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Quality of Entrepreneurship and Micro-, Small- and Medium-sized Enterprises' (MSMEs) Financial Performance in Indonesia*

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Abstract

The purpose of this study is to investigate the quality of entrepreneurship – motivation, entrepreneurial orientation, and risk behavior – in relation to the odds of micro-, small- and medium-sized enterprises' (MSMEs) financial performance in Indonesia. Additionally, this paper investigates how these qualities apply for the current challenges perceived by MSMEs' entrepreneurs in Indonesia due to Covid-19 crisis; specifically, this paper examines the odds of MSMEs' financial performance during the pandemic in respect to when these qualities are implemented by the entrepreneurs. The empirical data was obtained from an online survey by means of a structured questionnaire. MSMEs surveyed were randomly selected on a national scale. To test the hypotheses, a quantitative approach is employed, using multinomial regression. The main result shows that, under normal economic environment, the more intrinsically-motivated and continuity-driven entrepreneur is, the more likely the MSME will achieve financial growth compared to remaining stagnant. To our surprise, innovativeness leads to less likelihood of MSME's financial growth, suggesting the significance of innovation does not apply to MSMEs in Indonesia. Lastly, MSMEs' risk behavior to operate in a stable business environment is found more likely to result in a better performance and is true for operational and financial risks, but not marketing risks.

Keywords: Financial Performance, MSMEs, Motivation, Entrepreneurial Orientation, Risk Behavior

JEL Classification Code: D01, D22, D90, D91

1. Introduction

The year 2020 has been one of the over-challenging times in our lives. The coronavirus was declared as a global pandemic for the first time in mid-March 2020 and by April, there were 1.6 million cases confirmed and 96,000 people had died (World Health Organization, 2020). Furthermore, the pandemic occurred during the worst time possible as

the global economy had been facing great uncertainties due to the trade war between China and the United States. Consequently, this has led to the worst global recession since World War II (World Bank, 2020).

The impact of this crisis has not only been severe for big corporations, but for micro-, small- and medium-sized enterprises (MSMEs) as well. In Indonesia, it was recorded that around 82.29 percent of medium- to big-sized enterprises and 84.20 percent of micro- to small-sized enterprises suffered losses due to the Covid-19 crisis (Indonesia Statistics Bureau, 2020). Surprisingly, MSMEs that were once considered economically resilient during crisis (Régner, 2005; Sandee & Wengel, 2004; ter Wengel & Rodriguez, 2006; Van Dierman et al., 1998; Varum & Rocha, 2013) are found as – if not more – vulnerable than large enterprises (Dua et al., 2020). MSMEs with a median of only 27-day cash buffer in reserve can only last for two months or less to remain open (Bartik et al., 2020). Nevertheless, MSMEs as a means of economic recovery in times of crisis might still be true in the midst of adjusting toward both the crisis and recovery. Some businesses were found to have adjusted during the Covid-19 crisis. In Indonesia, around

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5.76 percent of businesses have started using Internet as their selling platforms, 27.45 percent have diversified their businesses, and 9.9 percent have switched to another business sector (Indonesia Statistics Bureau, 2020). Although this has mitigated their further loss, it has yet stabilized their business performance as demand continues decreasing. Therefore, it is now more than ever essential to further investigate if there are some entrepreneurial-specific factors that enable MSMEs to better survive this challenging environment. Besides, Casson (2005) argued that entrepreneurial judgment is necessary for success in making complex decisions under uncertainty.

Some studies (Cater & Schwab, 2008; Laitinen, 2000; Naidoo, 2010; Pearce II & Robbins, 1994) have demonstrated the so-called turnaround strategies used by firms to survive and achieve performances during recessionary periods. Some of these strategies can be alternatively explained by the entrepreneurial qualities defined by Fernández-Serrano and Romero (2013). We employ another quality, namely, MSMEs' risk behavior into the model as it is not defined by Fernández-Serrano and Romero (2013), but is found in other research such as Soininen et al. (2012) and Dai et al. (2014), thus we construct our model incorporating Motivation, Entrepreneurial Orientation, and MSMEs' Risk Behavior.

Recently, there is a growing literature demonstrating how these qualities relate to business performance. The idea behind this goes back to Kanfer (1990) showing that motivation does in fact influence one's behavior and subsequently the level of effort. Ajzen (1991) followed up this research concluding that the stronger the intention to engage in a behavior, the more likely should be its performance. Stephan et al. (2015), for example, found that autonomy or family-related motivation leads to better odds for business survival. Autonomous motivation was proposed by Deci and Ryan (2000) with intrinsic motivation represents the most self-determined by inherent interest, enjoyment, and satisfaction. It is found that intrinsically-motivated entrepreneurs are more likely to adopt energizing business behaviors (Krueger & Carsrud, 1993) because they are encouraged to interact cohesively and put a higher degree of effort and therefore create a long-term performance (Pinder, 2014).

Entrepreneurial orientation (EO), on the other hand, discusses which business policy will those efforts be committed to (Wiklund & Shepherd, 2005). Generally, EO is conceptualized into three focal dimensions: innovativeness, risk-taking, and proactiveness (Miller, 1983). Some studies have produced fruitful results showing a positive relationship between entrepreneurial orientation and firm's performance (Boso et al., 2013; Gruber-Muecke & Hofer, 2015). Buli (2017) further argues that MSMEs' performance is influenced by their ability to create superior customer value and pursue entrepreneurial opportunities.

The contribution of this paper to the literature is threefold. First, it investigates the organizational behavior of

MSMEs, which is scarce and is especially true in Indonesia (Purwaningsih & Kusuma, 2015). Second, although there is numerous research about entrepreneurial qualities affecting MSMEs' performance, most of them discuss motivation and orientation (in which risk-taking behavior is included) separately. In Indonesia, Rani and Desiana (2019) contribute to the literature by discussing motivation and MSMEs' performance, while Herlinawati et al. (2019) from the entrepreneurial orientation perspective. Third, as far as we know, this is the first work to link motivation and entrepreneurial orientation with the Covid-19 crisis. Soininen et al. (2012) have investigated these qualities with the effects of financial crisis towards MSMEs; however, since the Covid-19 crisis has impacted us differently than previous recessions, this paper offers new insights to the academic community.

2. Literature Review

2.1. Entrepreneurs Motivation and MSMEs Performance

Motivation is the driving force that explains why people act and behave as they do (Reeve et al., 2008) and can lead to either positive or negative behavior (Harpine, 2015). From this perspective, we can expect that entrepreneurs with strong motivation will lead to positive behavior towards better business performance. There are several taxonomies of motivation discussed in the literature. In this paper, motivation refers to the three taxonomies in Fernández-Serrano and Romero (2013), namely, intrinsic motivation, necessity motivation, and continuity motivation.

Harpine (2015) defines intrinsic motivation as a behavior that is driven by the desire that comes within the individual to learn or to explore themselves. An intrinsic entrepreneur is considered desirable than its contra factual, extrinsic entrepreneur, as it stimulates innovation, co-operation, ambition, and a long-run vision in MSMEs (Guzmán & Javier Santos, 2001). Besides, Pinder (2014) argues that even though extrinsic motivation can lead to higher productivity, the actual quality of the work performed is mostly influenced by intrinsic factors. Furthermore, intrinsic entrepreneur is believed to have better self-efficacy and is interested in growing the business, not just in achieving wealth (Grant & Berry, 2011). Consequently, intrinsic entrepreneur enables MSME to achieve better performance and is empirically proven in the literature. Fernández-Serrano and Romero (2013) found that intrinsic entrepreneur contributes more in a high-income economy suggesting this type of entrepreneurs can be a driving force to lead the market. Rani and Desiana (2019) provide a similar result showing a positive relationship between intrinsic motivation in the entrepreneur and MSMEs' financial performance.

Another taxonomy of motivation found in the literature is opportunity/necessity motivation. This taxonomy depicts how the entrepreneur is encouraged into entrepreneurial activities; either necessity-driven – pursuing entrepreneurship because other options for work are absent or unsatisfactory, or opportunity-driven – pursuing entrepreneurship to exploit some business opportunity (Benz, 2009; Bosma & Harding, 2006; Bosma et al., 2008; Bridge & O'Neill, 2012; Devins, 2009). Some findings show a preference towards opportunity-driven to necessity-driven entrepreneurs. Fairlie and Fossen (2018) show that opportunity-driven entrepreneurship is generally pro-cyclical, while necessity-driven entrepreneurship is counter-cyclical. Furthermore, opportunity-driven entrepreneurship is usually associated with more growth-oriented business. However, since Indonesia is still considered as a developing country, we expect that necessity-driven entrepreneurs account more in the economy than opportunity-driven entrepreneurs (Acs et al., 2005).

Lastly, the other taxonomy of motivation that needs to be considered is family-related or 'continuity' motivation. Continuity motivated entrepreneur simply engages in entrepreneurial activities to keep a family business. Continuity motivation is typical in a more cultured environment and is expected to have a positive relationship to business performance because it emphasizes on creating a family legacy (Fernández-Serrano & Romero, 2013; Jayawarna et al., 2011). In regards to motivation, we propose the following hypothesis:

H1: *The stronger the entrepreneur's motivation is, the more likely the MSME will achieve financial growth.*

2.2. Entrepreneurial Orientation and MSMEs' Performance

Miller (1983) proposed a competitive advantage creation by three focal dimensions of entrepreneurial orientation: innovation, proactivity, and risk-taking. Fernández-Serrano and Romero (2013) added another dimension called co-operation. They argue that cooperative behavior is useful for MSMEs, which can benefit from some of the advantages of large firms without losing the flexibility characteristic of small companies (Pyke et al., 1990). This is especially important in times of crisis as cooperativeness enables MSMEs to respond to disruptions in economic activities (Kimura et al., 2020).

Some studies found that performance potential increases with the number of early adopters willing to pay a premium for purchasing a new product early in the product's life cycle (Sundqvist et al., 2005). Therefore, it is relevant to expect innovative and proactive entrepreneurs to generate better performance. Soininen et al. (2012) argue that innovativeness enables MSMEs to lead the market by gaining a competitive

advantage that results in better financial performance, while proactiveness gives them the capability to present new products or services to the market before their competitors. Both qualities play an important role in enhancing firm performance (Keh et al., 2007), though may not be as straightforward as it is expected to (Bhuian et al., 2005). Nevertheless, it is empirically proven that there is a positive relationship between these qualities and financial performance (Swierczek & Ha, 2003). In this respect, we propose the following hypothesis:

H2: *The stronger the entrepreneurial orientation is, the more likely the MSME will achieve financial growth.*

2.3. Risk Behavior and MSMEs' Performance

Risk-taking in entrepreneurial orientation is typically considered preferable as it emphasizes on the entrepreneur's efforts in obtaining high returns by seizing opportunities in the marketplace (Lumpkin & Dess, 1996). In this paper, we use a less optimistic approach. We argue that risk-taking behavior in MSMEs does not necessarily correlate with returns. MSMEs – especially micro- and small-sized enterprises – usually have fewer resources (both in knowledge and capital) to either manage or mitigate business risks. Besides, several studies have shown that risks affect negatively to their operational and financial performance (Chen et al., 2013; Henschel, 2006; Huang & Brown, 1999; Islam et al., 2008; Verbano & Venturini, 2013). We classify business risks into three types of risks, which are mostly found in MSMEs: operational risks, financial risks, and marketing risks. In this respect, we propose the following hypothesis:

H3: *The fewer the risks in the MSME's business are, the more likely it will achieve financial growth.*

3. Research Methods and Materials

The empirical data is obtained from an online survey initiated from June to August 2020 by means of a structured questionnaire. The population consisted of micro-, small- and medium-sized enterprises with micro-enterprises having a maximum annual sales of IDR300 million, small-sized enterprises having a range of annual sales from IDR300 million to IDR2.5 billion, and medium-sized enterprises ranging from IDR2.5 billion to IDR50 billion. MSMEs surveyed were randomly selected on a national scale. The final responses were received from 108 MSMEs, yielding a satisfactory response rate of 18.18 percent.

To test the hypotheses, the multinomial logistic regression is employed to fit the model. The dependent variable in our discussion is the MSME's financial performance obtained from the respondent's answer on growth sales achieved under normal economic environment on a nominal scale:

1-decreasing, 2-remain stagnant, or 3-positive growth. In this paper's discussion, we also investigate how the entrepreneurial qualities affect the odds of achieving financial stability during the Covid-19 crisis to further study the significance of these qualities for MSMEs under a challenging economic environment. In this regard, we performed another regression with an alternative dependent variable depicting MSME's financial stability during the Covid-19 crisis obtained from the respondent's answer on a nominal scale: 1-as financially stable, 2-as unobservable, and 3-as loss. The difference between 'stable' and 'unobservable' is that 'stable' means the MSME did perceive the challenges from Covid-19 but have initiated some strategic measures to overcome the economic disruptions toward its financial performance – achieving stability. Unobservable, on the other hand, means that the impact of the Covid-19 crisis is yet visible to their financial performance for various reasons. Assuming entrepreneurial qualities remain unchanged for a long-term period, the dependent variables are employed in both regressions.

This paper employs motivation, entrepreneurial orientation, and risk behavior to find the odds of achieving financial performance when these qualities are employed within the entrepreneur. The independent variables in this paper depict the extent of the qualities the entrepreneur has within him or her. We constructed a composite index with an equal weighting (OECD, 2008) to all items that explain each quality where all items were assessed on a seven-point Likert scale with the anchors 1-strongly disagree and 7-strongly agree. As for risk behavior, the information is measured by the interaction of how often the entrepreneur perceives each type of risk that occurs in the business, the extent of loss or operational disturbances from experiencing those risks, and how much effort the entrepreneur puts into managing those risks.

For controlling the statistics, the following variables are included in the model to isolate the influence of the main variables. This allows the controlling of general demographic characteristics of the entrepreneurs and their MSMEs.

- (a) Entrepreneur's education (*ent_edu*): the level of formal education the entrepreneur has obtained (nominal variable).
- (b) Entrepreneur's age (*ent_age*): the entrepreneur's age in range (nominal variable).
- (c) Business size (*b_size*): firm size measured by MSMEs' annual sales (nominal variable).
- (d) Business age (*b_age*): number of years of activity since the creation of the firm (continuous variable).
- (e) Ownership (*owshp*): the extent of the entrepreneur shares business risks and returns (nominal variable).

Table 1 shows the descriptive information of our key variables in the model. The level of education is coded into four numbers with 1-as having no high school diploma,

and 4-as having obtained a postgraduate degree. The median score tells us that most of our sample consists of entrepreneurs having obtained an undergraduate degree. The entrepreneur's age is classified into four as well: 1-as entrepreneur's age below 39 years old, 2-as entrepreneur's age ranging from 39–49 years old, 3-as entrepreneur's age ranging from 50–59 years old, and 4-as entrepreneur's age above 60 years old. The descriptive statistics show that the sample consists mostly of young entrepreneurs.

4. Results and Discussion

The results of this paper are summarized in Table 3 and Table 4. Table 3 shows the result of multinomial regression for the dependent variable of MSME's financial performance under normal economic environment, while Table 4 shows the result of multinomial regression for the dependent variable of MSME's financial stability during the Covid-19 crisis. There are two models in each regression. In Model 1, the regression includes only the control variables against each dependent variable, while in Model 2, the regression incorporates all the regressors. The model fitting and pseudo r-square information in Table 2 show the significance of this model, denoting the acceptance of this model as a good fit.

In Model 1 - Table 3, we can see that only ownership significantly contributes to explaining MSME's financial performance under normal economic environment. The result suggests that in its nature (without other factors explaining), only the extent of sharing business risks and returns can significantly explain the likelihood of MSME's financial performance – either decreasing or increasing compared to remain stagnant. This is in line with McMahon (2007) in which he argues that sharing business capital supports MSME's growth and financial performance, under normal conditions. When all regressors are incorporated (Model 2–Table 3), we find that in addition to ownership, the entrepreneur's age and education, and the MSME's age significantly explain the likelihood of the MSME's financial performance under normal economic environment. The results show that the older the entrepreneur is, the more likely the MSME will achieve financial growth compared to remain stagnant. In contrast, having higher formal education leads to less probability in the MSME's financial performance which implies practical knowledge might generate better performance than formal education in the Indonesia MSME sector. Lastly, we find that the older the MSME is, the less likely it will achieve financial performance compared to remain stagnant.

In Model 2–Table 3, the results show that intrinsic motivation significantly explains the likelihood of MSME's financial performance under normal economic environment. The coefficient of intrinsic motivation suggests that the stronger intrinsically motivated the entrepreneur is, the

Table 1: Descriptive Statistics

Variables	Coding	<i>n</i>	Min	Max	Mean	Median	SD
Entrepreneur's education	ent_edu	108	1.00	4.00	2.93	3.00	0.77
Entrepreneur's age	ent_age	108	1.00	4.00	1.79	1.00	0.94
Business age	b_age	107	1.00	33.00	6.25	4.00	6.91
Business size	b_size	108	1.00	3.00	1.52	1.00	0.69
Intrinsic motivation	mot_int	107	1.00	7.00	5.28	5.50	1.40
Necessity motivation	mot_nec	107	1.00	7.00	4.53	4.50	1.49
Continuity motivation	mot_con	107	1.00	7.00	5.39	6.00	1.58
Innovative orientation	eo_inov	107	2.33	7.00	5.45	5.60	1.05
Proactive orientation	eo_proact	107	1.00	7.00	4.86	5.00	1.25
Cooperative orientation	eo_coop	107	1.00	7.00	4.36	4.50	1.69
Operational risks perceived	rp_oprsk	108	2.75	6.10	4.45	4.45	0.74
Impact perceived from operational risks	ir_oprsk	108	1.00	6.67	4.32	4.33	1.09
Operational risks management	rm_oprsk	108	1.57	7.00	4.81	4.86	0.93
Financial risks perceived	rp_finrsk	107	2.40	7.00	4.62	4.56	1.07
Impact perceived from financial risks	ir_finrsk	108	2.20	6.40	4.15	4.20	0.76
Financial risks management	rm_finrsk	107	1.82	7.00	5.27	5.45	0.99
Marketing risks perceived	rp_mrkrsk	106	1.43	5.86	4.29	4.45	0.90
Impact perceived from marketing risks	ir_mrkrsk	108	3.00	6.00	4.67	4.60	0.68
Marketing risks management	rm_mrkrsk	108	1.67	6.17	4.23	4.33	0.99
Financial performance prior to crisis	fin_gwt	108	1.00	3.00	2.85	3.00	0.47
Financial stability during crisis	fin_stbl	108	1.00	3.00	2.46	3.00	0.79

more likely his or her MSME will achieve financial growth compared to remain stagnant. This is contradictory to Lee and Kim (2019) in which they found autonomy – or in this paper called intrinsic – motivation cannot offer a significant effect on MSME's business sustainability in Korea. This implies that there should be some specific characteristics of business and economic environment met to support the implication of the entrepreneur's intrinsic motivation in explaining the MSME's performance. Another motivational factor that significantly explains MSME's financial performance under normal economic environment is family-related motivation or in this paper is called 'continuity' motivation. The results suggest that the stronger continuity-driven the entrepreneur is, the more likely his or her MSME will achieve financial

growth compared to remain stagnant. Necessity-driven motivation does have a negative effect on the likelihood of MSME's financial performance, resembling the results from other research, however, is insignificantly proven.

Moving to the entrepreneurial orientation quality, we obtained a statistically satisfying result on innovativeness and proactiveness in explaining the MSME's financial performance under normal economic environment. The results tell us that the more proactive the MSME is, the more likely it will achieve financial growth compared to remain stagnant. Surprisingly, we obtained a contradictory result on innovativeness. The results tell us that the more innovative the MSME is, the less likely it will achieve financial growth compared to remain stagnant. This, however, is expected as

Table 2: Model Fitting Information and Pseudo *R*-Square

Model Fitting Information (for the dependent variable: fin_gwt)				
Model	Model Fitting Criteria – 2 Log Likelihood	Likelihood Ratio Test		
		Chi-Square	df	Sig.
Intercept only	85.15			
Final	19.88	65.27	28	0.000
Pseudo R-Square (for the dependent variable: fin_gwt)				
Cox and Snell			0.469	
Nagelkerke			0.834	
McFadden			0.767	
Model Fitting Information (for the dependent variable: fin_stbl)				
Model	Model Fitting Criteria – 2 Log Likelihood	Likelihood Ratio Test		
		Chi-Square	df	Sig.
Intercept only	183.22			
Final	132.11	51.11	28	0.005
Pseudo R-Square (for the dependent variable: fin_stbl)				
Cox and Snell			0.391	
Nagelkerke			0.471	
McFadden			0.279	

Indonesia MSMEs have little to none resources to properly target their innovative products or services, as well as position themselves in the market. Zarrouk et al. (2020) found that the failure in the MSME's innovation is mainly due to a lack of finance availability. Furthermore, innovativeness might lead to constant strategic adjustments, which paradoxically imposes instability on MSMEs in Indonesia (Lo & Sugiarto, 2021). This result implies that the significance of innovation in business does not apply to the Indonesia MSMEs. Being innovative cannot offer MSMEs in Indonesia the competitive advantage as expected in other findings and therefore, investing highly in innovation might only lead to further loss. Being able to present products or services before their competitors in the market, however, does offer the competitive advantage to MSMEs in Indonesia as implied in proactiveness. This suggests that MSMEs in Indonesia need to actively monitor the changes in the business environment to enable them offer products or services before their competitors. Cooperativeness, according to our results, cannot explain the MSME's financial performance under normal economic environment.

From risk-behavior quality, the results show that having fewer operational and financial risks explains the likelihood of the MSME's financial performance under normal economic

environment, but not marketing risks. In the literature, operational and financial risks are what mostly found significantly affect MSME's performance (Chen et al., 2013; Chowdhury et al., 2019; Islam et al., 2008). Though some have studied marketing risks in MSMEs (Henschel, 2006; Huang & Brown, 1999), there is no direct relationship to MSME's financial performance. The results in this study imply the more stable the MSME's operational and financial risks, the more likely it will achieve financial growth compared to remain stagnant.

To further study the significance of these qualities under a challenging economic environment, we performed another regression in which the entrepreneurial qualities are regressed against the MSME's financial stability during the Covid-19 crisis. The results are summarized in Table 4. Similarly, there are two models incorporated in the regression. Model 1 employs only control variables, while Model 2 employs all the regressors. In contrast to the results in Model 1–Table 3, the results in Model 1–Table 4 show none of the control variables can explain the likelihood of MSME's financial stability during crisis. This is to be expected as these characteristics may not be able to offer any advantage nor disadvantage to support the MSME's financial stability. This argument is particularly relevant since the Covid-19 crisis affects all firms

Table 3: Multinomial Regression Results for the Dependent Variable of MSME's Financial Performance Under Normal Economic Environment

Regressor		Dependent Variable: Financial Growth under Normal Economy (1 = decreasing; 2 = remains stagnant; 3 = increasing)							
		Model 1				Model 2			
		β	S.E.	Sig	Exp(β)	B	S.E.	Sig	Exp(β)
1	Intercept	-14.53	2.80	***		-121.79	6.e+03		
	ent_age	0.42	0.86		0.63	70.60	1.e+03		5.e+30
	ent_edu	-1.42	0.95		0.14	-185.53	3.e+03		3.e-81
	b_age	-0.05	0.49		0.92	-7.22	463.02		0.001
	b_size	-0.31	1.02		0.76	-74.37	2.e+03		5.e-33
	owshp	17.17	0.53	***	3.e+07	152.03	4.e+03		1.e+66
	mot_int					73.84	1.e+03		1.e+32
	mot_nec					-3.69	722.86		0.025
	mot_con					-27.22	609.79		2.e-12
	eo_inov					-22.92	3.e+03		1.e-10
	eo_proact					148.89	3.e+03		5.e+64
	eo_coop					-81.79	1.e+03		3.e-36
	rp_oprsk*ir_oprsk*rm_oprsk					-5.50	87.19		0.004
	rp_finrsk*ir_finrsk*rm_finrsk					-1.34	33.46		0.262
	rp_mrkrsk*ir_mrkrsk*rm_mrkrsk					3.64	62.01		38.10
3	Intercept	-14.59	1.89	***		-31.19	3.13	***	
	ent_age	0.98	0.65		0.13	1.71	0.48	***	5.50
	ent_edu	-0.25	0.61		0.68	-1.52	0.43	***	0.22
	b_age	-0.33	0.37		0.38	-1.01	0.29	***	0.37
	b_size	-0.21	0.72		0.77	-0.22	0.60		0.80
	owshp	16.83	0.00	***	2.e+07	19.65	0.00	***	3.e+08
	mot_int					2.25	0.59	***	9.53
	mot_nec					-0.17	0.38		0.85
	mot_con					0.92	0.92	***	2.52
	eo_inov					-1.21	0.42	***	0.30
	eo_proact					0.69	0.35	**	1.99
	eo_coop					0.11	0.33		1.12
	rp_oprsk*ir_oprsk*rm_oprsk					0.02	0.01	*	1.02
	rp_finrsk*ir_finrsk*rm_finrsk					0.10	0.03	***	1.10
	rp_mrkrsk*ir_mrkrsk*rm_mrkrsk					-0.02	0.02		0.98

Note: ***, ** and * Indicates Significant at 1%, 5% and 10% Level of Significance Based on *t*-Statistics.

indiscriminately. When all regressors are incorporated (Model 2–Table 4), however, we find that ownership significantly leads to less likelihood of the MSME's financial stability. This makes sense since economic uncertainty might arise

a conflict of interest among the owners and subsequently impose difficulties when complex decision-making is needed.

In Model 2–Table 4, the results show that none of the taxonomy of motivations can explain the likelihood of

Table 4: Multinomial Regression Results for the Dependent Variable of MSME's Financial Stability during the Covid-19 Crisis

Regressor		Dependent Variable: Financial Stability during Crisis (1 = stable; 2 = unobservable; 3 = loss)							
		Model 1				Model 2			
		β	S.E.	Sig	Exp(β)	B	S.E.	Sig	Exp(β)
1	Intercept	-1.88	1.71			-2.49	3.54		
	ent_age	0.27	0.45		1.31	0.84	0.67		2.32
	ent_edu	0.42	0.53		1.52	0.43	0.72		1.54
	b_age	-0.36	0.47		0.70	-0.65	0.61		0.52
	b_size	0.95	0.63		2.59	0.86	0.80		2.36
	owshp	-0.35	0.45		0.71	-1.35	0.67	**	0.26
	mot_int					-0.11	0.56		0.90
	mot_nec					-0.47	0.37		0.63
	mot_con					-0.21	0.29		0.82
	eo_inov					-0.05	0.63		0.95
	eo_proact					0.39	0.57		1.47
	eo_coop					-0.27	0.36		0.77
	rp_oprsk*ir_oprsk*rm_oprsk					-0.01	0.02		0.99
	rp_finrsk*ir_finrsk*rm_finrsk					0.03	0.01	**	1.03
	rp_mrkrsk*ir_mrkrsk*rm_mrkrsk					0.02	0.02		1.02
3	Intercept	-0.88	1.37			-3.44	2.57		
	ent_age	0.27	0.37		1.32	0.23	0.43		1.26
	ent_edu	0.36	0.42		1.44	0.42	0.48		1.52
	b_age	0.33	0.34		1.39	0.32	0.32		1.37
	b_size	0.80	0.54		1.08	0.13	0.61		1.14
	owshp	0.04	0.36		0.90	0.19	0.42		1.21
	mot_int					0.16	0.39		1.17
	mot_nec					0.19	0.23		1.20
	mot_con					0.09	0.21		1.09
	eo_inov					-0.09	0.38		0.92
	eo_proact					0.59	0.36	*	1.81
	eo_coop					-0.47	0.27	*	0.63
	rp_oprsk*ir_oprsk*rm_oprsk					0.01	0.01		1.01
	rp_finrsk*ir_finrsk*rm_finrsk					-0.01	0.01		0.99
	rp_mrkrsk*ir_mrkrsk*rm_mrkrsk					-0.01	0.01		0.99

Note: ***, ** and * Indicates Significant at 1%, 5% and 10% level of Significance Based on *t*-Statistics.

MSME's financial stability during crisis. This is to be expected as the business environment has become too uncertain that no matter how much effort is driven from the entrepreneur's motivation, the probability of the MSME's financial stability

cannot be derived. How the entrepreneur strategizes toward facing the economic challenges, however, can explain the likelihood of MSME's financial stability during crisis, which is implied in the entrepreneurial orientation. The results show

that proactiveness leads to more probability of experiencing further loss during crisis. Due to the continuously changing business environment, being proactive is relatively costly and risky. Proactiveness requires a lot of capital, and since MSMEs have only weeks' cash buffer in reserve, proactive MSMEs might rather lose more money than the passive ones. In contrast, cooperativeness leads to less probability of experiencing further loss. The results suggest that the more the MSME engages in cooperative manner, the less likely it will experience further loss during crisis. This is in line with Kimura et al. (2020) in which they argue that only if businesses act cooperatively (specifically in the global value chain), can we respond to these disruptions in economic activities by the Covid-19 crisis. Note, however, though the results suggest a less likelihood for further loss, cooperativeness quality cannot explain the likelihood of the MSME's financial stability during crisis. Lastly, from risk behavior quality, the results show that having fewer financial risks leads to more probability in MSME's financial stability during crisis.

5. Conclusion

The purpose of this study is to investigate the quality of entrepreneurship: motivation, entrepreneurial orientation, and risk behavior in relation to the odds of MSME's financial performance in Indonesia. To answer the research questions, a multinomial logistic regression is employed and received a good-fitting model. The focus of this paper is not to find a direct relationship between these qualities and the MSME's financial performance, but rather see the odds of its financial performance in respect to when these qualities are employed within the entrepreneur. We provide two in which the entrepreneurial qualities are regressed to two different dependent variables. The first regression is to examine the odds of the MSME's financial performance under normal economic environment in respect to when the entrepreneurial qualities are employed. The other one is to examine the odds of the MSME's financial stability during the Covid-19 crisis in respect to when the entrepreneurial qualities are employed.

The empirical study is conducted in Indonesia with a random sampling of enterprises with the size ranging from micro to medium scale. All variables are obtained from an online survey to the MSME's owner or the entrepreneur. Under normal economic environment, we find that an intrinsically motivated and continuity-driven entrepreneur leads to more likelihood in the MSME's financial performance compared to remain stagnant. From the entrepreneurial orientation quality, we find that, under normal economic environment, being more proactive leads to more likelihood in the MSME's financial performance compared to remain stagnant. In contrast, we find that being more innovative leads to less

likelihood in the MSME's financial performance. Having less financial and operational risks results in more likelihood in the MSME's financial performance.

When the entrepreneurial qualities are regressed against the MSME's financial condition during the Covid-19 crisis, we find that being more cooperative results in less likelihood of experiencing further loss. In contrast, being more proactive results in more likelihood of experiencing further loss. Lastly, we find that having fewer financial risks results in more likelihood in the MSME's financial stability.

The limitation of this research is the fact that the dependent variable is subjective to the owner or the entrepreneur. Due to the pandemic and partial lockdown, our observation is limited, and no secondary data can be found regarding the MSME's financial matters. Having the actual growth can produce a direct relationship between these qualities and the MSME's financial performance. Another limitation is the number of observations studied in this research. A larger number of observations are desirable to assure higher levels representing the population.

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