



Financial bootstrapping: external financing dependency alternatives for SMEs

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ABSTRACT

The sensitivity of external financing is the main issue in developing small and medium-sized enterprises (SME) in general. A similar problem is also experienced by several batik small and medium enterprises in Central Java, Indonesia. This research strives to explore the creative alternative strategies done by batik micro, small, and medium enterprises to reduce the dependence on external capital. The samples were chosen based on a purposive sampling method in three Central Java regions, namely Pekalongan Regency, Rembang Regency, and Surakarta Municipality. The data were then analyzed using a quantitative and qualitative descriptive approach. These research findings reveal that there are variations in the bootstrapping financing method; as well as financing profiles of each in the three regions that reveal the dynamics of business funding. Referring to the description of alternative funding patterns carried out by entrepreneurs, the bootstrapping strategy can be grouped into six (6) types based on the available resources. Batik entrepreneurs can overcome their financial problem by applying bootstrapping methods, so that businesses can operate properly.

ABSTRAK

Sensitivitas pembiayaan eksternal masih menjadi kendala utama dalam mengembangkan usaha kecil dan menengah (UKM) secara umum. Masalah serupa juga dialami oleh beberapa pengusaha batik skala kecil, dan menengah di Propinsi Jawa Tengah, Indonesia. Penelitian ini bertujuan untuk mengeksplorasi strategi alternatif kreatif yang dilakukan oleh para pengusaha batik skala kecil, dan menengah untuk mengurangi ketergantungan pada modal eksternal. Sampel dalam penelitian ini ditetapkan berdasarkan metoda purposive sampling pada tiga wilayah di Propinsi Jawa Tengah, yaitu Kabupaten Pekalongan, Kabupaten Rembang, dan Kota Surakarta. Data yang telah diperoleh selanjutnya akan dianalisis menggunakan pendekatan deskriptif kuantitatif dan kualitatif. Temuan penelitian ini mengungkapkan

bahwa terdapat variasi dalam metoda pembiayaan bootstrapping; serta profil pembiayaan masing-masing di ketiga wilayah yang mengungkapkan dinamika pendanaan usaha. Merujuk pada gambaran pola pendanaan alternatif yang dilakukan pengusaha, maka strategi bootstrapping dapat dikelompokkan menjadi enam (6) jenis berdasarkan sumber daya yang tersedia. Pengusaha batik dapat keluar dari masalah keuangan melalui penerapan metoda bootstrapping pendanaan, sehingga bisnis dapat beroperasi dengan baik.

INTRODUCTION

The diversity in the available types of financing has motivated small and medium-sized enterprise (SME) entrepreneurs to search for capital and strive to take advantage of it based on company needs. The ability to search for the appropriate type of financing and allocate it optimally will determine the success of a company (Klonowski, 2016). Thus, the type of financing is related both directly and indirectly with the company performance. The kinds of financing can be categorized into two types, which are formal and informal financing (Fraser, Bhaumik, & Wright, 2015; Markova & Petkovska-MirčEvska, 2010; Vasilescu, 2010). However, having a diversity of capital sources does not guarantee that an SME entrepreneur can access them easily and extensively (Ebben, 2009). This is especially true when entrepreneurs want to access formal capital sources, whether from banks or other non-bank financial institutions. This is due to information asymmetry between fund providers and the SME prospects (Yazdipour, 2011), so that it disrupts the flow of funds and the size of capital costs incurred by the entrepreneur. Coleman (2004), supported by López Salazar, Contreras Soto, & Espinosa Mosqueda (2012), stated that in an investment and evaluation analysis scope, SMEs have a high level of uncertainty in their prospects and cash flow compared to large scale companies that are already established. A similar condition is also seen in a capital analysis, where SMEs do not have enough external capital access that is extensive enough for their own debt and capital/ equity.

The existence of SMEs as a country's pillar of economy deserves serious attention from various parties. An SME has played main roles in creating jobs, triggering innovations and creating new products, and thus encouraged the economic growth (Kim, 2011). At the same time, SMEs face major problems in securing financial conditions that can hinder their growth. Entrepreneurs realize the importance of capital to support the sustainability of their businesses (Rocca, Rocca, & Cariola, 2011; Wehinger, 2013). Therefore, when they face obstacles in accessing capital, they must search alternative financing strategies to reduce their dependence on external capital, in order that the enterprises can keep operating. SME entrepreneurs can overcome the constraints of resource needs such as fulfilling external finance through

creative or unconventional funding strategies. This method is known as 'bootstrapping' (Cornwall, Vang, & Hartman, 2015; Schinck & Sarkar, 2012; Wing, 2010). This method is generally applied by SMEs that are start-ups and can also be found in ongoing enterprises. Skilled entrepreneurs have entrepreneurial orientations such as dare to take risks, innovative, and proactive to win business competition (Dai, Maksimov, Gilbert, & Fernhaber, 2014; Kreiser & Davis, 2010; Rauch, Wiklund, Lumpkin, & Frese, 2009). These entrepreneurial orientations are intangible assets that facilitate entrepreneurs to mobilize, assemble, and manage their resources for value creation through entrepreneurship (Alvarez & Barney, 2017; Anderson & Eshima, 2013). The entrepreneurial characteristics attached to entrepreneurs will motivate them to conduct future market anticipation towards the capital, material, workforce, competition, and prices (Rita, Priyanto, Andadari, & Haryanto, 2018). Creativity and innovation are also seen when entrepreneurs try to look for solutions to external capital difficulties, one of which is reflected in the combination of the bootstrapping method used.

Batik SMEs are industries that are quite developed in Indonesia, considering that every regency/city has a batik with its own special characteristics (Setyorini, Pinasti, & Rokhayati, 2013). This industry is one kind of industries that prioritizes innovation and creativity in its processes and products. This is inseparable from the business strategies applied by a company, including in company financing activities. The batik industries in Indonesia are mostly SMEs, with various problems that are generally related with small-scale companies, like capital constraints. Batik SMEs also experience capital constraints that affect business success (Rita, Wahyudi, & Muharam, 2018), so that entrepreneurs are expected to be creative to overcome this financial problem (Vanacker & Sels, 2009). Difficulties within companies cannot be avoided as they continue to grow. Actually, when entrepreneurs understand these obstacles, they can assist them to develop an innovative culture and support new ideas through an attitude to avoid rejecting new ideas (Madrid-Guijarro, Garcia, & Van Auken, 2009).

Previous researches were conducted on the bootstrapping financing method in various ways. Neely and Van Auken (2012) pointed out the relationship between applying bootstrapping with access and short-term and long-term debt for small enterprises. Fatoki (2013) investigated the financial bootstrapping methods used by immigrant entrepreneurs in South Africa. Grichnik, Brinckmann, Singh, and Manigart (2014) emphasized the antecedents and consequences of bootstrapping. Miao, Rutherford, and Pollack (2017) discussed the relationship between bootstrapping method and small and medium-sized enterprises (SMEs).

Studies discussing bootstrapping financing method in creative business like

batik SMEs have not been conducted, considering innovative and creativity characteristics which are strongly bound in batik industries. It is possible that there are other variations and types of bootstrapping techniques with other kinds of businesses. It is also still rare to classify bootstrapping methods based on the available resources in these SMEs, so that this research needs to be conducted. The purpose of this research is to explore how batik SMEs overcome external capital obstacles whether from debt or ventures in a creative way to protect the continuance of their businesses. This research contributes in providing a greater understanding in entrepreneurial finance studies from the entrepreneur's side (demand-side entrepreneurial finance), especially in terms of financing creativity for SMEs. This study also develops concepts and provides insight into creative funding behaviors from SME entrepreneurs (bootstrap financing). SME entrepreneurs have to be able to be proactive rather than implementing a reactive financial strategy to reduce dependency on external funding. An alternative of non-conventional funding like this is very necessary to position the business to be more developed.

LITERATURE REVIEW

Bootstrapping

Entrepreneurship studies are interconnected with the entrepreneurial behavior aspect. The characteristic of an SME where the owner also acts as a manager (owner-manager) makes the entrepreneur's performance influences every decision taken by the company (Blackburn, Hart, & Wainwright, 2013; Wu, 2009). An entrepreneurial activity consists of identifying an opportunity, developing an idea, as well as gathering and assembling heterogeneous resources to create value (Thornton, Ribeiro-Soriano, & Urbano, 2011), even though the series of activities can occur together at the same time. Two keywords in an entrepreneurial activity are opportunity and innovation.

Sometimes an entrepreneur receives a business opportunity that is considered to have high prospects, but there are obstacles in terms of funding limitations in order to execute that opportunity (Carbo-Valverde, Rodriguez-Fernandez, & Udell, 2016). Here the role of an entrepreneur is needed to handle the problem in a creative way. Creativity and innovation can be initiated from an effort to obtain resources that will be developed in business operations. An important resource is funding, because it can be converted in a more flexible manner into other resources when needed. However, external financing efforts for SMEs are often encountered obstacles due to information asymmetry and agency problems from fund providers (Denis, 2004). Therefore, entrepreneurs are required to have alternative and creative ways to overcome their

dependence on external capital. A creative way to obtain resources through a non-traditional way is defined as bootstrapping (Miao et al., 2017; Winborg, 2009).

The advantages of the bootstrapping method are (1) easy to obtain, (2) convenient, (3) minimum requirements, and (4) no business plan or guarantee needed (Neeley & Van Auken, 2010). Nascent firms often lack of traditional financial metrics, track records, and may not have a clear concept of their business model, so they have a great difficulty in obtaining external financing (Honig, Karlsson, & Hägg, 2014). Therefore, this method of creative resource acquisition can be a part of the SME's financial strategy.

There are various bootstrapping methods that can be applied in a company. Winborg and Landström (2001) categorized them as: (1) customer-related bootstrapping (minimizing the bootstrapper) by maintaining the accounts receivable and keeping the inventory as low as possible, (2) delaying payments to protect the cash flow cycle, (3) owner-related bootstrapping, where the entrepreneur depends more on personal resources than external capital, and (4) sharing resources to reduce costs through joint utilization. A combination of several bootstrapping methods is expected to be able to assist an SME to grow and become sustainable, and even to create competitive superiority.

Asymmetry Information Theory

Based on the asymmetry information theory, there is a lack of knowledge in one or several of the parties in conducting a transaction, which causes a financial institution to apply high fees, so that the entrepreneur has difficulty in acquiring funds (Fatoki & Odeyemi, 2010; Greenwald & Stiglitz, 1986). The high fees incurred on a small enterprise when it wants to access external capital result in a small opportunity to acquire business capital in the financial market. If it does receive capital, the company will have relatively high costs, which in the end will increase the company's bankruptcy risk. The consequences from either the high capital fees or the failure to be funded by external parties have encouraged entrepreneurs to look for solutions in order to solve the company's capital problems.

Financial bootstrapping can be a solution to financial problems for SME entrepreneurs because this method only requires resources to start and grow a business at the lowest possible level or even without costs (Schinck & Sarkar, 2012), and even get the main benefits in times of credit crises. This creative financing effort can reduce the sensitivity of dependence on external funding due to information asymmetry problems between entrepreneurs and financiers. Bootstrap financing is a solution for small companies due to lack of access to capital markets and difficulties in increasing capital (Neeley & Van Auken, 2010).

Resource-based Entrepreneurship Theory

A company which has few resources can still compete with a company that has greater resources by utilizing innovative methods to develop or to look for an approach to take advantage of the available resources that it owns (Vanacker, Manigart, Meuleman, & Sels, 2011). This theory is developed from a collaboration of the entrepreneurship theory and the resource-based view theory (RBV). The resource-based view theory states that a company, which can outperform its competition, is the one that has a competitive advantage, and this competitive advantage surfaces from the resources that it owns (firm resources). A firm's ability to manage the resources effectively and efficiently compared with another company will facilitate it to win the business competition.

The resource-based entrepreneurship theory claims that an individual has a unique ability to find opportunities, look for the necessary resources to take advantage of opportunities, and organize homogenous input to become heterogeneous output. Meanwhile, when a company has heterogeneous resources, an entrepreneur can create more competitive new business opportunities (Alvarez & Barney, 2017). Brown, Davidsson, and Wiklund (2001) also discussed this theory in their research about entrepreneurial management, which has dimensions like strategic orientation, resource orientation, management structure, reward philosophy, growth orientation, entrepreneurial culture, and entrepreneurial orientation, which involves risk taking, innovativeness, and proactiveness. This entrepreneurial management is able to manage resources in order to be developed to produce a competitive output.

RESEARCH METHODS

The population of this research was SMEs involved in batik businesses that were located in Central Java Province, in Pekalongan, Lasem, and Surakarta. These three locations were chosen because these regions have many batik SMEs, both exporters and non-exporters. Besides, these three locations were picked because they have specific uniquenesses. Surakarta was chosen because its batik industry is influenced by the Surakarta palace; Rembang was chosen because its batik is an assimilation of Javanese and Chinese culture; and Pekalongan was selected because its batik is a more complex cultural assimilation of Chinese, Malaysian, Japanese, Dutch, and Arab (Rita, Priyanto, et al., 2018).

Purposive sampling approach was used to choose the samples. The respondents were SME owners or managers who thoroughly understood about the firms they were running as well as how the firms were financed. The batik SMEs were chosen based on production, not just retailers or grocers. There were two batik clusters in Surakarta

(Laweyan and Kauman), four batik clusters in Pekalongan (Pesindon, Kauman, Wonokerto, and Krapyak), and the most advanced batik cluster in Rembang (Lasem). Based on the criteria, 317 samples were obtained (217 samples from Pekalongan Regency, 60 samples from Surakarta Municipality, and 30 samples from Rembang Regency).

The data collection methods used in this research were through distributing and completing questionnaires as well as conducting interviews. The data were obtained through a financing profile from the internal and external sources from 2014-2017 and a bootstrapping method that was applied by entrepreneurs to support the business operations. The analysis techniques used in this research were quantitative and qualitative descriptive approaches. The analysis depicted: (1) the respondents' profiles (the entrepreneur's age, gender, experiences, and education level), (2) the batik SME's financing profile in 2017, (3) the batik SME financing dynamics from 2014-2017 period, (4) as well as various other alternative financing methods to support the firms.

Financial bootstrapping refers to the application of methods to fulfill resource needs without relying on long-term external finance from debt holders and/or new owners (Malmström, 2014; Winborg & Landström, 2001). While, Neely and Van Auken (2012) interpreted bootstrap financing as an attempt to overcome liquidity problems by providing additional resources to small companies when traditional funding sources are not accessible. Based on these definitions, financial bootstrapping can be defined as a creative and non-conventional financing strategy by SME entrepreneurs to reduce their dependence on external funding sources, both debt and equity.

ANALYSIS AND DISCUSSIONS

Batik SME Entrepreneur Profile

The batik SME entrepreneur respondents' personal aspects will be explained for each research location, as depicted in Table 1.

Table 1
Respondent Profile

	Surakarta Municipality	Rembang Regency	Pekalongan Regency	Total
Age				
Min	24	22	19	19
Max	69	60	72	72
Mean	46	41	40	42
St.Dev	10	10	12	1,07
Gender				
Male	43 (72%)	10 (33%)	139 (64%)	192 (63%)
Female	17 (28%)	20 (67%)	78 (36%)	115 (37%)
Total	60 (100%)	30 (100%)	217 (100%)	307 (100%)
Experience				
Min	5	5	5	5
Max	43	15	48	48
Mean	16	7	13	12
St. Dev	9	2	8	3,45
Education Level				
Not finishing elementary school	0 (0%)	0 (0%)	4 (1,5%)	4 (1,3%)
Elementary School	1 (2%)	8 (27%)	9 (4%)	18 (5,4%)
Junior High School	5 (8%)	10 (33%)	28 (13%)	43 (14%)
Senior High School	26 (43%)	10 (33%)	114 (53%)	150 (49%)
Undergraduate	28 (47%)	2 (7%)	61 (28%)	91 (30%)
Master/Doktoral Degree	0 (0%)	0 (0%)	1 (0,5%)	1 (0,3%)
Total	60 (100%)	30 (100%)	217 (100%)	307 (100%)

Source: Processed primary data (2019)

Based on the age category, the respondents in average were 42 years old, even though there were age variations of the respondents in the three locations. There was a rather large age distribution of the respondents in Pekalongan, while in Surakarta and Rembang the age distribution was about the same. In general, the majority of the respondents were males (63 percent), and the rest were females (37 percent).

The respondents in Surakarta and Pekalongan were mostly males as the batik firm owners, with each location comprising 72 percent and 64 percent, while in Rembang it was dominated by batik SME female entrepreneurs (67 percent). Based on the findings in the field, it was found that batik firms in Surakarta and Pekalongan were mostly managed by the heads of the households. Even though women also assisted in the businesses, they were not as active as in the company management. A

different condition was seen in Rembang batik firms, where women were more active in managing their firms, while men worked more in the outside of the batik sector.

The respondents' firm experience in Surakarta and Pekalongan was about 12 years, while in Rembang the average was 7 years. Apart from that, in general, it can be said that their firms were able to get by in the early years that were full of instability/ crises, so that they could withstand it for more than five years (Barkham & Gudgin, 2002). As a result, the SMEs could be more focused on their firm development.

The distribution of the respondents' average education background in Pekalongan Regency started from not finishing elementary school (2 percent) until the Master Degree/ Doctoral Degree level (0.5 percent). In Surakarta Municipality, the respondents' education at the high school/ vocational high school level was 37 percent, and at the academy/ undergraduate level was 47 percent. In Rembang Regency, the respondents' education at the elementary school level was 27 percent, at the middle school/ equivalent level was 33 percent, and at the high school/ vocational high school/ equivalent level was 33 percent.

Batik SME Financing Profile

Table 2 depicts the batik SME financing structure in the three regions, which consists of external resources in the form of debt and venture capital, as well as internal capital, which comes from the owner's capital savings.

Table 2
Respondent Financing Profile

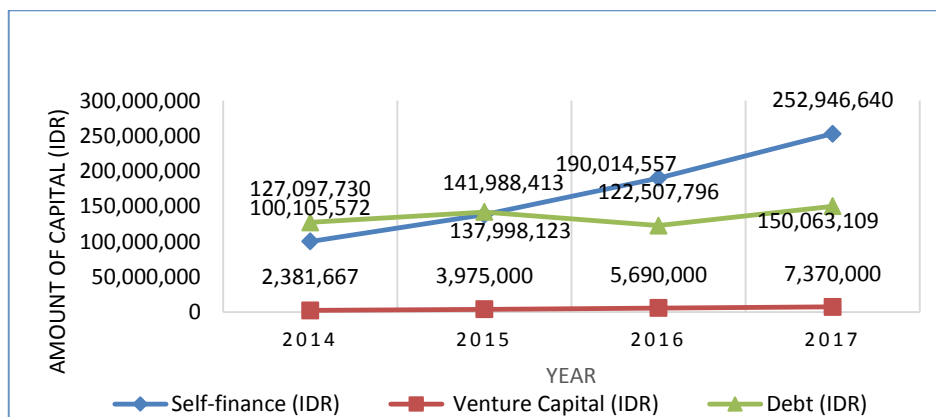
	Surakarta Municipality	Rembang Regency	Pekalongan Regency	Total
Debt (IDR)				
Min	5.000.000	0	0	5.000.000
Max	3.000.000.000	100.000.000	6.151.928.694	6.151.928.694
Mean	260.556.852	22.786.667	142.501.469	207.391.066
St. Dev	597.444.836	21.385.456	589.601.524	1.187.420.214
Venture Capital (IDR)				
Min	0	0	0	0
Max	500.000.000	100.000.000	180.000.000	500.000.000
Mean	34.950.000	4.166.667	3.879.630	62.440.377
St. Dev	88.235.514	18.666.000	16.432.083	304.913.472
Owner Capital (IDR)				
Min	0	5.000.000	0	5.000.000
Max	1.700.000.000	25.000.000	2.000.000.000	2.000.000.000
Mean	255.400.000	53.666.667	253.714.055	291.174.524
St.Dev	310.948.914	58.999.318	328.642.033	531.402.999

Source: Processed primary data (2019).

The amount of long-term and short-term debt that was used for financing the firms showed variations in average. The distribution of the amount of debt in Surakarta and Pekalongan was relatively the same (reaching approximately IDR 600 million), while in Lasem it only averaged about IDR 20 million. This debt financial condition reflects the firm’s scale in the three locations, where the batik SMEs in Surakarta and Pekalongan were small until medium scale firms, while in Rembang it was dominated by micro scale firms. The amount of the second external funds was in the form of venture capital that was obtained from individuals or institutions by applying a distribution system between the capital provider and the batik SME entrepreneurs. The highest venture capital was owned by a respondent from Surakarta (IDR 500 million) which had 30 years experiences in business. Having rather long firm performance was considered as a positive signal for the venture capital provider to be willing to invest funds in the firm.

Besides external capital, the respondents also had internal resources in the form of self-finance, which was in the form of capital savings by the SME owners. This kind of self-finance is commonly done by SMEs, especially when pioneering a firm for the first time (Garcia-Tabuenca & Crespo-Espert, 2010). In the next stage, when the firm has developed, the entrepreneur can utilize the profit obtained to develop his/her business further. SMEs in Surakarta and Pekalongan had about the same average of owner capital savings, at about IDR 250 million. Meanwhile, SMEs in Rembang, which were dominated by micro scale companies, the average of owner capital savings was only IDR 50 million.

Based on the observations during 2014-2017, batik SME financing in the three research locations showed fluctuations, whether it came from internal sources (owner’s savings) or from external savings in the form of debt and venture capital.



Source: Processed primary data (2019)

Figure 1
Batik SME Financing Dynamics in 2014-2017

Figure 1 reveals that SME owner savings (self-finance) from 2014-2016 experienced a rather significant increase with an average of IDR 142,706,084 until in 2017 it increased by about 24 percent. Meanwhile, the external resources in the form of debt from 2014-2016 experienced fluctuations with an average of IDR 130,531,313. However, in 2017, it was followed by an increase in debt of about 19 percent. The amount of venture capital used by the respondents in 2014-2016 was in a stable range of about IDR 4 million, and it experienced an increase of approximately 28 percent in 2017. It shows that SMEs tended to rely on internal capital rather than external capital. In line with the pecking order theory, new external capital is used when the internal capital is unable to fulfill the firm's needs (Serrasqueiro, Armada, & Nunes, 2011). However, in general, batik SMEs had good financing access in the form of an increase in the amount of funds (internal or external), which could be used to support the firms.

Figure 1 clarifies that in a 4-year period, the increase in external capital (debt and venture capital) was not as drastic as the increase in internal capital in the form of owner capital savings. Moreover, in 2016, the amount of firm debt decreased, but it increased again in 2017. The financing phenomenon reflects that batik SMEs did not depend too much on external funding. This condition indicates that there were alternative resources that could be accessed and utilized by entrepreneurs to support their business operations. This condition is seen in the bootstrapping strategy, which was used by the entrepreneurs in the three regions.

Bootstrapping Method

An entrepreneur's creativity in handling external financing difficulties will be seen from the combination of bootstrapping methods applied. The respondents in Surakarta and Rembang applied several of the same bootstrapping methods to reduce the dependence on external financing sources, where they could still operate with cheaper funding costs, or even without interest. More various bootstrapping methods were shown by the respondents in Pekalongan. Below are the bootstrapping methods that were applied by the respondents in the three regions:

Tabel 3
Bootstrapping Methods Used by the Respondents

No	Bootstrapping Methods		
	Surakarta Municipality	Rembang Regency	Pekalongan Regency
1	Delay payment to supplier	Delay payment to supplier	Delay payment to supplier
2	Cash sales	Cash sales	Cash sales
3	Funds without interest	Funds without interest	Funds without interest
4	Require down payments	Require down payments	Require down payments
5	Borrow raw materials	Borrow raw materials	Borrow raw materials
6	Reduce employee	Reduce employee	Reduce employee
7	Look for cheaper raw material alternatives	Look for cheaper raw material alternatives	Look for cheaper raw material alternatives
8	Take savings	Take savings	Take savings
9	Outsourcing	Outsourcing	Outsourcing
10	Reduce production	Reduce production	Reduce production
11	Utilize profit	Utilize profit	Utilize profit
12	Combination method	Combination method	Combination method
13	-	-	Transfer profit from another business
14	-	-	Reduce employee costs

Source: Processed primary data (2019)

The strategy to reduce the dependence on external financing can be done by taking advantage of the resources owned by the SME (batik firm profit or from outside the batik firm, as well as the owner's savings). Besides, customers can also help business funding through utilizing down-payment and cash sales, so that it does not disrupt the cash cycle. Next, from the suppliers' side, they also play a role in supporting bootstrapping through providing installment payment for the raw material (*mori* cloth, wax, and coloring).

The employment aspect also supports this strategy by reducing the number of employees (moreover when there was small number of orders) and reducing the employee wages. Reducing the employee wages will be compensated by providing bonuses for the employees when the profit increases. The production efficiency also affects the reduction in external funding needs. This situation is seen from loan lending activities of the raw materials with other batik craftsmen, looking for cheaper material alternatives (for instance, by using natural dyes instead of chemical dyes), outsourcing production to other batik craftsmen, and reducing production.

The next alternative is to use interest-free funds from relatives or friends. It can occur when there are strong ties and trust from the fund provider to a credible entrepreneur. Occasionally, the funds are also able to be obtained by the entrepreneur because there is a good social relationship between individuals (Jones & Jayawarna, 2010). The advantages of this financing bootstrapping will be greater whenever an

entrepreneur is able to combine the methods above smartly.

CONCLUSIONS, LIMITATIONS AND SUGGESTIONS

In order to implement the bootstrapping financing strategy in batik SMEs needs the existence of other resources in the firms (owner or employee), or related parties/other stakeholders (customers, suppliers, other batik craftsmen, relations/associates). Based on the findings, future research can summarize the types of capital bootstrapping in batik SMEs into the following categories: a. owner-related bootstrapping; b. customer-related bootstrapping; c. supplier-related bootstrapping; d. production-related bootstrapping; e. labour-related bootstrapping; f. strong ties-related bootstrapping.

Categorizing the bootstrapping, which refers to the resources in this research, enriches the study results of (Winborg & Landström, 2001) through the appearance of a labour-related bootstrapping strategy and a strong ties-related bootstrapping strategy. In line with the firm development, it is possible that there will be financing constraints of a bigger magnitude. It will need more innovative and creative financing strategies from the SME entrepreneurs, in order that they can protect the sustainability of their firms. It is predicted that bootstrapping can be a means to win business competition and improve competitive advantage (Mac an Bhaird & Lynn, 2015) through the key resource acquisition approach to respond to the resource constraints faced by SMEs (Grichnik et al., 2014).

This research had several limitations as follows: an alternative financing strategy to reduce the dependence of entrepreneurs on external funds has not been connected with firm performance, either financially or non-financially. Previous research has already examined this bootstrapping effect towards financial performance (Ebben, 2009; Rutherford, Coombes, & Mazzei, 2012), but there has not been any study which connect it to non-financial performance such as market performance and entrepreneurial performance. Therefore, future research can accommodate these limitations.

This research was only conducted on a cross-section. It is possible that the types of bootstrapping applied in the SMEs are different in every firm's life cycle. It is based on the fact that every firm development phase needs different strategy and situation orientations (Donald, John, & Shawn, 2003), so that the capital needs will be adjusted with the firm development stage (Faff, Kwok, Podolski, & Wong, 2016). Therefore, it is recommended to explore the bootstrapping strategy based on the firm life cycle (introduction, growth, maturity, decline, shake-out, renewal), so a more diverse financing creativity depiction can be obtained.

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