Risk Aversion and Entrepreneurial financing Behavior in presence of Self-Efficacy and Cultural Values

a Huma Ali, b Muhammad Shaukat Malik, c Muhammad Anees Anjum

a Lecturer, Institute of Banking and Finance, Bahauddin Zakariya University, Multan, Pakistan
b Director, Institute of Banking and Finance, Bahauddin Zakariya University, Multan, Pakistan
c Ms. Scholar, Institute of Banking and Finance, Bahauddin Zakariya University, Multan, Pakistan

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ABSTRACT

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Risk aversion is adopted as a valuable and workable access to understand the capitalist financing behaviour. Other variables also have been widely examined to check the results on entrepreneurial financing behavior. Yet, how risk aversion affects entrepreneurial financing behavior with mediating effect of self-efficacy and moderating effects of living style values. The basic aim of this paper to build the integrated model, based on mediating effect of self-efficacy to examine the straight and un-straight result of risk aversion on capitalist financing behavior. In last paper first author uses demographic analysis to study and underlying the mediating force of self-efficacy and moderating effects of cultural values. Then implement correlation and regression analysis to explore the relationship of the variables. In this struggle 371 survey responses gathered from business degree students to show the analysis. The mediating effect of self-efficacy is directly and positively linked with entrepreneurial financing behavior. There is a straight relationship and un-straight relationship of risk hatred and entrepreneurial financing behavior also exists through the mediation effect of self-efficacy. Doubling the value of this sample size can be selected from various educational backgrounds to enhance the significance of this survey. Risk aversion is directly acting upon the entrepreneurial financing behavior.

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Corresponding author's email address: huma.ali@bzu.edu.pk

1. Introduction

The current study is focused on the financial behaviour of entrepreneurs and their dislike of risk. Investors today are often risk-averse. Most investors are risk-takers who take on the danger of investing before attempting to profit as much as possible from a particular investment. A lack of funding and the state of the market have made some entrepreneurs risk apprehensive, which has an
impact on how investors behave financially. Some entrepreneurs have a lot of financing funds for investment. But they cannot invest in a financing field. Risk aversion and investor financial behavior are less finding out with latest rules and regulation which could show financial attitude. (Sánchez-Bueno M. J., 2014). The main point of this work is to elaborate risk hating and other supportive elements. Which is straight or indirectly manipulating risk-taking behaviour? Even the melody of risk aversion on investor intention looks to variant because some investigator searched that risk aversion is directly impact, and some says that supplementary affects the investor financial behavior. Some entrepreneur grips an excessive deal of monetary reserve for financing determination. But they do not favor to endow. Confident investors are imaginary a risk if they are not going downhearted to see the achievement and never elapses the chance of damage. The decreasing thoughts can be spell out in two distinct ways. First, focus on the supposed information about investing or venture strategies that may contain low risk and high projected return. In another conditions we can say that the entrepreneur wants the similar anticipated return with high changeability. The household could play an energetic part in investing movement concerning prospect, documentation and job promotion. These attitudes are at once or partially entrust and decline venture behaviour through differences (Xiaoyu, 2022)

Risk hatred entrepreneurs are looking the maximum pace of return with low risk disparity, but in hard shape, there is no chance to attain an appropriate return with precious financing. While the most of investigators paying attention to find-out this dilemma. The declining behavior is an essential event in ordinary theory of draw, assets estimation, contracts with protection. (Rr. Iramani, 2021) Financial mediators and other legislator institutions are struggling to find-out this subject matter and considering an economic variable considering economic factor. Sometime Recognized investors investment also impact on the single proprietor financing behavior instantaneously. (Fareed, 2021). Investors financing behavior can be changed due to mental behaviour (MB) and emotional sentiments (ES) factors. Because these factors directly effects on intention and financing behavior as well, normally poignant aptitude factor is common in female entrepreneur. (Ugoani, 2021).

In recognized way that men has strong full intent and have a number of monetary behaviour about new ventures. But experimental research explores the spite of development among females entrepreneur (Mohammad Osman Gani, 2022). Usually, the female’s entrepreneur is much more disliked in afresh startups or presently operating a job. As they transport miserable degrees of inner business power, like wise some mental traits and cultural values effects to take a coherent conclusion for the new business. (Nguyenb, 2022) Generally, the scholar said the investor’s behaviour can be changed diagonally the state. Socio-culture wise working activity also different from country to country. Likewise, the domestic culture comprises of dissimilar with different variables like as, media’s role and political inspiration, tax assembly and financing SOP’s. Likewise, some other factors have major effects on investing behaviour and his decision power. Self-efficacy is an erratic booster element that directly affects the specific selection of working activity, goal level and presentation (Kluwe-Schiavon, 2021).

Theoretic agenda is based on behavior model of the investor. This model elaborates the risk aversion and business financing behavior with two others variables self-efficacy and cultural values to start a business (Shinnar, 2012). This practical model of behavior is elastic to comprise the additional behavioral factores to enhance the theory of entrepreneur. This study map shows the straight and secondary effect of risk avesion on entrepreneurial financing behavior. Model alteration will be study as a new theory in the area of entrepreneurship (Siu & Lo, 2013)

2. Literature Review

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The investor financial behavior defines as a wish to start-up own new business. Scholars from psychological study said that inner power and cultural principles is the best interpreter of actual behavior. Business behavior is a power full gauge to start a new business (Lee, 2011). Reviewing of self-efficacy and cultural standards are thus a real and power full tactics to recognize the entrepreneurial financing behavior in the context of business degree holder students.

Illustrative studies have observed all the elements of self-efficacy and cultural standards. This Study also discussed significant results for single investor behavior to start new business start-ups (Lee, 2011). The awareness of self-efficacy is positive effect on business financing behavior. At the time of this investigation the latest meaning unit of self-efficacy was developed by McGee et al (2009). This scale produced interesting results on entrepreneurial financing behavior and firm presentation (Baron, 2016). In applying the societal norms on entrepreneurial financing behavior found substantial and positive relations between mediator and depended.

2.1 Risk Aversion, Self-Efficacy and Entrepreneurial Financing Behavior

In customary philosophies, of risk hatred is measured as a winning victory selection, asset estimations, agreements and insurance appraisal with dissimilar financing plans. Few investigators elaborate the investor choices in both ways. One is a risk taking and second is risk hatred around his financing project. Risk taker investors are those who are usually risk independent and have much more financial budgets and also can start his business with heavy investment devoid of any hesitation anywhere. Similarly second types of investors are risk averse and very traditional and low cooperative for his venture plan. Officially the number of financial investors has lots of financial funds to start a new venture but they can’t start his new venture due to the lake of business financial sagacity as well as low budgeting techniques and low market awareness detract the financing behaviour (Kaminski, 2022)

Every investor has a distinct amount of business capital they need to invest in a variety of business sectors. As a result, the different businesses investing cash or capital display varying asset distributions and payment rates. The market for risk aversion declines as funds are raised at a low rate. The investor is delighted to receive loans from financial organisations in this case. On the other hand, if money is collected quickly, risk aversion in the market will increase. A lending institution offers a loan, but the entrepreneur choose to venture into a different market. This issue lowers the GNP, GDP, and NI and has an impact on economic values. Clerin and Ekman (2017)

Every entrepreneur has their own abilities, predictions, motivation, capacity, and preferred method because of the intense competition. Every entrepreneur has no idea of what other people are doing or offering. Individual risk aversion contributed to the financial crisis that Italian banks experienced in 2008. Due to the installation and revisions of financial strategies, some business owners seek a high and distinctive return on their holdings and securities. Entrepreneurial behaviour has altered as a result of changes in financial policy, and entrepreneurs are now dispersed across local and international markets. Every businessman in this situation had developed a unique venture behaviour and constructed a unique portfolio based on his ideas. This scenario caused this step to provide a risk that is both measurable and unmeasurable at the same time. The Italian economy was severely impacted, and he lost 27% of his financial reserve. The diversification of this person’s portfolio choices results in risk aversion on a domestic level. This activity demonstrates and demonstrates the greater power and ability of a single entrepreneur to influence economic factors. Due to changes in wealth or consumption, these emotional shifts in Italian entrepreneurs’ decisions result in lower real assets and a change in risk attitude (Weber, 2013).

H1: Risk aversion has negative effect on entrepreneurial financing behavior.

In addition risk aversion directly reduce the entrepreneurial financing behavior as well as indirectly
also through the mediation effect of self-efficacy with its three dimensions. The negative effect of three dimensions on entrepreneurial financing behavior due to change in risk aversion over the time period. Individuals with higher level of self-efficacy are more interested in his work to remove the hurdles and will perform better. Self-efficacy can better predict of future performance of activity. Specifically, McGee (2009) developed three phases process to determine the impact of self-efficacy. First one is searching, which starts from searching for opportunity as first phase. Second one is implementing people practices, which starts from people experience consist of different skills and ideas. The third one is implementing financial practices, which starts from your financial knowledge (Baron et al, 2016).

**H2:** Risk aversion has negative effect on entrepreneurial self–efficacy

### 2.2 Self-Efficacy and Entrepreneurial Financing Behavior

In ordinary decision-making philosophies, inner power and aptitudes are essential element to show the self-efficacy of a male. In self-efficacy, the managerial process to donates mental growth with working. Likewise, past self-efficacy experience explores, donate to the scope of the administrative process with four rear components, Effective, Cognitive, Motivational and Selection Process. Other academics describe self-efficacy is a quality that enhances the finance and academic presentation of the investor. Herein the concept of self-efficacy scientists has discovered self-efficacy in thrice theoretical maps. In different students, previous self-efficacy experiences are an appreciated sponsor to intellectual growth. here are students were using three major, greatest and chief steps to acquire personal wisdom expansion, motivational and academic expansion and actions with aspirations (Trassi, 2022). Self-efficacy constructed on as previous practices and intellectual skills of current task. Some financiers have a little level of decision they are quickly decide to support and startup new venture as per financing conditions. Such type of people converted very soon in risk-aversion entrepreneurs. Similarly, high-flying phase of business decision generate an out-class atmosphere for other market investors to eradicate risk aversion (Jansen, 2022).

In current era situation, the human resources are demanded to mention extra decision power and try to struggle more to involve in company goals to get perfect level of concert and special scheme. Such types of phases increase the inner power to decide personal creativity. Company human resources are much more connected with one another’s to perform different market penetration and working and with helpful role of business behavior (Esquerra, 2022). Work appointment with individual person’s idea has a positive connection with one another. Employees can get very high initiative if they should work together otherwise low. But in a particular situation the personal skills are more efficient than working engagement. Employee should achieve different farm duties with the help of personal skills and sometime they involved in different operations at the management level. It’s a significant part of job quality. Both factors based on inner power because it develops motivation, ability and self-confidence. Proficient services can lead performance as well (Titien Agustina1*, 2022).

Major focus of this study is that how the people recall and reprocess the information with unique Engel. In cognitive purpose, real rare skills required more hearing than simple recognize the fundamental education and mental segments of given events. The cognitive skills are a better way to judge the framework and exercises of human exercises. At this phase investor financial power influences at the same time like mediator role to boost up inner decision strength of entrepreneur (Arendtb, 2022). Normally projects are controlled along with thoughts. People promote their competences and skills to act new. In this situation, people have high aplomb and having business education regarding investment. While they provide a strengthen guideline for support to start setup venture. On the same time the low level of spirit people feel irritation to start new venture. If they do some work for new venture there are so many things could be wrong to enter in newly profitable startup. This strong full interruption of inner spirit depends on mental factors was introduce in a global event of research on decision making and complex learning factors (Fathurachman, 2022)
H3: Self-efficacy has effect on entrepreneurial financing behavior.

In addition, Individual investor business sprit centralized the relationship of risk aversion and entrepreneurial financing behaviour. Self-efficacy is a behavior of entrepreneur that’s shows his confidence in his abilities to do something new. Perceived studies of inner sprit shows several elements like learning factor, psychological factor and some emotional sentiments can change the behavior of entrepreneur directly or indirectly (Mariama Zakari, 2022). Individuals with higher level of self-efficacy are more interested in his work to remove the hurdles and will perform better. Self-efficacy can better predict of future performance of activity. Specifically, McGee (2009) developed three phases process to determine the impact of self-efficacy. First one is searching, which starts from searching for opportunity as first phase. Second one is implementing people practices, which starts from people experience consist of different skills and ideas. The third one is implementing financial practices, which starts from your financial knowledge (Boumedjaoud, 2022).

In sum self-efficacy is a fundamental factor to determine the entrepreneurial behavior. Self-efficacy supports business degree holder students to search business opportunity and then implement people practices and own experience and finally apply own financial practices to boost up the business.

H4: Self-efficacy mediates the relationship between risk aversion and entrepreneurial financing behavior.

2.3 Cultural Values

Businesses are the engine that drives economic growth. Some heavy industries benefited the most from the nation's prosperity and helped to lower the jobless rate. Both major and small businesses (SME) are attempting to contribute to the growth and prosperity of their respective nations. Small and medium-sized businesses are also attempting to innovate through projects with the assistance of other businesses within their ecosystem and culture as it relates to various states or locations. Some businesses used formal cooperation methods, while others used informal collaboration methods (Frijns, 2022). The cultural and creative industries hold that by innovating and coming up with something new, they can influence the entire economy as well as the cultural facets of a person's way of life (Miège, 2020). In the modern era, all production and new company initiatives are founded on the culture and way of life of the whole business class. These industries required innovation in organisational culture and national culture, which improves business success. Some businesses employed formal collaboration modes (FCMs) to improve performance and innovate their cultures.

Different developed firms have various and contemporary functioning and cultural components that should be exchanged with those firms in less developed nations that are seeking to advance themselves to fulfil market wants (Raharja, 2022). The organisational aim and working objects are tied to cultural values, and this leads to performance and image. Entrepreneurs and customers' preferences and perceptions are strategically communicated with and related to by culture. Today's many social media platforms are utilised to gather statistics and the full cultural value of funding regions, enhancing the entrepreneur's financial behaviour and boosting its desire to find new cultural investments. In order to communicate with the consumer, today's cultural collaboration industries are dominating the financial sector and gaining traction in cultural markets.

The media of today promotes many cultures through exchanging information and concepts. The marketing and diversification of every firm now depends heavily on social media. Development of venues allowing users to share and convey prestigious ideas about new companies from various cultural backgrounds is currently a necessary and substantial task (Di Virgilio, 2022). The majority of business owners today use the most recent social media platforms to advertise and share their cultural values in order to grow their companies. Today's business owner may quickly understand the full investing business
behaviour through social media. Through the use of social media, the entrepreneur can obtain exceptional and pertinent financial advice that is relevant to people from many cultural backgrounds. Your self-efficacy is immediately increased by this subject/knowledge, which also changes your intentions and financial behaviour (Akin, 2022).

**H5:** The association between self-efficacy and entrepreneurial financing behaviour is moderated by cultural values.

3. Research Framework

![Research Framework Diagram]

**Figure 1: Research Framework**

4. Research Methodology

Survey data was collected from graduates and master degree students at university level in Multan, Pakistan. This study has targeted business degree students. This study is differs from mainstream study of entrepreneurial intension where dental students were selected (Zhang, 2017). The business industry has produce interesting results about entrepreneurial financing behavior of business degree students. Firstly, the business students can get benefit from the capital market for startups of their businesses. Secondly, risk aversion concept is more clearly for business degree students with assumptions and theory concepts because there is little variation in economy. This clarity provides more power to business students to start his business at a given cost. In this scenario these business students try to become an entrepreneur not working as employee. Third, today’s markets are become global business platforms. These platforms are launching different types of business and supporting material to start your own new business. But on the other hands there are few investors seen in the markets due to risk aversion with some others circumstances.

In this study different techniques are used to analyze the data and examined the proposed hypotheses. There are four variables of which one is mediator and one is moderator, and the rest of two are risk aversion and entrepreneurial financing behavior which are independent and dependent variable. The statistical SPSS software was used to run the analysis.

5. Results

5.1 Reliability Analysis

Reliability means internal consistency of the variables. Cronbach’s α was used to check the reliability of the variables (Bollen, 1989). A value 0.2 and 0.4 considered valid and reliable. However (Bollen, 1989) mentioned in his paper that higher the value of reliability is more reliable and more better.
Table 1: Reliability Analysis

<table>
<thead>
<tr>
<th>Scale</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur Financing Behaviour</td>
<td>.771</td>
</tr>
<tr>
<td>Self-Efficacy</td>
<td>.840</td>
</tr>
<tr>
<td>Cultural Values</td>
<td>.884</td>
</tr>
<tr>
<td>Risk Aversion</td>
<td>.631</td>
</tr>
</tbody>
</table>

5.2 Regression Analysis

In first step, relationship between risk aversion and entrepreneurial financing behavior is examined. At second step, effect of risk aversion on dependent variable is examined. Afterward, impact of self-efficacy on entrepreneurial financing behavior is examined.

Table 2: RA, SE and EFB

<table>
<thead>
<tr>
<th></th>
<th>R²</th>
<th>F</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>RA → EFB</td>
<td>.138</td>
<td>59.039</td>
<td>-.371</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00)</td>
<td></td>
</tr>
<tr>
<td>RA → SE</td>
<td>.167</td>
<td>73.783</td>
<td>-.408</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00)</td>
<td></td>
</tr>
<tr>
<td>SE → EFB</td>
<td>.348</td>
<td>196.829</td>
<td>.590</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00)</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 shows that risk aversion attitude decreases the entrepreneurial financing behavior by 37% and self-efficacy by 40.8%. But self-efficacy increases the entrepreneurial financing behavior by 59%. After checking effect of independent, mediating and dependent variables, mediating effect of self-efficacy is determined between risk aversion and entrepreneurial financing behavior.

Table 3.1. Mediation Mechanism

<table>
<thead>
<tr>
<th>Total effect of X on Y</th>
<th>Effect</th>
<th>SE</th>
<th>t</th>
<th>p</th>
<th>LLCI</th>
<th>ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>RA → EFB</td>
<td>.3998</td>
<td>.0520</td>
<td>7.6837</td>
<td>.0000</td>
<td>.2975</td>
<td>.5021</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Direct effect of X on Y</th>
<th>Effect</th>
<th>SE</th>
<th>t</th>
<th>p</th>
<th>LLCI</th>
<th>ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>RA → EFB</td>
<td>.1687</td>
<td>.0489</td>
<td>3.4538</td>
<td>.0006</td>
<td>.0727</td>
<td>.2648</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indirect effect of X on Y</th>
<th>Effect</th>
<th>Boot SE</th>
<th>Boot LLCI</th>
<th>Boot ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE → EFB</td>
<td>.2310</td>
<td>.0365</td>
<td>.1631</td>
<td>.3082</td>
</tr>
</tbody>
</table>

Table 3.2. Mediation Mechanism

<table>
<thead>
<tr>
<th></th>
<th>R² Square</th>
<th>F</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>RA → EFB</td>
<td>.138</td>
<td>59.039</td>
<td>-.526</td>
</tr>
<tr>
<td>RA → SE → EFB</td>
<td>.368</td>
<td>107.294</td>
<td>-.157</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>R² Square</th>
<th>F</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>RA → EFB</td>
<td>(.000)</td>
<td>(.000)</td>
<td></td>
</tr>
</tbody>
</table>
Analysis shows that self-efficacy partially mediates the relationship between risk aversion and self-efficacy as relationship between independent variable and dependent variables remain there in presence of mediator. After checking mediating effect, moderating effect of cultural values is determined between independent variable which is self-efficacy and dependent variable which is entrepreneurial financing behavior.

Table 4. Moderating Effect of Cultural Values

<table>
<thead>
<tr>
<th></th>
<th>R-Square</th>
<th>F</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE</td>
<td>.348</td>
<td>196.829</td>
<td>.201</td>
</tr>
<tr>
<td>Cultural values</td>
<td>.481</td>
<td>170.202</td>
<td>.163</td>
</tr>
<tr>
<td>(Interaction) 1</td>
<td>.529</td>
<td>137.566</td>
<td>.431</td>
</tr>
<tr>
<td>Sig</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td></td>
</tr>
</tbody>
</table>

The results shows that cultural values act as enhancer between self-efficacy and entrepreneurial financing behavior.

6. Discussion

In business sector entrepreneurial financing behavior is most important factor. Risk aversion and some other variables are also most powerful to start a venture. Previous research shows risk aversion with entrepreneurial intension with mediation effect of plan behavior about new venture (Perera, (2022)). This paper shows the relationship of risk aversion with entrepreneurial financing behavior with mediation effect of self-efficacy and moderating effect of cultural values by integrated model. This model shows that mediating and moderating variables are positively associated with entrepreneurial financing behavior, but at the same time risk aversion directly reduce the entrepreneurial financing behavior, also indirectly reduce through the mediation effect. SEM technique was used to check the survey data analysis collected from business graduate and master degree holder students. There are two major findings of this paper are as under.

First the risk aversion is directly influencing the entrepreneurial financing behavior due to variations in the market. But in future it can be reduced / modified through the control of market variation that’s accure due to change in economic conditions. Economic variations are directly attached with market investing behavior. Due to high market risk professional entrepreneur scattered in domestic and international markets to reduce the risk. Secondly risk aversion also indirectly influences through mediation effect of self-efficacy. This study has found three dimensions of self-efficacy for business students. Which are previously used by Zhang in his research paper to measure the entrepreneurial intension of dental students? This study also found the cultural values as a moderator. Which moderates the self-efficacy and entrepreneurial financing behavior?

A recent meta-analysis shows that self-efficacy can be increased through different business skills as well as with business education to enhance the entrepreneurial financing behavior (Liao, (2022)). Whereas professional and entrepreneurship seminars promote self-efficacy of business students.

7. Practical Implications

As regard different implications on risk aversion has analyzed. First is single owner who dislike the risk due to lack of assessment skill for new venture. Therefore, the investor shows low level of investment in new startups. Secondly like as single owner having high skill to judge the risk aversion would like risk and invest money without any analysis. Past business experience and professional skill would boost the business strength and dell the weakness of business. To attain positive response and civilizing self-efficacy base on practical management.
On the subject of self-efficacy there are three areas. The most one is searching and second are applying people practices and the last one is applying financial skills. Such types of fields improve the business practices over all as well as improve business self-efficacy.

8. Limitation & future Research
Major focus of this study is on risk aversion and entrepreneurial financing behaviour, Self-efficacy and cultural values. Most of other variables also effects on entrepreneurial financing behavior. So it can be analyzed the other variables to clarify and study financing behaviour more. Likewise consumerist intentions, global market factors, family set of connections etc. Secondly, this study only based on quantitative approach in future study qualitative approach may be used. Thirdly, data was taken from one city i.e., Multan. Data may be taken from other cities as well as globally.

References


