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Exploring Financial Bootstrapping and Financial Capital Through Financial Literacy to Enhance Micro Business Performance in Madura's Culinary Industry

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ABSTRACT

Funding management for culinary micro-enterprises in Madura requires real action, including applying financial literacy indicators, regarding the study of how financial capital and bootstrapping affect micro-enterprises performance in the Madura culinary industry. This study aimed to examine the effect of financial bootstrapping and financial capital through financial literacy on microbusiness performance. The method used in this research is quantitative. The sampling technique used was purposive sampling with research respondents of culinary micro businesses in Madura. The sample obtained was 110 respondents. The data in this study used primary data, namely a questionnaire. The results showed that increasing financial literacy is the key to maximizing resource potential and improving micro-business performance in the Madura culinary sector. In the context of research on the effect of financial bootstrapping and financial capital on the performance of micro-businesses in the culinary industry in Madura, supported by Pecking Order Theory (POT), it provides a relevant framework for understanding the financing decisions taken by business actors. This research provides an overview of empirical support related to good financial literacy's importance in improving financial management and microbusiness performance.

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) in Indonesia experience continuous growth every year, which has a positive impact on GDP (Gross Domestic Product). According to data from Kementrian Koperasi Dan UKM, 65.4 million MSMEs were dispersed over Indonesia in 2019. It can accommodate 123.3 thousand people with up to 65.4 million business units (Allen et al., 2013). In addition, MSMEs have a contribution of 8,400 trillion, or 60% of total GDP, which has increased by around 3.26 percent. However, in the context of Indonesia, on average, it still has a micro-enterprise sector, which is a business with a small base with profits close to the minimum value of capital (Bag, 2024). Based on data from the Ministry of Trade written by Prodjo (2024) more than 99 percent, or 66 million, of the business units in Indonesia in 2023 will be micro businesses. Among the various micro business sectors, the culinary sector occupies the top position as a business category that many Indonesians run (Irjayanti & Lord, 2024). According to data from the Central Bureau of Statistic , businesses in the culinary field account for around 40% of the total creative businesses in Indonesia. This culinary business is spread in various regions of Indonesia, one of which is an area like Madura.

Limited access to official financial sources is one of the biggest issues microbusinesses confront. Financial capital is also a crucial aspect in supporting the sustainability of micro enterprises (Yayusman & Mulyasari, 2024). However, the amount of capital cannot guarantee the success of a business (Al-Okaily & Al-Okaily, 2024). This is where financial literacy—the capacity of business actors to efficiently manage finances to aid in decision-making—becomes crucial (Elrehail et al., 2023). Several previous studies on Financial Bootstrapping and Financial Capital have been conducted by researchers Winborg & Landstrom (2001) At this point, business actors' ability to effectively manage their funds to support decision-making—known as financial literacy—becomes essential. Research (Winborg & Landstrom (2001) found that micro-enterprises often use bootstrapping strategies to overcome limited access to formal funding. Research from Nor et al. (2023) shows that financial capital has a significant influence on the growth of small and micro businesses where the availability of capital allows businesses to expand their scale. Research results Nor et al. (2023) shows that businesses with high financial literacy are able to optimize bootstrapping strategies and use of capital.

In this phenomenon, financial literacy acts as a link to integrate bootstrapping strategies and financial capital in achieving optimal business performance (Khan & Quaddus, 2020). The degree to which companies comprehend and handle their finances determines how financial capital and financial bootstrapping affect corporate performance (Abrokwah-Larbi, 2024). In addition, this phenomenon is relevant for culinary businesses in Madura, given the intense competition and the need to maintain the unique appeal of local culinary products (Berndt et al., 2024). Empirical studies show that financial literacy not only acts as a financial management tool, but also as a mediator in maximizing the effectiveness of financial bootstrapping and utilization of financial capital on improving business performance (Khan & Quaddus, 2020; Hidayat-ur-Rehman, 2024). In the context of culinary businesses in Madura, which are famous for their unique culture and local flavors, understanding the influence of these three factors is important to create a better business management model (Singh et al., 2024).

Examining empirical data on the impact of financial capital and bootstrapping on business performance through financial literacy in Maduran culinary enterprises is the aim of this study. This research contributes to providing strategic guidance for culinary businesses in Madura in utilizing financial bootstrapping. This strategy can help culinary businesses survive, especially in conditions of minimal access to formal funding sources. In addition, this study also provides recommendations to the government and related institutions to develop financial literacy programs specifically designed for culinary businesses, such as training in capital management and small business financial strategies. It is also hoped that the results of this study can encourage policy makers to provide more inclusive and flexible funding schemes for micro culinary businesses. This research also refers to Pecking Order Theory, which helps understand culinary business actors in Madura (Sulistianingsih & Santi, 2023). Businesses' strategic understanding relies more on bootstrapping than external capital, especially in environments with limited access to formal financial institutions (Leary & Roberts, 2010).

LITERATURE REVIEW

Pecking Order Theory

Pecking Order hypothesis is a hypothesis that explains why businesses choose certain options when deciding how much money to invest (Singh et al., 2024). This theory was first introduced by Myers & Majluf, (1984) and states that businesses tend to choose funding sources based on the level of risk and costs associated with the source of capital. This means that businesses prefer to use internal funds because there is no risk of paying interest or losing control of the business (Leary & Roberts, 2010). The behavior of entrepreneurs when selecting sources of funding to sustain their activities can be explained by the Pecking Order Theory (Sulistianingsih & Santi, 2023). Financial bootstrapping strategies by micro businesses, such as utilizing personal savings, are in line with the principle of Pecking Order Theory, which prioritizes internal funds to reduce risk. In Madura, limited access to formal financial institutions often makes businesses rely more on internal resources (López-Gracia & Sogorb-Mira, 2008). This strategy is in accordance with the theory that business actors tend to minimize the risk of using external capital sources (Minola et al., 2013). When Financial Bootstrapping is insufficient to support business growth, entrepreneurs turn to external capital (Bontempi, 2002). External capital includes bank loans or capital from financial institutions (Palmieri & Ferilli, 2024).

In the Madurese context, access to formal capital is more limited, so businesses need to use financial literacy to optimize the use of external capital with minimal risk (Palmieri & Ferilli, 2024). Financial literacy plays an important role in supporting funding decisions (Bin Idrees et al., 2024). With good financial literacy, businesses can understand the risks and benefits of each funding option (Bin Idrees et al., 2024). Thus, business actors, especially micro businesses, are able to prioritize funding sources that are suitable for the business situation (Nor et al., 2023). Pecking Order Theory provides a strong framework for understanding the funding preferences of microenterprises in the context of this study (Aslam et al., 2024). The financial bootstrapping strategy, the use of financial capital, and the importance of financial literacy can be explained in this theoretical framework, where business actors prefer internal funds to minimize risks and costs (Jansen et al., 2023). However, financial literacy is a key element in ensuring that each funding source chosen is optimized (Aslam et al., 2024). Such optimization aims to support business performance, especially in local contexts such as Madura, which has unique economic and social characteristics

Financial Bootstrapping

Financial Bootstrapping is a strategy used by businesses to obtain financial resources without relying on external funding (Loukopoulos et al., 2024). This means that business actors utilize resources they already have, such as personal savings, personal property, or assets that can be monetized (Loukopoulos et al., 2024). This concept involves the use of internal resources or available alternatives. Often these alternatives are used efficiently to meet the financial needs of the business (Loukopoulos et al., 2024). In the local context, culinary entrepreneurs in Madura, with limited access to formal capital, often rely on this strategy to maintain and develop their businesses (Adam, 2024). In addition, in terms of improving business performance when combined with good financial literacy, Financial Bootstrapping can be an effective strategy (López-Gracia & Sogorb-Mira, 2008). This level of effectiveness is used to improve operational efficiency and support business growth (Adam, 2024). Thus, Financial Bootstrapping is an important variable that reflects the ability of businesses to utilize resources creatively to face financial challenges.

Financial Capital

Financial Capital refers to the financial resources used by a business to fund business operations, investments, and development (Adam, 2024). This capital can be funds obtained from various sources, such as owner savings, loans, external investments, or reinvested operating income. According to Bontempi, (2002) One significant element affecting the long-term viability and expansion of small and microbusinesses is financial capital. This is because capital can provide the basis for strategic decision-making, cash flow management, and expansion capabilities (Lam, 2010). In areas such as Madura, where access to formal financial institutions is quite limited and capital management is a challenge that must be overcome with optimal efforts. Optimal use of Financial Capital allows culinary businesses to increase capacity, innovation, and competitiveness in the market (Lam, 2010). As such, Financial Capital is not only a key resource, but also the key for microenterprises to survive and thrive in a unique context such as Madura (Allen et al., 2013).

Financial Literacy

Financial Literacy is a person's ability to understand and use financial knowledge to make effective financial decisions in everyday life (Yayusman & Mulyasari, 2024). The Organization for Economic Cooperation and Development (OECD) defines financial literacy as the set of behaviors, attitudes, abilities, and information needed to make wise financial decisions. These decisions are expected to ultimately achieve financial well-being (Yayusman & Mulyasari, 2024). Micro businesses with good financial literacy are better able to manage capital, cash flow, and operational costs efficiently (Irjayanti & Lord, 2024). In addition, financial literacy helps businesses understand the risks and opportunities in decisions such as investment, borrowing, and business diversification (Bag, 2024). Di Madura, literasi keuangan memainkan peran penting karena pelaku usaha kuliner sering menghadapi keterbatasan akses terhadap pelatihan keuangan formal dan sumber modal (Bag, 2024). Good financial literacy helps businesses maximize the use of limited capital to support business productivity and profitability (Allen et al., 2013). Therefore, financial literacy plays a significant role in fostering the success of microbusinesses, particularly in the fiercely competitive culinary industry like Madura.

Business Performance

The term "business performance" describes a company's or business's capacity to meet established objectives (Bag, 2024). Financial approaches focus on financial indicators such as profit, revenue, and cost efficiency (Singh et al., 2024). Non-financial approaches including customer satisfaction, innovation, market share, and stakeholder relationships (Abrokwah-Larbi, 2024). The ability to acquire and manage financial capital effectively affects business performance, especially in the face of financial challenges (Abrokwah-Larbi, 2024). Strategies such as Financial Bootstrapping can improve operational efficiency and support business growth in resource-constrained environments (Minola et al., 2013). A good understanding of finance makes for wiser decision-making regarding capital management (Singh et al., 2024). One of the key metrics used to evaluate the viability and profitability of microbusinesses is business performance, particularly in Madura's culinary industry. Factors such as financial literacy, capital management strategies, and operational efficiency play a significant role in improving business performance (Al-Okaily & Al-Okaily, 2024). With good management, micro enterprises can achieve growth, optimized profitability and competitiveness in local and regional markets (Al-Okaily & Al-Okaily, 2024).

The Effect of Financial Bootstrapping on Micro Business Performance in the Culinary Sector in Madura

Financial Bootstrapping is a financial management strategy used by businesses to meet capital needs. Financial Bootstrapping helps micro businesses in the culinary sector in Madura to manage resources economically (Jansen et al., 2023). This helps to reduce operational costs without compromising product or service quality. By utilizing internal resources, businesses can reduce reliance on formal debt, which can potentially increase financial risk (Berndt et al., 2024). This promotes the company's long-term viability (Berndt et al., 2024). The bootstrapping strategy encourages the creativity of entrepreneurs to create innovative solutions in the face of limited capital. Limited capital has a positive impact on business competitiveness in local and regional markets. Research from Jansen et al. (2023) found that Financial Bootstrapping helps small businesses manage resources efficiently, especially in environments with limited access to formal capital. Research from also states Jansen et al. (2023) Operational efficiency achieved through the reduction of internal resource costs has an impact on improving business performance.

A key factor in increasing the operational effectiveness of microbusinesses is financial bootstrapping (Winborg & Landstrom, 2001). By utilizing internal resources, creative strategies, and frugal management, businesses are able to reduce operational costs without reducing product or service quality (Winborg & Landstrom, 2001). These efficiencies contribute positively to microenterprise performance in terms of profitability, sustainability, and market competitiveness (Hidayat-ur-Rehman, 2024). This research is relevant in the context of culinary micro-enterprises in Madura, where limited access to formal capital often forces business actors to implement bootstrapping strategies to support operations (Abrokwah-Larbi, 2024). Pecking Order Theory states that businesses are more likely to use internal funds first before turning to external sources (Abrokwah-Larbi, 2024). Financial Bootstrapping fits this principle, as it prioritizes internal resources to support business operations and growth (Khan & Quaddus, 2020).

H_0 : Financial Bootstrapping has no positive effect on the performance of micro businesses in the culinary sector in Madura.

H_1 : Financial Bootstrapping has a positive effect on the performance of micro businesses in the culinary sector in Madura

The Effect of Financial Capital on the Performance of Micro Businesses in the Culinary Sector in Madura

Financial Capital refers to the financial capital owned or accessed by a business to support business operations, investments, and development (Khan & Quaddus, 2020). Financial Capital enables micro enterprises to purchase raw materials in bulk, increase production capacity, or adopt new and more efficient technologies (Khan & Quaddus, 2020). In the culinary sector, this has a direct impact on increasing the volume and quality of products (Khan & Quaddus, 2020). With adequate capital support, businesses can invest in innovation, such as creating new menus, improving presentation aesthetics, or improving business facilities (Berndt et al., 2024). These innovations can attract more customers and increase revenue (Berndt et al., 2024). Financial Capital can be used to improve operational efficiency, such as by purchasing more sophisticated equipment or hiring additional labor (Berndt et al., 2024). These efficiencies contribute to reduced operating costs and increased profits.

In Madura, many culinary micro-enterprises face limited access to formal financial institutions due to lack of collateral or financial literacy (Palmieri & Ferilli, 2024). This requires them to utilize internal or alternative sources of capital to support their businesses (Palmieri & Ferilli, 2024). he culinary sector in Madura faces intense competition, with changing market demands. Sufficient financial capital allows businesses to adapt more quickly to market dynamics (Palmieri & Ferilli, 2024). Financial capital allows businesses to develop dynamic capabilities, such as innovation and adaptation to market changes (Singh et al., 2024). This idea highlights how crucial resource use is to achieving the best possible corporate success (Bontempi, 2002).

H_0 : The performance of Madura's microbusinesses in the culinary industry is not positively impacted by financial capital.

H_2 : The performance of Madura's microbusinesses in the culinary industry is positively impacted by financial capital.

The Effect of Financial Bootstrapping on Microenterprise Performance in the Culinary Sector in Madura through Financial Literacy

Financially literate business players are more equipped to comprehend the advantages and disadvantages of bootstrapping tactics (Berndt et al., 2024). Financial literacy makes businesses use bootstrapping resources in an efficient way (Berndt et al., 2024). The impact of this can reduce waste and improve operational performance (Berndt et al., 2024). Financial literacy enables businesses to understand the risks of overusing internal capital or relying on informal sources of funds (Palmieri & Ferilli, 2024). This helps micro enterprises maintain stability and reduce the long-term financial risks of the business (Berndt et al., 2024). The combination of bootstrapping and financial literacy encourages innovation, such as the development of new menus or improved production processes (Palmieri & Ferilli, 2024). Improving production processes can thus strengthen the competitiveness of culinary micro-enterprises in local and regional markets (Palmieri & Ferilli, 2024).

Many micro-enterprises in Madura rely on bootstrapping strategies due to limited access to formal financial institutions (Lam, 2010). Financial literacy helps businesses utilize this strategy more effectively (Lam, 2010). In Madura, social networks such as family and friends are often the main source of informal capital. Financial literacy helps businesses manage relationships well to support business sustainability (Lam, 2010). Financial literacy enables businesses to understand market dynamics and use internal capital to innovate, so they can compete more effectively (Bontempi, 2002). Pecking Order Theory explains that businesses are more likely to use internal capital (bootstrapping) before seeking external funding Financial literacy strengthens this decision making, so that the impact on business performance is more optimal (Jansen et al., 2023).

H_0: Through financial literacy, financial bootstrapping has no beneficial effects on the performance of microbusinesses in Madura's culinary industry.

H_3: Through financial literacy, financial bootstrapping improves the performance of microbusinesses in Madura's culinary industry.

The Effect of Financial Capital on the Performance of Micro Businesses in the Culinary Sector in Madura through Financial Literacy

Financial Capital is the financial resources used by a business to run operations, make investments, and achieve business goals (Kalele et al., 2017). The ability to comprehend, manage, and make prudent financial decisions is known as financial literacy. In the Maduran culinary industry, business actors' capacity to comprehend local consumer preferences and efficiently allocate resources has a significant impact on corporate performance (Bontempi, 2002). Financial literacy helps businesses understand capital allocation priorities (Palmieri & Ferilli, 2024). In the culinary sector, this may include purchasing quality raw materials, investing in modern equipment, or implementing strategic promotions (Palmieri & Ferilli, 2024). With good financial literacy, businesses can utilize capital to reduce operational costs, increase production capacity, and manage stock more efficiently (Kalele et al., 2017). Financial literacy enables businesses to use capital to invest in the development of new products or technologies that support competitiveness.

In Madura, many microenterprises face limited access to formal capital sources Financial literacy helps businesses utilize limited financial capital more productively (Ingale & Paluri, 2022). Culinary businesses in Madura compete in a dynamic and locally-oriented market. With financial literacy, they can utilize financial capital to better meet market preferences (Dinc et al., 2023). Many micro enterprises in Madura rely on community or family support as a source of capital (Dinc et al., 2023). Pecking Order Theory suggests that businesses tend to utilize internal capital first before accessing external capital Financial literacy strengthens this decision so that Financial Capital is used strategically (Kalele et al., 2017).

H_0: Through financial literacy, financial capital has no beneficial impact on the performance of microbusinesses in Madura's food industry.

H_4: Through financial literacy, financial capital improves the performance of microbusinesses in Madura's food industry.

METHOD

Type of research

Inferential quantitative methods are used in this study. Because decision-making measurement tools are computed using statistical or numerical data, quantitative procedures are used. The purpose of this study is to investigate how the performance of microbusinesses in Madura is impacted by financial capital obtained through financial literacy and financial bootstrapping. The independent variables are Financial Bootstrapping (X1) and Financial Capital (X2). While the dependent variable is Business Performance (Y) which is moderated by the financial literacy variable (Z). With an emphasis on microbusinesses in the food industry, the research is being conducted on

Madura Island in East Java. Madura was selected due of its numerous microbusinesses and the culinary industry's significant economic impact to the region.

The population and the sample

All of the participants in this study were microbusiness owners working in Madura's food industry. Researchers studied microbusinesses in Madura's culinary industry using primary data in the form of questionnaires. Measurement data uses an ordinal scale and in this study uses a 5 Likert scale for the research instrument. The Likert scale consists of SS (Strongly Agree), S (Agree), N (Neutral), TS (Disagree), STS (Strongly Disagree). According to Hair et al., (2021) the number of samples can be known at a minimum if it is multiplied by 5 from the number of all research instrument items. The number of research instruments is 20 indicators, Therefore, the minimal research sample that researchers take is 100, as the number of samples can be calculated as 20 x 5 = 100. The researcher chose to use a sample of 110, as established by the study, in order to minimize error. Samples were chosen using the purposive sampling technique, which was based on the requirements of microbusiness actors in the Madura region's culinary industry.

Data Analysis Technique

In analyzing research data, researchers use inferential quantitative analysis. In this inferential analysis, researchers used the Smart PLS 4 test tool. SEM PLS is used to test the results of the data obtained by researchers when sampling with questionnaire data filled out by respondents. The way to do inferential statistical analysis is to select a research sample, determine the analysis method, and make decisions based on the sample. Researchers will test using multiple linear regression which will add moderation variables.

RESULT AND DISCUSSION

Result

SEM-PLS Analysis

Model Measurement (Outer Model)

The test results of this study use the measurement model shown in Figure 1.1. According to Trenggonowati & Kulsum, 2018) The explanation of the indicator association in each latent block identifies the measurement model. Calculating the validation and reliability values of the questionnaire's items is the aim of model testing. The purpose of the validity test is to identify and gauge the instrument's suitability for evaluation. In the meantime, the reliability test is conducted to gauge how consistently respondents answer the research instrument's questions (Trenggonowati & Kulsum, 2018). The first step in applying partial least squares to data processing is measurement model testing. This study used SmartPLS 4.0 software to conduct validity and reliability testing.

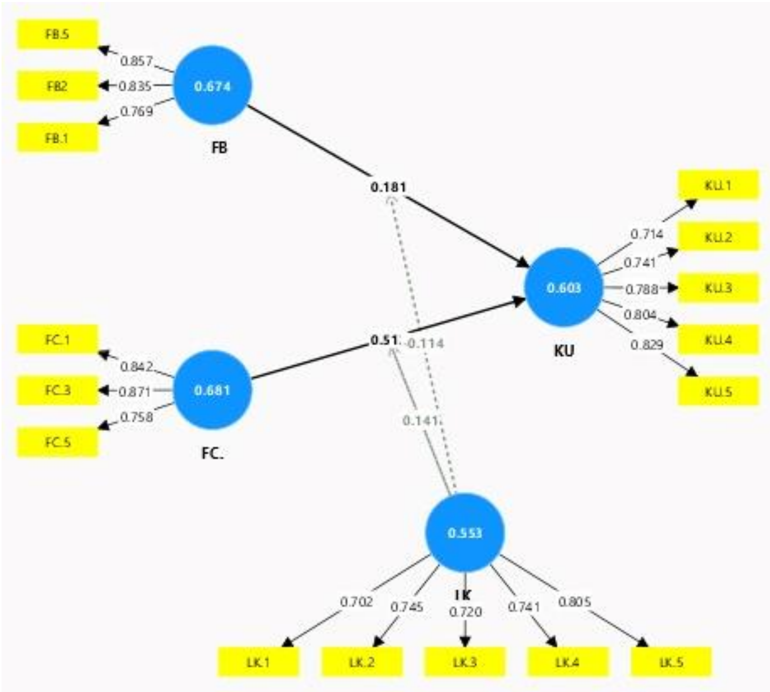

Figure 1. Outer Model

Validity Convergent

The degree to which a variable has a positive correlation with other methods of the same construct is known as convergent validity. (Sitio, 2021). Convergent validity has criteria or indicators that must be met. These criteria are the AVE (Average Variance Extracted) and FL (Factor Loading) values (Indrawati, 2022) the AVE value is used in determining validity; if the AVE value> 0.5 then it is declared valid. In addition to the AVE value, the FL value is also applied in determining validity. The tested item is deemed valid if the FL value is greater than 0.7. (Indrawati, 2022) Every item utilized in this study was legitimate. Every item utilized in this study was legitimate. As a result, every item is suitable for additional study. The FL and AVE results are displayed in Table 1.

Table 1. Convergent validity Test

Variable	Dimension	Item	Factor Loading	AVE	Conclusion
Financial Bootstrapping (Independent Variable)	Financial Bootstrapping (FB)	FB.5	0.857	0.674	Valid
		FB.2	0.835		
		FB.1	0.769		
Financial Capital (Independent Variable)	Financial Capital (FC)	FC.1	0.842	0.681	Valid
		FC.3	0.871		
		FC.5	0.758		
		KU.1	0.714	0.603	Valid

Variable	Dimension	Item	Factor Loading	AVE	Conclusion
Business Performance (dependent variable)	Business Performance (KU)	KU.2	0.741		
		KU.3	0.788		
		KU.4	0.804		
		KU.5	0.829		
Financial Literacy (Moderation Variable)	Financial Literacy (LK)	LK.1	0.702	0.553	Valid
		LK.2	0.745		
		LK.3	0.720		
		LK.4	0.741		
		LK.5	0.805		
Financial Literacy X Financial Capital	Financial Literacy (LK) X Financial Capital (FC)	LK x FC	1.000		
Financial Literacy X Financial Bootstrapping	Financial Literacy (LK) X Financial Bootstrapping (FB)	LK x FB	1.000		

Source: Data Processed (Smartpls 4 Output), 2024

Discriminant Validity

A measurement model called discriminant validity is used to evaluate how different the items used to measure variables are from one another (Indrawati, 2022). Accordingly, it is not expected that a collection of indicators will be unidimensional or exhibit sufficient difference. According to Indrawati, (2022) If the square root of a variable's AVE is higher than the correlation between the two variables in the model, the variable is considered to have discriminant validity.

Tabel 2. Correlation Value between Variables

	FB	FC	KU	LK
Financial Bootstrapping	**0.821**			
Financial Capital	0.816	**0.825**		
Business Perrformance	0.678	0.732	**0.777**	
Financial Literacy	0.512	0.600	0.550	**0.744**

Source: Data Processed (Smartpls 4 Output), 2024

One metric used to evaluate discriminant validity is the cross loading value. (Indrawati, 2022). The amount of correlation between each variable with indicators and indicators with other block structures is presented with crossloading. Crossloading displays the degree of correlation between each variable and indicators and indicators with other block structures. When it comes to latent variables, the crossloading value ought to be greater than the correlation value. The results of the crossloading value that demonstrates discriminant validity are shown in Table 3:

Table 3. Correlation Values for Cross-Loading

	FB	FC	KU	LK	LK x FB	LK x fc
FB.5	0.857	0.704	0.673	0.613	-0.248	-0.123
FB.2	0.835	0.733	0.543	0.326	-0.247	-0.248
FB.1	0.769	0.548	0.397	0.238	-0.123	-0.117
FC.1	0.800	0.842	0.563	0.350	-0.177	-0.244
FC.3	0.710	0.871	0.688	0.549	-0.172	-0.260
FC.5	0.502	0.758	0.546	0.582	-0.148	-0.187
KU.1	0.413	0.466	0714	0.376	0.079	0.056
KU.2	0.407	0.474	0.741	0.356	0.098	0.057
KU.3	0.532	0.631	0.788	0.481	.-0.376	-0.302
KU.4	0.592	0.617	0.804	0.437	-0.175	-0.118
KU.5	0.641	0.619	0.829	0.464	-0.139	-0.143
LK.1	0.321	0.398	0.445	0.702	0.024	0.046
LK.2	0.431	0.447	0.404	0.745	-0.051	-0.037
LK.3	0.357	0.451	0.357	0.720	-0.084	-0.107
LK.4	0.316	0.401	0.342	0.741	-0.039	-0.061
LK.5	0.477	0.524	0.468	0.805	-0.118	-0.115
LK x FC	-0.197	-0.281	-0.136	-0.071	0.813	1.000
LK x FB	-0.262	-0.201	-0.158	-0.072	1.000	0.813

Source: Data Processed (Smartpls 4 Output), 2024

Reliability Test

Reliability test is a test conducted to see the extent to which the level of consistency of the results of a study when carried out repeatedly (Indrawati, 2022). Every item on the study's questionnaire needs to be trustworthy. Reliability in Composite (CR) in general in research instruments is said to be reliable if it can reach at least 0.70. The following is the Composite Reliability (CR) table.

Table 3. Composite Reliability (CR)

	Composite Reliability (rho_c)	Conclusion
FB	0.861	Reliabel
FC	0.864	Reliabel
KU	0.883	Reliabel
LK	0.861	Reliabel

Source: Data Processed (Smartpls 4 Output), 2024

The research tool satisfies the Composite Reliability (CR) requirements, it may be concluded. A good measuring tool is thus shown by the results of this study's testing of the measurement model.

Structural Model Assessment (Inner Model)

The Inner Model is used to test the second model. To forecast causal links between latent variables—variables that cannot be directly measured—the inner model is a structural model. (Indrawati, 2022). The purpose of this structural measurement is to observe the interactions between one latent variable and other latent variables. The R-square and F-square are displayed in the following table.

Table 4. R-square

	R-square	R-square adjusted
KU	0.579	0.562

Source: Data Processed (Smartpls 4 Output), 2024

Table 6 above indicates that the value of satisfaction is 0.579. This figure demonstrates that the financial bootstrapping and financial capital dimensions (independent variables) can account for the company performance variable (dependent variable). The value of the satisfaction category is classified as a low level of influence according to Chin, (2014). Meanwhile, the trust value is 0.562. This figure also demonstrates that the aspects of financial capital and bootstrapping (independent variables) can account for the company performance variable (dependent variable). The value of the trust category belongs to the medium level of influence according to (Chin, 2014).

Tabel 5. F-square

	F-Square
LK x FB	0.010
LK x FC	0.016

Source: Data Processed (Smartpls 4 Output), 2024

At the structural level, financial literacy has a significant impact on financial bootstrapping (f square = 0.010). At the structural level, financial literacy has a significant impact on financial capital (f square = 0.016). Testing to see whether the path value has a positive or negative effect comes next after testing the aforementioned. Where this path value is determined by the p value. This p value is obtained by performing the bootstrapping process. The following table 8 illustrates the results of the calculation of the path coefficient and p value along with the conclusions.

Table 6. Calculation Results of Path Coefficient and t Value

No	Path Diagram	Path Coefficient	p-value	Conclusion
1.	FB -> KU	1.492	0.136	Not Accepted
2.	FC -> KU	3.729	0.000	Accepted
3.	LK x FB -> KU	1.080	0.280	Not Accepted
4.	LK x FC -> KU	1.492	0.136	Not Accepted

Source: Data Processed (Smartpls 4 Output), 2024

A significance level of 0.05 is used in this investigation. The hypothesis is accepted or rejected based on whether the p-value is less than 0.05, which indicates a positive or negative association between the independent and dependent variables. The findings show that the hypothesis is not accepted for the financial bootstrapping variable on business performance, with a p-value of 0.136 <0.05. The hypothesis is accepted for the financial capital variable on business performance, as indicated by the p-value of 0.000 <0.05. The p-values for the financial literacy variables that moderate the association between financial capital and business performance are 0.136 < 0.05 and 0.280 < 0.05, respectively, for the financial literacy variable that moderates the relationship between financial bootstrapping and business performance. The statement demonstrates the rejection of these two theories.

Discussion

The following conclusion about the hypothesis can be drawn from the research findings mentioned above:

Table 8: Conclusion of the Hypothesis

No	Research hypothesis	Conclusion
1.	Financial bootstrapping improves the performance of microbusinesses in Madura's food industry.	Not Accepted
2.	Through financial literacy, financial capital improves the performance of microbusinesses in Madura's food industry.	Accepted
3.	Through financial literacy, financial bootstrapping improves microbusiness performance in Madura's culinary industry.	Not Accepted
4.	Microbusinesses in Madura's culinary industry function better when they have access to financial capital.	Not Accepted

Source: compiled by the author, 2024

Financial Bootstrapping has a negative effect on the performance of micro businesses in the culinary sector in Madura.

The study's findings indicate that the financial bootstrapping component has a detrimental impact on the success of Madura's microbusinesses in the culinary industry. As can be seen from table 8 above, the premise that financial bootstrapping improves the performance of microbusinesses in Madura's culinary industry is not accepted. The application of financial bootstrapping is generally used as a creative strategy for managing finances, but this application actually has a negative impact on business performance. The financial bootstrapping strategy relies on the use of internal resources to minimize dependence on external funding sources that often limit the ability of micro businesses to make strategic investments, manage resources optimally, and maintain a balance between short-term and long-term focus. Minimizing external funding sources can worsen the situation and lead to reduced productivity and competitiveness. Thus, financial bootstrapping needs to be applied with caution, accompanied by careful planning and policy support that helps micro enterprises manage finances in a balanced manner to ensure business sustainability and growth.

This research is in line with the research of Dika et al., (2021) which indicates that the application of the financial bootstrapping method is followed by a decrease in MSME performance. The decline in micro performance indicates a fundamental challenge in this method. Despite aiming to overcome limitations and high dependence on internal liquidity, it becomes more vulnerable to cash flow fluctuations, while the lack of access to external funding eliminates the opportunity to get strategic support from partners or investors. Not only that, increased operational pressure due to limited internal resources can trigger employee burnout and lower productivity, thus contributing to sub-optimal performance.

Financial Capital has a positive effect on the performance of micro businesses in the culinary sector in Madura through financial literacy.

In table 9, the financial capital variable with micro business performance has a positive influence and the hypothesis results are accepted. Limited access to capital, both from banks and financing institutions, is an obstacle to MSME business development. Culinary MSMEs in Madura still do not show good performance, as seen from the absence of significant business growth in terms of sales turnover, revenue, number of clients, and number of workers. This is characterized by limited MSME business capital and difficulties in preparing financial reports. The selection of own capital and loan capital in accordance with the needs of MSMEs contributes to improving business performance. Better management of financial capital will improve company performance, but the opposite is also true. This research is in line with the research of Novitasari & Redyanita (2022), Pramestiningrum & Iramani (2020), and who discovered that the performance of MSME businesses is positively and significantly impacted by financial capital.

The association between financial bootstrapping and the success of microbusinesses in Madura's culinary industry is weakened by financial literacy.

In table 9 Financial Bootstrapping with Micro Business Performance in the Culinary sector in Madura through Financial Literacy and the hypothesis results are not accepted. Financial bootstrapping does not have a positive impact on micro business performance due to several factors. The factor that causes financial bootstrapping to not have a positive impact is limited access to capital (Rutherford et al., 2012). Limited access to capital makes culinary micro businesses in Madura operate with low turnover, so they are forced to rely on internal resources to finance operations (Adiyanto et al., 2023). Reliance on bootstrapping can result in a lack of investment needed for growth and innovation.

The results of the research hypothesis above indicate that financial literacy is low among micro-entrepreneurs in Madura. Without sufficient understanding of financial management, businesses cannot utilize bootstrapping strategies effectively (fadhilah, 2024). This can lead to poor financial decisions and, consequently, suboptimal business performance. In addition, macroeconomic conditions and competition in the culinary sector can also affect business performance. If MSME players are unable to adapt to market changes or do not have access to technology and innovation, then even if they apply bootstrapping, the results will still be unsatisfactory (Dika et al., 2021).

Packing Order Theory (POT) explains the company's preference in choosing funding sources based on cost and risk. In the context of Packing Order Theory, firms prefer to use internal funds (retained earnings) before seeking external debt or equity. For many micro enterprises in Madura, limited access to formal financial institutions forces them to rely on internal resources alone (Dika et al., 2021). When they use financial bootstrapping without support from external sources, they may miss the opportunity to obtain cheaper and more flexible capital. By relying solely on bootstrapping, micro-enterprises risk stagnation or performance decline due to the lack of diversification in funding sources. This is in line with the finding that financial bootstrapping has a negative effect on MSME performance when not supported by adequate financial literacy (Monica, 2024). hus, the combination of limited access to capital, low financial literacy, and the application of POT theory explains why the hypothesis in this study was not accepted. MSME players need to improve their understanding of financial management and consider various sources of funding to improve their overall business performance.

This study contradicts that of Dika et al., (2021) who discovered that the effect of financial bootstrapping on MSME performance is moderated by financial literacy. Financial bootstrapping and financial literacy together might boost MSME performance. The detrimental effects of financial bootstrapping that might have previously occurred are mitigated by financial literacy. Financial bootstrapping techniques can be used by business owners with a solid understanding of finance to boost their company's performance.

The association between financial capital and the success of microbusinesses in Madura's culinary industry is weakened by financial literacy.

Table 9 shows the relationship between financial literacy and microbusiness performance in Madura's culinary industry. The hypothesis' findings are not accepted. For a number of reasons, financial bootstrapping has no beneficial effect on the success of microbusinesses. Limitations in terms of both human and capital resources are factors that prevent financial capital from having a good influence. The business limitations experienced hinder their ability to invest in business development, which in turn affects performance (Adiyanto & Amaniyah, 2020).

The findings of the aforementioned study hypothesis indicate that one of the impediments is the low level of financial literacy among MSME actors. Without an adequate understanding of financial management, businesses may not be able to utilize existing capital effectively. This can lead to poor financial decisions and reduce the potential for business growth (Pujiatuti1 & Mayvani, 2024). Intense competition in the culinary sector also contributes to this outcome. Many businesses are unable to adapt to market changes and do not innovate products, so even though they have capital, they still struggle to improve performance.

Packing Order Theory (POT) explains company preferences in choosing funding sources based on costs and risks. According to Packing Order Theory, companies would rather spend their own money (retained earnings) than look for outside financing or equity. For many MSMEs in Madura, the inability to access loans from formal financial institutions forces them to rely on their own capital (Trisnawati, 2024). By relying solely on internal capital, MSME actors face the risk of stagnation in business performance. They may not be able to expand or improve product quality due to limited funds for investment, resulting in low business performance despite large market potential (Khotijah & Irawati, 2023). The inability to diversify funding sources may cause businesses to experience difficulties in facing market challenges.

This is consistent with the conclusion that, in the absence of financial literacy and sound management practices, financial capital has no beneficial effect on performance (Pujiatuti1 & Mayvani, 2024). Thus, the combination of limited resources, low financial literacy, and the application of POT theory explains why the hypothesis in this study was not accepted. MSME actors need to improve their understanding of financial management and consider various sources of funding to improve their overall business performance.

CONCLUSION

The study's test results demonstrate that financial bootstrapping has a negative impact on the success of microbusinesses in Madura's culinary industry, suggesting that internal resource-based financial management might be harmful to company performance.

However, the performance of microbusinesses is positively impacted by financial capital, especially when supported by good financial literacy, which allows businesses to utilize capital effectively. In addition, financial literacy also acts as a moderator that can weaken the negative impact of financial bootstrapping. However, there are situations where Financial Capital can have a negative effect if not managed properly, suggesting that understanding and skills in financial management are critical. Overall, improving financial literacy is key to maximizing resource potential and improving the performance of micro enterprises in Madura's culinary sector. The Pecking Order Theory (POT) offers a useful framework for comprehending the financing choices made by business actors in the context of studies on the impact of financial capital and bootstrapping on the performance of microenterprises in Madura's culinary industry.

Based on the results of the study on the effects of financial capital and financial bootstrapping on the performance of microbusinesses in Madura's culinary industry, the following suggestions may be taken into account for additional research: Future research should consider additional factors that may affect microbusiness performance. This can offer a more thorough understanding of the elements affecting company success in the food industry. Given the importance of financial literacy in improving business success, it is recommended that a financial literacy training curriculum be developed specifically for microbusinesses. More research can be done to determine the program's effectiveness and how it affects business performance and financial decision-making. It is anticipated that future researchers will carry out longitudinal studies to track how microenterprise performance varies over time as various funding options are put into place. This will shed light on the long-term dynamics of how financial capital and bootstrapping affect company performance.

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