JOURNAL OF CRITICAL REVIEWS

ISSN- 2394-5125 VOL 7, ISSUE 18, 2020

Influence of Prior Family Business Exposure, Motivation and Growth Intention on Financial Bootstrapping among women entrepreneurs: Moderating Role of Entrepreneurial Competencies

Muhammad Khalil[1] , Ramraini Bte Ali Hassan[2], Mukaram Ali Khan[3*]

[1]Department of Riphah Centre for External Programs- Riphah International University, Pakistan

[2]Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah, Malaysia

[3*] Institute of Administrative Sciences, University of the Punjab, Pakistan: mukaramali@ias.edu.pk

Received: 25 May 2020 Revised and Accepted: 30 June 2020

ABSTRACT: Women's role in a nation's growth and prosperity cannot be denied today. They are not only creating wealth and jobs but at the same time they are also providing diversified and innovative touch to the existing system. Today women entrepreneurs represent the fastest growing segment of small businesses and educated population which has resulted in more stable and stronger version of a country's economy. Women empowerment is a common discussion topic in the world but even today women led enterprises face several challenges. This study focuses on the role of prior family business exposure, motivation and growth intention on financial bootstrapping among women entrepreneurs using quantitative strategy and cross sectional research design. Sample of 320 women entrepreneurs has been selected and survey questionnaire technique has been used to collect the data using convenient sampling technique. Results of the study suggest that there is a positive and significant effect of motivation, growth intention and prior family business exposure on financial bootstrapping. Lastly, entrepreneurial competencies moderates the relationship between all the independent variables and dependent variable i.e. financial bootstrapping.

KEYWORDS: Financial Bootstrapping, Entrepreneurial Competencies, Women Empowerment and Growth Intention

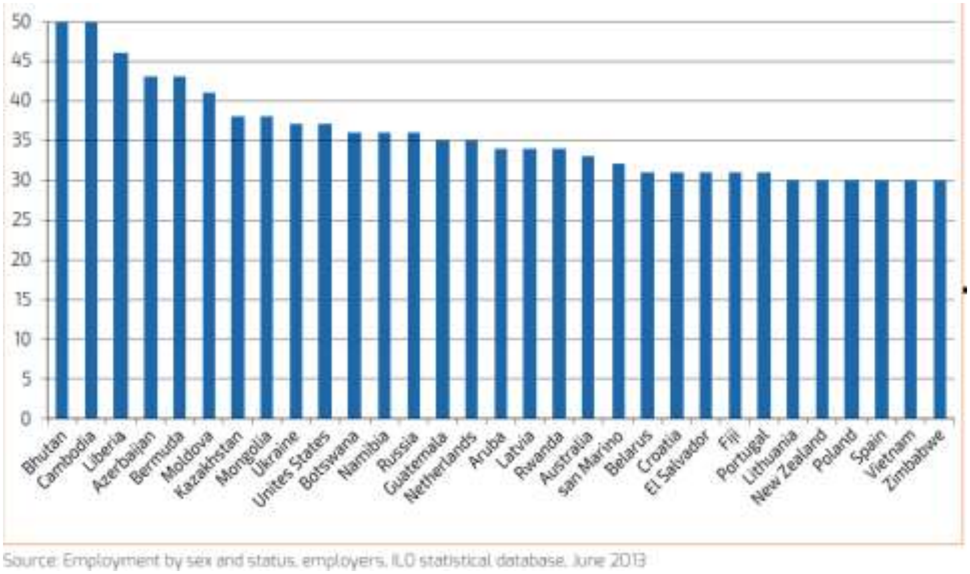
I. INTRODUCTION

The study of financial bootstrapping is a totally new concept in many developing countries. The prevailing economic crunch, lack of strong institutional support, and having weak or no credit history, all add pressure on small businesses to explore less expensive and informal choices for their financial needs. Therefore, majority of small enterprises prefer to obtain funds through financial bootstrapping as it is less costly, low risky, and requires less formal documentation [1].

An inherent challenge for small and micro enterprises is the cost management. In contrast, the larger size organizations have the advantage of spreading their fixed cost over larger quantities produced which gives them a further advantage of reducing prices. To overcome this disadvantage, small enterprises take advantage of financial bootstrapping techniques such as: joint production, delaying payments, arranging credit, and sharing resources with other ventures to lower their cost until they gain a considerable operational size to efficiently manage the cost [2].

Lack of access to finance has been cited in many research studies as a common hurdle in the small businesses. Maintenance of consistent cash flows is required at all stages of business and not only at early stage. Studies maintained that women face more problems because lack of finances prevents them from getting services of professional employees [3]; [4]. Another study points out that most of women start-ups get financing from their families at introduction stage but due to their risk averse nature, they are reluctant to contact financial institutions for their increasing financing needs. The study further explains that as ventures grow, the requirement of necessary resources arises, such as: skilled employees, latest machinery or equipment, and allocation of budget to marketing activities. Finances are required for their expanding needs, and if not arranged, the survival of venture is constrained [5]. A study was which was funded by AFDB (African Development Bank and was titled as "Support for Growth-Oriented Women Entrepreneurs in Ethiopia, Kenya and Tanzania." reported the findings as, "Lack of financial resources is negatively related with business development and growth." This study on African Women entrepreneurs reflects the critical difficulties they face in accessing credit. The study further elaborates the main difficulty being the legal restrictions or cultural practices preventing women from owning property in African region. As women do not have titled assets which are required as collateral for most institutional loans, the access to credit is impeded which adversely affects the performance of their ventures [6].

The ratio of loan amount borrowed by both genders was reported in a study as 2.5 to 1 for male and female borrowers respectively [7]. The reason cited in this study being the presence of women small businesses in generally service sector bearing high risk in the eyes of the creditors. The ILO's Women's Entrepreneurship Development Program (WED) notes that while women-run businesses now account for a quarter to a third of all businesses in the formal economy worldwide, the great majority are very small or micro-enterprises with little potential for growth".



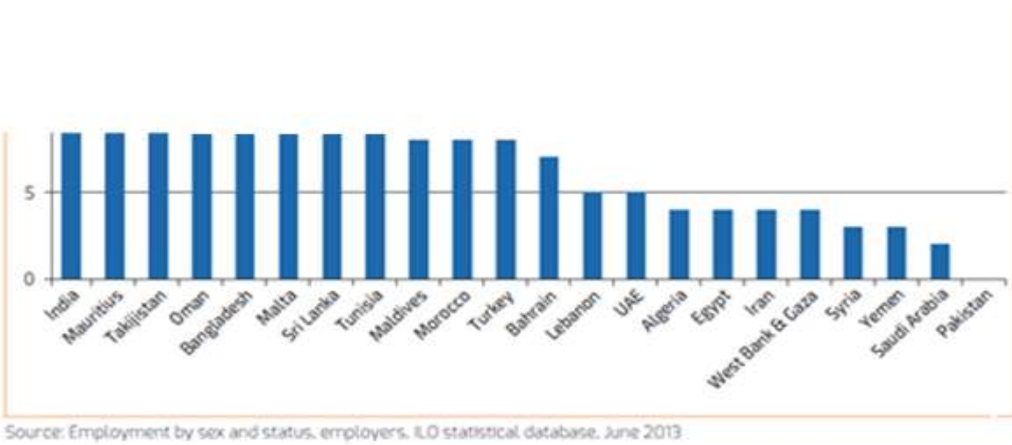


Figure 1: Percentage of Women Business Owners in Various Countries

According to a study conducted by International Labor Organization (ILO), as can be seen in Figure 1, the percentage of women business owners ranged from a highest of 50 percent in Bhutan to a lowest of 0.4 percent in Pakistan. Another report by the International Finance Corporation in 2011 indicates "there are about 8 to 10 million formal women-owned SMEs in emerging markets (representing 31 to 38 per cent of all SMEs in emerging markets)." However, "the average growth rate of women's enterprises is significantly lower than the average growth rate for SMEs run by men." Some of the leading factors contributing to the sluggish growth of women-owned ventures include: lack of institutional and regulatory support, lack of access to capital, less business education or prior work experience, unwillingness to take risk, selection of slower growth business sectors, and household responsibilities.

There are number of studies to support that the most challenging of all barriers has been the lack of knowledge to raise affordable capital to support the women led micro and small ventures in Pakistan. Bootstrapping being the new concept in developing countries is still going through the academic recognition to be the alternate method of financing for small ventures. In Pakistan, there is not much research to support the effectiveness of bootstrapping methods especially for micro and small ventures. Moreover, there are not many studies available which explored the relationship between financial bootstrapping used by women entrepreneurs and prior family business exposure, motivation, and growth intention in the present settings of Pakistan. Also, not much work has been done to explore the moderating role of entrepreneurial competencies between independent and dependent variables.

This study intends to find the role of family business exposure, growth intention and motivation in increasing the opportunities for financial bootstrapping among women entrepreneurs. Moreover, moderating role of entrepreneurial competencies has also been tested in presence of independent and dependent variables.

1.1 Study Objectives

Following are the objectives of the study;

- To determine role of prior family business exposure on financial bootstrapping among women entrepreneurs
- To examine role of growth intention on financial bootstrapping among women entrepreneurs
- To investigate the role of motivation on financial bootstrapping among women entrepreneurs
- To test the moderating effects of entrepreneurial competencies among prior family business exposure, growth intention, motivation and financial bootstrapping.

1.2 Significance of the Study

The focus of the study is to investigate the role of prior family business exposure, motivation, and growth intention on financial bootstrapping among women led micro and small enterprises in Pakistan. As most of the women entrepreneurs choose the service sector with prevailing areas being fashion and apparel, beauty parlors & esthetic clinics, food related services, education, event management, and interior designing. This study focused on women entrepreneurs in Pakistan and gathered data mainly from Lahore and Karachi, the two largest cities in Pakistan. These cities were selected because of their cultural mix, nature of business, education level of women entrepreneurs, willingness to register their business, urbanization, and female composition. This study intends to contribute in identifying the factors which are most important for financial bootstrapping among women entrepreneurs. This study will also contribute in exploring ways to enhance financial bootstrapping methods in Pakistan.

II. LITERATURE REVIEW

Various authors have defined the term entrepreneur in different ways. Entrepreneur is defined as individuals which innovate and strive to change things in the environment [8]. Thus, an entrepreneur generates and rescinds the existing practices and markets. Another definition given \is, “someone who specializes in identifying new opportunities for coordination” [9]. The term “coordination” here means that they process to create information, make disparaging decisions around this information, and creatively reallocate the resources. The definition used by Organization for Economic Cooperation and Development (OECD, 2007) is as “Entrepreneurs are those business owners who seek to generate value through the creation of economic activity, by identifying and exploiting new products, processes or markets.” Same is the case with the term entrepreneurship. Entrepreneurship is also defined as “a person who undertakes and operates a new enterprise or venture and assumes some accountability for the inherent risks” [10]. While defining entrepreneurship, majority of the researchers agree on the concepts of taking risk and initiating a new venture so all these studies move around the similar definition. [11] presented a different perspective and defined entrepreneurship as a process to create an organization and stressed on the behavioural approach, which involves a series of activities assumed to create new organizations. The need of financing and creative ways of raising capital by entrepreneurs have been researched by many authors.

Bootstrapping has been introduced as a creative approach to acquire resources and to find a way out of the constraints faced by the enterprises. Research has listed several factors which are the foundation for these enterprises to explore financial bootstrapping activities. It was initially pointed out that various environmental and organizational factors motivate entrepreneurs to explore bootstrapping activities. The study also concluded that bootstrapping behaviour was also dependent on the owners' education, previous work experience, and social capital [12] [13]. Another study conducted a survey on entrepreneurs in Germany and Austria through online questionnaire technique and revealed that utilization of financial bootstrapping strategies is more of an individualistic choice and entrepreneurs with higher academic qualification and managerial experience were more involved in bootstrapping activities [14].

2. 1. Pecking Order Theory

There are various approaches to acquire resources during the life of a business [15]. Starting from the inception stage and moving towards growth, the requirements for financial and other resources keep changing during its life cycle depending on the variety of activities businesses are engaged in [16]. New ventures need finances to develop market-based products and services at their early stages but as they expand, the financial requirements change in order to support their growing need of assets and acquiring more employees [17]. Myers' Pecking Order Theory claims that during the life cycle of businesses their preferences for sources of capital keep changing between debt and equity while considering the varying cost of raising finances [18]. It has been studied that the ventures prefer flexible sources of capital (own funds) at early stages but as the ventures grow, they switch to relatively less flexible sources (debt) and then more expensive sources (equity) over the period of venture growth [19].

Most small business owners find it critical to have funds available through financial institutions to support investment and maintain competitiveness [20]. As bankers require collateral and extensive paperwork to qualify for loans, SME owners do not find this option attractive. It has also been reported that some SME owners and managers raise capital through creative informal financing in addition to the internal financing methods [21]. The theory proposed a general financing order followed by businesses and explains that firms prefer to use internal funds (retained earnings) over bank financing (debt). In case external funding is required, their preference will be debt over equity [18]. Most small and micro enterprises find it easy to use bootstrapping methods for their capital requirements as they lack tangible assets required as collateral for bank loans. [22] being the first to conceive a pecking order which was further confirmed by [18] in his research that a pecking order exists when SME owners and managers adopt while fulfilling their financing requirements. Researchers [23], [22] and [18] established the pecking order theory for small business financing which explained the hierarchy of funding methods used by most entrepreneurs. The studies on Pecking order indicated the tendency of entrepreneurs to prefer internal methods over external methods of financing. Due to the limited availability of external funding, the majority of entrepreneurs prefer to explore bootstrap financing methods during the life of their ventures [22]; [18]; [24]. Another study asserted a similar viewpoint that due to information asymmetries, creditors' stringent requirements, higher costs of debt or equity, and fear of losing control, entrepreneurs choose to follow the pecking order [25]; [26]. The necessity to explore alternate financing methods (bootstrapping) has been reported by many other researchers as most small venture owners are unable to attain capital through external financing methods [15].

2.2. Prior Family Business Exposure and Financial Bootstrapping

There are numerous studies which have studied a positive effect of family business ownership on future generations towards entrepreneurial aspirations. These studies explored the relationship between "prior family business exposure" and entrepreneurial concept. A family business is defined as "*a business governed and/or managed by members of the same family or coalition of small number of families with the intention to pursue the vision of the business which is sustainable across generations of the family or families*" [27]. This concept was explored by [28] and [16] reported the evidence to support that venture starters were inspired by role models to become entrepreneurs. The study concluded that most entrepreneurs have been inspired by a role model, either in their family or from their work environment. It further added that family members, particularly the one or both of the parents have been the main supporting factors. The study focused mainly on women entrepreneurs and reported that 63 percent of female entrepreneurs had successful fathers as entrepreneurs and 36 percent had their mothers which were self-employed. Another study conducted by [29] while performing interviews on 468 entrepreneurs, reported that out of all the interviewed women entrepreneurs, majority of the respondents indicated having self-employed parents and / or spouses. Individuals who have a family business history are more likely to have impact on their personalities towards entrepreneurial thinking and the social benefits of venturing [30]. It has been reported by researchers that prior family business exposure can shape an individual's attitude positively or negatively towards entrepreneurship. Many research studies found a significant effect of parental work experiences on their children, and these effects shape their future behavior [31]. It has been reported by many studies on family business that individuals with prior family business exposure and an early stage exposure to

ISSN- 2394-5125 VOL 7, ISSUE 18, 2020

entrepreneurship can positively influence their future entrepreneurial actions [32]. The entrepreneur looks up to that individual in the family who is an entrepreneur and gets motivated to initiate his / her own venture.

This study will undertake the definition of prior family business exposure given in the study which undertook that an individual having a parent or other member of the family as business owner and having been worked in that family business [33].

2.3. Motivation and Financial Bootstrapping

Motivation refers to "the reasons underlying behavior". [34] broadly define motivation as "the attribute that moves us to do or not to do something". Some other authors define motivation, such as: The skill and will to learn" and "Purposeful striving" [35], while Keller's definition is as: "Motivation refers to the choices people make as to what experiences or goals they will approach or avoid, and the degree of effort they will exert in that respect" [36].

The definition used in this study is taken from the study stated motivation as: "it falls into four distinct categories: extrinsic rewards, independence/autonomy, intrinsic rewards, and family security. These four groups of factors determine the motivation level of entrepreneurs" [37].

Bootstrapping has been thought to be the last option for a long time [24], so the shortage of financial capital was considered as being the core motivational factor for bootstrapping. Yet, the real reasons for bootstrapping might be more complex than they are perceived [38]. Over time the usage of bootstrapping methods by the entrepreneurs caught increased attention of the researchers. It was felt by many researchers to explore the real motivating factors behind the usage of bootstrapping. The topic was pursued in great depth by [39] and [24]. They studied the connection between owners' business perception and the usage of bootstrapping methods, and reported that, "financing decisions are the most important and challenging issues faced by small firms". It was also mentioned in their findings that the owners' decisions were largely affected by their perception of the environment. The results revealed that there is a connection between risk and the owner's decision to use bootstrapping methods. Correspondingly, the importance of financial bootstrapping was found to be greater for owners of the riskier businesses as compared to the owners of the less risky businesses [39]. On the other hand, more recent researches revealed that business managers and owners willingly undertake the usage of bootstrapping methods even if they do not need additional financial resources [24]; [40]. In their study, they identified some of the motivating factors for the usage of bootstrapping methods as: less costly, reliance on internal funding sources, lower risk, helping each other, less time consuming, lack of capital, and freedom. It is therefore evident that the biggest motivation behind usage of bootstrapping methods are "lower costs" and "lack of capital" [24].

2.4. Growth Intention and Financial Bootstrapping

The aspiration to expand the business is generally known as the intention to grow. As discussed in Ajzen theory of planned behaviour, the attitudes effect the entrepreneur's decision to not only expand the business, but also the willingness to sustain growth and its level over time [41]. As widely discussed, and studied in the literature, growth is a process which unfolds over time [42]. Researchers including [43] have defined growth intentions as an entrepreneur's readiness to either increase the number of workers or revenues within a stated period. A study by [44] defined growth intention as "being the entrepreneur's goals or aspirations for the growth trajectory she or he would like the venture to follow".

A longitudinal investigation by [45] studied the growth intentions of entrepreneurs and established that entrepreneurs consider financial resources being the most important factor for achieving growth. Several researchers have done extensive work and established that the biggest obstacle for not achieving growth objectives is the inability to arrange financial resources. It has been established that many women entrepreneurs who have the intention to grow are unable to attain proper financing [46]; [47]. One of the many reasons for their inability to raise required finances is the lack of knowledge for financing options. Another study supported this argument that the availability of financial resources positively encourages the entrepreneurs to exploit growth opportunities [42]. Growth oriented businesses tend to look for alternate financing sources to fulfill their increasing capital requirements [48]. As small enterprises traditionally tend to rely on internal financing due to the lack of information and having less credit worthiness to qualify for the financial institutions' requirements [49]. It has been determined by various studies that financial bootstrapping has been the most suitable option for a vast majority of small and micro enterprises. Therefore, the ease to obtain and less costly features of bootstrapping techniques lead the entrepreneurs to use financial bootstrapping methods as in pursuit of their growth objectives as there are a variety of bootstrapping methods which can suit the varying requirements of the entrepreneur.

2.5. Conceptual Framework

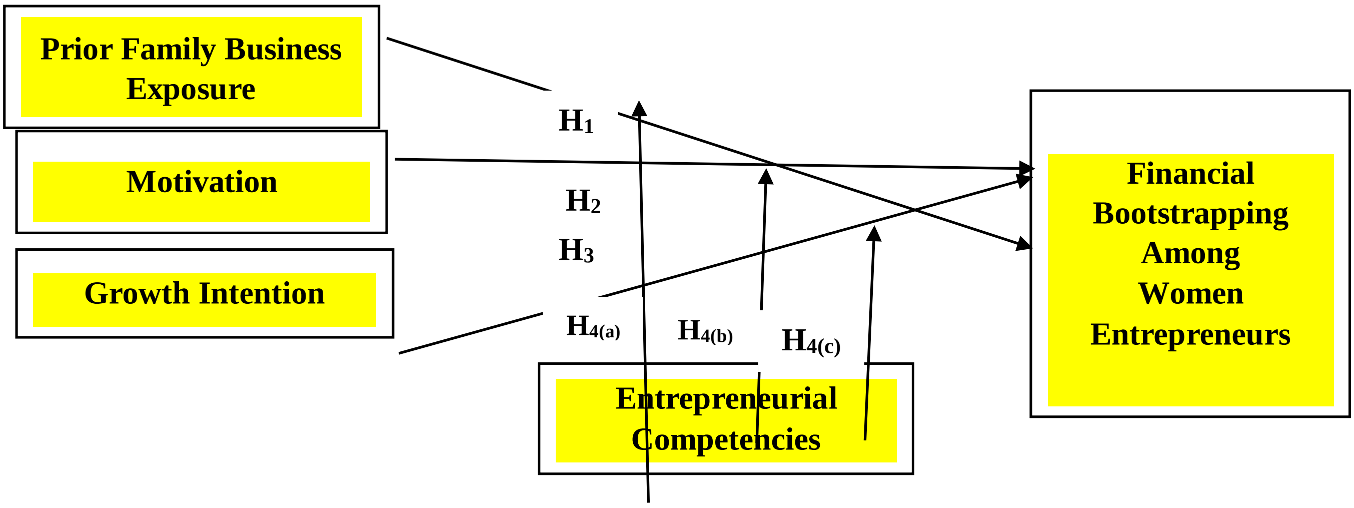


Figure 2: Conceptual Framework

According to figure 1, there are three independent variables termed as growth intention, prior family business exposure and motivation and one dependent variable namely financial bootstrapping among women entrepreneurs. In addition, one moderator is also present that is termed as entrepreneurial competencies. On basis of literature review and conceptual framework following hypothesis have been developed;

H_1: Prior family business exposure positively influences financial bootstrapping

H_2: Motivation positively influences financial bootstrapping

H_3: Growth intention positively influences financial bootstrapping

$H_{4(a)}$: Entrepreneurial competencies moderates the relationship between prior family business exposure and financial bootstrapping

$H_{4(b)}$: Entrepreneurial competencies moderates the relationship between motivation and financial bootstrapping

$H_{4(c)}$: Entrepreneurial competencies moderates the relationship between growth intention and financial bootstrapping

III. METHODOLOGY

This study is quantitative in nature and uses the cross sectional research design in order to test the research hypotheses. Convenient sampling is used in order to reach to the target audience i.e. women entrepreneurs. The targeted segment was selected from two largest metropolitan cities, Lahore and Karachi, in Pakistan on the basis of highest number of women entrepreneurs' presence. Moreover, these cities are selected because of their cultural mix, nature of business, education level of women entrepreneurs, willingness to register their business, urbanization, and female composition. Both cities are cosmopolitan in nature with a combined population of more than thirty million.

The other cities were excluded because of the absence of databases developed at government level and due to resource limitations. The qualifying criteria for inclusion in survey was based on three categories; number of employees, minimum annual revenue, and life of the venture. The businesses with five or more employees, a minimum life of two years [50], and having an annual revenue of Pak Rupees five hundred thousand or more were included in the survey sample. It was also ensured that the interviewee owns or manages, or has a majority stake in the business, which helped exclude family businesses from the survey.

In second stage, information regarding women entrepreneurs was collected from LUMS, Small and Medium Enterprise Development Association (SMEDA) database, Pakistan Chambers of Commerce and Industry, Women chamber of commerce and industry, Directory of women business owners, and FINCA bank. This study has selected women entrepreneurs as respondents from Lahore and Karachi. A sample of 320 women entrepreneurs has been taken for this study. The survey questionnaire for this study is adapted from the previous researches [37];

[43]; [51]; [52]; [33]; [53]; [54] and appropriate modifications are made to make it suitable for the Pakistani context.

IV. DATA ANALYSIS

Table 1: Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
PFBE	320	1.00	5.00	2.113	1.374
EC	320	1.00	5.00	2.793	1.654
MOT	320	2.00	4.00	3.630	0.542
GI	320	1.00	5.00	4.260	1.083
Fin Boot	320	1.00	5.00	2.700	1.045

Aforementioned table shows that the data was collected on 5 point Likert scale for all of the latent constructs with mean value ranging from 2.113 to 4.260 and standard deviations from 0.542 to 1.654.

4.1 Pearson Correlation

Table 2: Correlation table

		PFBE	EC	MOT	GI	Fin Boot
PFBE	Pearson Correlation	1	.279**	.273**	.293**	.193**
	Sig. (2-tailed)		.000	.000	.000	.001
	N	320	320	320	320	320
EC	Pearson Correlation	.279**	1	.469**	.379**	.253**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	320	320	320	320	320
MOT	Pearson Correlation	.273**	.379**	1	.751**	.134*
	Sig. (2-tailed)	.000	.000		.000	.017
	N	320	320	320	320	320
GI	Pearson Correlation	.293**	.379**	.751**	1	.134*
	Sig. (2-tailed)	.000	.000	.000		.017
	N	320	320	320	320	320
Fin Boot	Pearson Correlation	.193**	.253**	.134*	.134*	1
	Sig. (2-tailed)	.001	.000	.017	.017	
	N	320	320	320	320	320

As far as table 2 is concerned, PFBE relationship with FB found to be positively related with r=0.193 and p-value 0.001, which shows a significant yet weak positive relation between two variables. Moreover, MOT relationship with FB also found to be positively related with r=0.134 and p-value 0.017 that shows a significant yet weak positive relation between two variables. Moving on to GI relationship with FB, the relationship between two variables is significant as r= 0.14 and p-value 0.017, which concludes that there is again a weak positive relationship between these two variables. Lastly, it shows that the results have supported the other hypotheses, H_1, H_2, and H_3.

4.3: Process Hayes Regression Analysis

Table 3: Regression Analysis

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.3887	.1511	.9361	19.1705	3.0000	316.0000	.0000
Model						
	coeff	se	t	p	LLCI	ULCI
constant	2.6705	.0555	48.1499	.0000	2.5614	2.7797
EC	.2146	.0362	5.9189	.0000	.1432	.2859
FB_exp	.0542	.0365	1.4837	.1389	-.0177	.1261
int_1	.0466	.0262	1.9877	.0492	.0050	.0982

Table 3 tests the moderating role of entrepreneurial competencies on the relationship between financial bootstrapping and family business exposure. It shows that 15% of the variance in the dependent variable is being accounted for in this model as R^2 value is 0.1511. Moreover, the interaction term is found to be positive and statistically significant thus suggest that the index of entrepreneurial competencies is playing the moderating role between financial bootstrapping and family business exposure indices in positive manner at 5% level of significance. The results show that $H_{4(a)}$ has been accepted.

Table 4: Regression Analysis

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.3802	.1446	.9433	16.0419	3.0000	316.0000	.0000

Model						
	Coeff	se	t	p	LLCI	ULCI
constant	2.7723	.0624	44.4244	.0000	2.6495	2.8951
EC	.2770	.0420	6.5991	.0000	.1944	.3596
MOT	-.2427	.1546	-1.5699	.1174	-.5468	.0615
int_1	.2132	.1147	2.0581	.0441	-.4389	-.0126

Table 4 tests the moderating role of entrepreneurial competencies on the relationship between financial bootstrapping and motivation. It shows that 14.46 % of the variance in the dependent variable is being accounted for in this model. The interaction term is found to be positive and statistically significant thus suggests that the index of entrepreneurial competencies is playing the moderating role between financial bootstrapping and motivation indices in positive manner at 5% significance level. The results show that $H_{4(b)}$ has been accepted.

Table 5: Regression Analysis

		Model Summary				
R	R-sq	MSE	F	df1	df2	p
.3801	.1445	.9434	16.0262	3.0000	316.0000	.0000
		Model				
	Coeff	se	t	p	LLCI	ULCI
constant	2.7720	.0624	44.4160	.0000	2.6492	2.8948
EC	.2769	.0420	6.5941	.0000	.1943	.3595
GI	-.1211	.0773	-1.5659	.1184	-.2732	.0310
int_1	.2063	.0574	2.5521	.0349	-.2192	-.0166

Table 5 tests the moderating role of entrepreneurial competencies on the relationship between financial bootstrapping and growth intension. It shows that 14.45% of the variance in the dependent variable is being accounted for in this model as R^2 value is 0.1445. The interaction term is found to be positive and statistically significant thus suggest that the index of entrepreneurial competencies is playing the moderating role between financial bootstrapping and growth intension indices in positive manner at a 5% significance level. The results show that $H_{4(c)}$ has been accepted.

V. DISCUSSION AND CONCLUSION

Prior family business exposure is another important factor worth exploring in the context of bootstrapping among women entrepreneurs. Some leading researchers did extensive work to explore the relationship between prior family business exposure and financial bootstrapping. One of such studies reported that almost 70% of women entrepreneurs were supported and encouraged by their family, including husbands, brothers and fathers to pursue growth in their ventures [55]. Another study reported similar findings that sixty three percent of female entrepreneurs had successful fathers as entrepreneurs and thirty six percent had their mothers which were self-employed [56]. Similarly, while performing interviews on four hundred sixty eight entrepreneurs, it was reported that out of all the interviewed women entrepreneurs, majority of the respondents indicated having self-employed parents and / or spouses [29].

There are many research studies which rank the bootstrapping methods as the last option for most entrepreneurs. These studies revealed limited financial resources being the core motivational factor for bootstrapping. [39] and [24] also explored and reported a positive direct connection between owners' business perception and the usage of bootstrapping methods. Their study reported that the owners' decision to pursue financial bootstrapping was mainly influenced by their perception of the environment. Their study found that a positive perception of the business environment motivated the entrepreneurs to take risk and pursue capital for their growth objectives through financial bootstrapping methods.

As discussed in Ajzen's theory of planned behaviour, the attitude effects the entrepreneur's decision to not oy expand the business, but also the willingness to sustain growth and its level over time. As widely studied and discussed in the literature, growth is a process which unfolds over time [42]. Women entrepreneurs intend to grow their ventures due to many factors such as: for excitement, having time and potential needed for growth, available family support for growth, and having the confidence to grow the venture to its full potential. It was established that ventures rely heavily on financial resources to support their growth [45]. Several other studies supported this and established that biggest obstacle entrepreneurs faced in achieving growth was their inability to arrange sufficient financial resources.

ISSN- 2394-5125 VOL 7, ISSUE 18, 2020

This study concluded with the positive and significant relationships between all the exogenous latent variables i.e. prior family business exposure, motivation, growth intention and the endogenous latent construct i.e. financial bootstrapping. Lastly, entrepreneurial competencies also moderated the relationships between all of the exogenous constructs with the endogenous construct i.e. financial bootstrapping.

1.1 Implications of the study

Financing decision of micro and small businesses depends on available financial sources, preferences of the entrepreneur, and knowledge of the entrepreneur. This decision is vital for any business venture regardless of the size, industry, etc. As ventures grow, the need to finance their growing operational and human resources keep changing. Many researchers find Pecking Order Theory more suitable to understand the small business's capital structure even though this theory was originally developed for large corporations. This theory outlines that businesses follow a hierarchy of financing preferences, where internal financing is preferred over external financing methods namely debt and equity.

Entrepreneurs undertake a variety of methods to raise capital to satisfy their business needs during the life cycle of their ventures. There are numerous research studies which state that capital formation techniques vary in great nature at different stages of the venture life. The techniques entrepreneurs undertake to satisfy their capital needs at early stages might not be useful at growth stages of the ventures. With the expansion in venture's operations, more and more human and physical assets are needed. The Pecking Order Theory claims that at inception and early growth stages of ventures, the entrepreneurs find it easy to raise capital through flexible sources including their own funds and funds from family and friends which have less strings attached. But when they want to expand their ventures, they are forced to raise capital through financial institutions in the form of debt. The financial institutions have fewer flexible options as financial institutions require extensive paper work and asset-based collateral to secure their loans. At further stages of ventures, some may pursue external investors to become partners in their ventures through equity instruments. This source of capital is much more difficult and is considered expensive as it dilutes the entrepreneur's ownership rights and require them to fulfill a lot of government regulations through registration in stock markets. The theoretical framework of Pecking order suggests a general financing order followed by majority of businesses and explains that entrepreneurs prefer to use internal funding options the most as it gives them freedom for decision making and requires less or no paperwork. In case they are forced to acquire external funding sources to finance the growing needs of their ventures, they prefer debt over equity as most entrepreneurs do not like to share their ownership. They also want to maintain the freedom of their decision making. Researchers also concluded that more and more small and micro enterprises are turning towards bootstrapping methods for their capital requirements as they lack tangible assets to offer as collateral required for bank loans. Many other studies shared similar findings that due to lack of financial markets knowledge, the creditors' stringent requirements, swelling costs of debt or equity, and unwillingness to share ownership, most entrepreneurs follow the pecking order and move from internal financing to external financing methods during the life of their venture. Some research studies have found that women entrepreneurs avoid external funding and prefer internal financing sources as they do not want to share the ownership with others. Some other reasons for their preference for internal financing found to be lack of knowledge and not having assets or personal guarantees to put up as collateral.

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