturally significant attributes such as prestige, status, and authority (referred to as symbolic capital), along with cultural capital (defined as culturally-valued taste and consumption patterns).

There are four categories of capital, namely (i) material (economic) (ii) cultural (iii) social (iv) symbolic capital. Each capital is also seen by Bourdieu to be a basis of domination – although not always recognized as such by participants. These various types of capital can be exchanged for other types of capital, and that capital

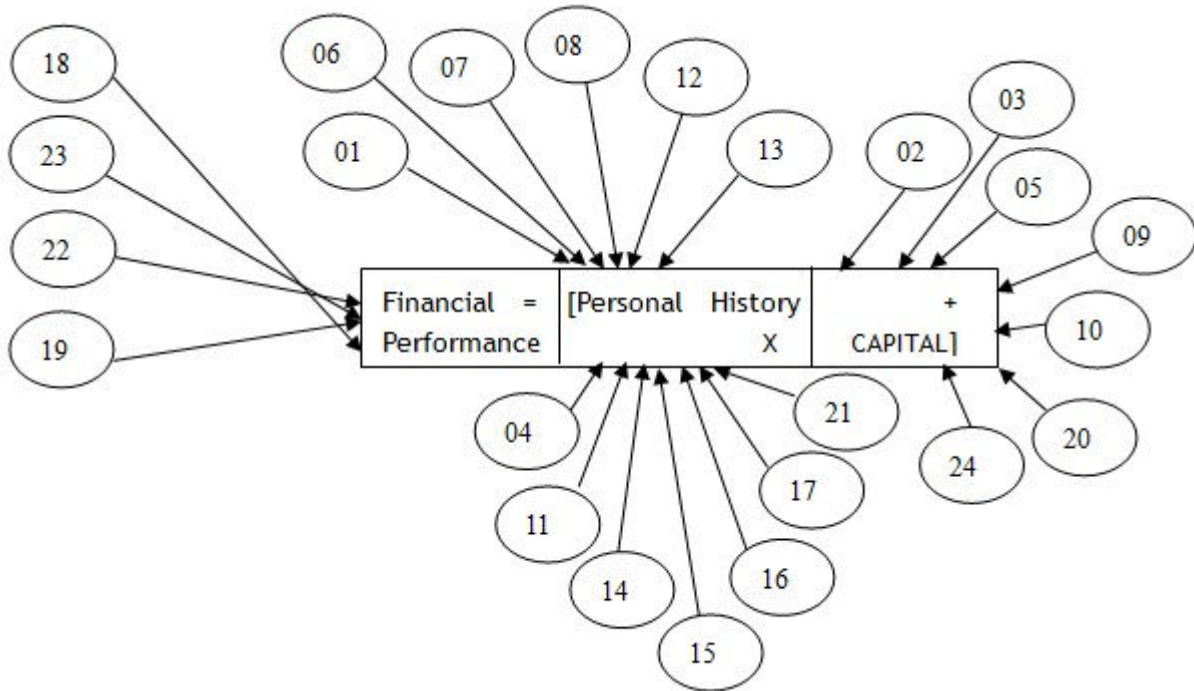
is convertible. The most powerful conversion to be made is to symbolic capital, for it is in this form that the different forms of capital are perceived and recognized as legitimate. To be seen as a person or class of status and prestige, is to be accepted as legitimate and sometimes as a legitimate authority (Harker et al, 1990).

### 3. Research

#### 3.1. The Previous Research

Previous research has been conducted using quantitative method and modeling such as following :

Figure 1. Financial Performance by Women Entrepreneurs based on Bordieu's Theory of Practise, Habitus, and Capital



Source : "Report on 20 SME's Financial Performance by Women Entrepreneurs in West Java" (Purboyo A., et al, 2012)

#### Explanation:

- The variables of Personal History consist of : (1) Age, (6) have partner who works, (7) holiday habit, eating out and body care (8) habit of saving, (12) Club member, (13) have financial problems.
- The variables of Capital consist of : (4) home ownership, (11) cash payment ability, (14) have insurance, saving, or investment (15) have a debt, (16) joint income (17) have some property when started up, (21) fixed cost.
- The Environment variables consist of : (2) business lifetime, (3) educational background, (5) working experience, (9) credit card, (10) gadget lifestyle, (20) ability to make financial report, (24) income utilization.
- The variables of Financial Performance consist of : (23) Annual Profit, (22) Plant/office expansion, increase in employees, (19) Growing in Assets , (18) Benefit from business.

All variables classified above have gathered during survey in 2011-2012 at previous research. With regard to the classification, the process of interpretation are as follow :

**Table 1. Classification into Variables**

No	Indicators	Interpretation	Classification
01	Age	Older entrepreneurs understood as mature players and they have better understanding about business	Personal History
02	Business Lifetime	Long experience add more knowledge and skills for entrepreneurs	Environment
03	Educational background	Entrepreneurs with good educational background expected to better management	Environment
04	Home Ownership	Entrepreneurs who stay in their home for a long period expected to be more focused in their businesses	Capital
05	Working Experience	Entrepreneurs who have job experience before expected to have better and wider insight	Environment
06	Partner who works	Entrepreneurs who's partners have jobs considered to have positive impact, and this will reduce financial risk due to their capital ownership accumulation	Personal History
07	Holiday habit, eating out, and body care	High lifestyle understood as more profit and benefit inflow from business	Personal History
08	Habit of saving	Habit of saving considered a better impact on business finance	Personal History
09	Credit card ownership	Using a credit card can be a positive (add capacity) or negative impact (add debt) on business finance	Environment
10	Gadget life style	.When gadget use to increase business capability it will give positive impact, otherwise it will give losses	Environment
11	Ability to pay in cash	Ability to pay in cash understood considered a good liquidity.	Capital
12	Club member	Club member considered a good image of entrepreneur	Personal History
13	Have financial problems	Financial problems could decrease supplier or consumer loyalty	Personal History
14	Have insurance, saving, or investment	Company or business have adequate capital	Capital
15	Have a debt	Company or business have a good credibility image that means more additional capital	Capital
16	Joint Income	Income from partner add strength in capital foundation	Capital
17	Property ownership when business start up	Financial property/ownership when business start up means good capital foundation	Capital
18	Benefit from business	Other benefit from business such as good image and reputation beside increase in annual profit	Financial Performance
19	Growing in assets	Good management on assets, perform by assets turn over such as inventory and receivables	Financial Performance
20	Ability to make financial report	Adopt new information technology, software to make financial reporting	Environment
21	Fixed cost	Affordability to manage fixed cost indicated good financial capital and budgeting	Capital
22	Plant or office expansion, increase in employees	Business have growing, or getting bigger	Financial Performance
23	Annual profit	Profitability	Financial Performance
24	Income utilization	Ability to improve business capabilities	Environment

Source : "Report on 20 SME's Financial Performance by Women Entrepreneurs in West Java"(Purboyo A., et al, 2012)

Based on statistical data processing (regression analysis) to obtain the results of the regression and correlation, using the approach of Bourdieu's Theory of Practise [Practise = (Habitus x Capital) + Field].

The results of statistical processing and correlation regression are as follow :

**Regression I**

Dependent Variable: Practice; Method: Least Squares; date:21.05.12; Time: 12.00; Sample 18; Included observation: 8

Variable	Coefficient	Std Error	t-statistic	Prob
ENVIRONMENT	-0.036568	0.169590	-0.215626	0.8398
CAPITAL	0.081724	0.171130	0.477557	0.6579
HABITUS	-0.074806	0.126554	-0.591104	0.5862
C	27.58588	13.75109	2.006087	0.1153 -----

With r-SQUARED: 0.092430; Adjusted R-squared: -0.588247; SE of regression: 8.664470; Sum squared resid: 300.2921 log likelihood: -25,85277; Durbin-watson stat: 1.185199; Mean dependent var: 26.12500; SD dependent var: 6.875162; Akaike info criterion: 7.463191; Scharz criterion: 7.502912; F-Stat: 0.135792; Prob(F-stat): 0.933644

**Regression II**

With dependent variable: Practice; Method: Least squares; Date: 21.05.12; Time: 12.05; Sample: 18; included observation: 8.

Variabel	Coefficient	Std Error	t-statistic	Prob
ENVIRONMENT	0.001345	0.147318	0.009131	0.9931
HABITUS*CAPTL	-0.000419	0.001028	-0.407691	0.7004
C	27.5553	10.95949	2.514034	0.0536

With r-SQUARED:0.032393; Adjusted R-squared: -0.354649; SE of regression: 8.001960; Sum squared resid: 320.1568; log likelihood: -26.10899; Durbin-watson stat: 1.330433; Mean dependent var: 26.12500; SD dependent var: 6.875162; Akaike info criterion: 7.277247; Scharz criterion: 7.307037; F-Stat: 0.083695; Prob(F-stat): 0.920973

Source : "Report on 20 SME's Financial Performance by Women Entrepreneurs in West Java" (Purboyo A., et al, 2012)

First regression analysis, calculate the partial influence of each variable, with the conclusion that capital is the significant factor positively affect the practice (financial performance) of SME's managed by women. This can be explained logically, that the greater the company's capital, then its financial performance will be higher and better. While variable of habitus changes and negatively affect financial performance. This is possible due to financial performance by women entrepreneurs cannot be flexible deal with variables of habitus and environment, so the improving of its performance has not been achieved. Taken together these variables affect the performance of 8:37%, but not statistically significant (when using the 5% level).

The second regression: taking into account the multiplier effect happened when habitus multiplied by capital, it can be concluded that environment has a positive influence on the practice (financial performance) of SME's run by women. This can be explained logically, that the greater the changes of environment, the better performance will achieved by women entrepreneurs. It is also clear that the habitus could not faced flexibly, so habitus as variabes still remain as a negative impact even if capital duplicated against it. The test results are independent variables together have an impact on the performance of 8:37%, so by 91.63% influenced by other factors but this is not statistically significant (when using the 5% level).

### 3.2. Present Research

There are twenty small-medium businesses studied in the previous research, as indicated below :

Company Name	Location (City)	Business Type
1. Kbs	Lembang	Hostelry
2. K-2X Jewelry	Bandung	Trade
3. Kulthith	Bandung	Manufacture and Trading
4. TK, Co.	Bandung	Trade
5. FR	Bandung	Perdagangan
6. RM	Bandung	Manufacture and Trading
7. Photography	Bandung	Service
8. TM Bookstore	Bandung	Manufacture and Service
9. DS Fashion	Bandung	Trade
10. DR Bakery	Bandung	Manufacture and Trade
11. PJ, Co.	Bandung	Trade
12. PT, Co.	Bandung	Trade
13. Martin, Co.	Jakarta	Service
14. CVEC	Bandung	Trade
15. IV, Co.	Jakarta	Manufacture and Service
16. PT "L"	Bandung	Trade
17. Evtm	Tangerang	Service
18. Sembako, Co.	Bandung	Trade
19. Wedding Photography	Bandung	Service
20. "M" Bakery	Bandung	Manufacture and Trade

Source : "Report on 20 SME's Financial Performance by Women Entrepreneurs in West Java" (Purboyo A., et al, 2012)

From the twenty businesses above there are only nine businesses (entrepreneurs) willing to be observed and interviewed more, whose data can be found below :

NO	COMPANY NAME	LOCATION (CITY)	BUSINESS TYPE
1	DR Bakery	Bandung	Bakery
2	PJ, Co.	Bandung	Trade (consumer goods)
3	PT, Co.	Bandung	Trade (consumer goods)
4	Martin, Co.	Jakarta	Welding Shop
5	CVEP	Bandung	Trade
6	IV, Co.	Jakarta	Manufacture and Service
7	PT "L"	Bandung	Trading (fabric, textiles)
8	Evtm	Tangerang	Services (IT Consultant)
9	Sembako, Co.	Bandung	Trade

Source : "Report on 20 SME's Financial Performance by Women Entrepreneurs in West Java" (Purboyo A., et al, 2012)



Interviewing nine entrepreneurs and obtaining some brief explanation about their businesses yield the following information (based on Bourdieu's theory of Capital) :

No	Company Name, Location	Description	Economic Capital	Cultural Capital	Social Capital	Symbolic Capital
1	DR Bakery. Bandung	The number of employees has increased to 36, annual profit amounts to approx. IDR 400 million. Joined the Bandung Bakery Club (network).	√	√	√	---
2	PT, Co. Tasikmalaya.	Initial capital approx. IDR 10 million, annual profit IDR 70 million	√	√	---	√
3	IV, Co. Padang	Initial capital IDR 100 million. Annual profit approx. IDR 200 million, already expanded to 1 outlet	√	√	---	√
4	CVEP. Bandung	Monthly sales approx. IDR 250 mil., the number of employees has increased to 30. Annual profit IDR 240 million	√	√	---	---
5	Martin, Co. Jakarta	Capital increase IDR 50 million, employees increased to 5 persons, annual profit amounts to IDR 70 million.	√	√	---	---
6	PT "L". Bandung	Capital change to IDR 2 billion, annual profit 100 million.	√	√	---	√
7	PJ, Co. Bandung	Capital change to IDR 50 million, annual profit approx. 50 million.	√	√	---	---
8	Sembako, Co. Bandung	Changes in capital approx. IDR 15 million, annual profit IDR 20 million, number of employees amounting to 5.	√	√	---	---
9	Evtm. Jakarta	Annual sales approx. 1 billion. Number of employees amounting to 20. Joined HIPPI network.	√	√	√	---

### 3.3. Analysis

Through focused group discussion and transcript of interviews analysis , several significant findings indicate the following :

- All nine respondents have economic capital in the form of money, machines, buildings, and vehicles when they started up the businesses. Some capital was obtained from family, some happened to be their own. This means that they all have a solid, healthy financial foundation. Here a quote of interview : *"I already have a house and a car by myself before starting business..."* or *"I only have one house and a motorcycle when start up the business, after two years I have two house and a car..."*
- From nine informants there are five entrepreneurs who have no cultural capital in the form of formal and high education, but they have gained experience in the shape of tacit knowledge from the past. These companies are: CV Eagles Primary, Repair (welding) Martin, Lim Stores, Pelita Jaya, and Two Brothers (Dua Saudara). More interesting findings obtained from the explanation of Lim Stores, the only respondents with a fairly minimal education, but ones who do have economic capital and reputation as powerful symbolic capital. It is derived from the entrepreneurial experience (tacit knowledge) gained over the years. The four remaining respondents rely on explicit knowledge of formal education at Graduate or Diploma level. Some interviews confirmed this and quote as follow : *"I only graduated from high school. When I was a kid, I used to help my parent run their business, I know to how to manage a business little by little..."* (said by old entrepreneur)

“I decided to continue study to master degree so I can get more business knowledge. This knowledge is important for me to manage my own business now.” (said by young entrepreneurs)

- Four entrepreneurs with high formal educational background (Diploma and Degree) are using their cultural capital to acquire and develop networks. These networks are desperately needed in today's era of globalization classified by ‘social capital’ in Bourdieu's definition. Here are some quotes of interviews:

“I join the xx club to get more network...” or

“I use internet to do marketing online and make networking...”

The result from the discussion above shows that the old players tend to use economic capital and symbolic capital (in the form of trust, goodwill, and reputation) in improving and developing their business, while young players/entrepreneurs tend to use their cultural capital in formal and high education background (explicit knowledge of formal higher education). Furthermore, cultural capital is used to acquire and develop a broader network of businesses, which is expected to provide additional benefits and greater capital. This reflects a changing shift of capital ownership and the way to change or add to that capital now.

#### 4. Conclusion

The discussion above arrive at several significant meaning from present qualitative research findings as follow :

- a. Economic or financial capital in the form of building, machines, vehicle, money, etc, still needed by all women entrepreneurs but this is not the only significant factor. Nowadays, with advance science and knowledge especially in the case of information technology, cultural capital (tacit and explicit knowledge) and social capital (network) –Bourdieu's definition of capital—also become more important. Young entrepreneurs assume these factor as the most significant factor for them to build and start up their businesses.
- b. The present research also found that habitus (define as personal history) in the form of tacit knowledge is useful for entrepreneur –especially the old one-- to compete with others. This new finding add meaning to the previous research which result negative impact for habitus.
- c. Qualitative method such as focused group discussion or in-depth interviews, or other method, was found useful to give more insight and meaning for better and comprehensive analysis. Personal finance and other financial matters as research topic could analysed from both perspectives, quantitatively and qualitatively.

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