

ENTREPRENEURS' SOCIAL AND HUMAN CAPITAL ON THEIR KNOWLEDGE OF FINANCE ALTERNATIVES: EVIDENCE FROM INDONESIA

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Abstract

This study aims to examine the impact of entrepreneurs' social capital and human capital on their knowledge of finance alternatives. The study was conducted through a questionnaire survey of 90 entrepreneurs (employers) of creative businesses located in Yogyakarta, Indonesia. This study found several important things. First, entrepreneurs' social capital had a positive influence on their knowledge of finance alternatives. Second, entrepreneurs' general human capital, only a few indicators, affected their knowledge of finance alternatives. These results showed weak support for the influence of general human capital on the knowledge of finance alternatives. Third, interestingly, entrepreneurs' specific human capital had no impact on their knowledge of advanced finance alternatives for the growth phase. These results also provided weak support for the influence of specific human capital on the knowledge of finance alternatives.

Keywords: Social Capital, Human Capital, and Creative Business

Introduction

Financing decision is an important decision made by the entrepreneurs, which has significant implications on future growth potential of the ventures and the risk of business failure (Cassar, 2004). In this case, the entrepreneur should have a broader knowledge and skills regarding finance alternatives. However, in reality, not all entrepreneurs have broader knowledge of finance alternatives potential that have low costs and provide added value to enhance shareholder value. Initial knowledge gap of the entrepreneurs will lead to suboptimal finance decisions and restricted funding alternatives under consideration. This can lead to high risk or capital costs incurred by entrepreneur.

Several extant studies have supported this statement, that entrepreneurs generally have limited knowledge of finance alternatives (Seghers, Manigart & Vanaker, 2012, Van Auken, 2001). The entrepreneurs with limited knowledge, especially on small businesses, are often faced with finance constraints and are unable to raise sufficient external funds necessary to finance all value-creating investments (Ullah & Taylor, 2007). The results of such studies are not in line with the conventional financial theory explanation, that all parties fully informed, therefore employers are fully aware of the existence of all the information of the financing alternative potentials as well as their advantages and disadvantages (Brealy, Myers & Allen, 2013; Seghers et al., 2012).

Some researchers have conducted a study on corporate finance decisions. Characteristics of the entrepreneur may have an impact on finance decisions, such as knowledge of finance alternatives (Seghers et al., 2012). Several studies have supported this statement, although it is still limited (Cassar, 2004; Van Auken, 2005). Good knowledge of finance alternatives is the basis for making good financial decisions. Results of the studies, for example, Seghers et al., 2012 showed that social capital and human capital have an impact on knowledge of finance alternatives. Entrepreneurs with specific education and experience, such as more experience in finance and accounting, business education, have a broader knowledge of finance alternatives. Likewise, entrepreneurs who have a strong network in the financial community is positively associated with extensive knowledge of finance alternatives. Nevertheless, the general human capital, including higher education, industry experience, and management experience is not related to knowledge of finance alternatives.

This present study re-examines aspects of the entrepreneurs' knowledge of finance alternative. This is important, given the limited understanding of finance alternative will most likely be a hindrance to the development of a successful capital acquisition strategy (Seghers et al., 2012; Van Auken, 2005). This study focus on the relationship of entrepreneurs' social capital and human capital with their knowledge of finance alternatives. Therefore, this study specifically test whether entrepreneurs' social capital and human capital have impact on their knowledge of finance alternatives.

Several main reasons motivating research on the entrepreneurs' knowledge of finance alternative and its relation to social capital and human capital. First, knowledge of finance alternative reflects the level of entrepreneurs' financial literacy. Nevertheless, the study of the knowledge of finance alternative of a creative business is still rarely done in the Indonesian context. In this position, this study seeks to fill the existing gap.

Second, the importance of a test of a model that is able to provide a complete explanation of the knowledge of finance alternatives. To respond to

this need, this study re-examines the theoretical framework of Seghers et al. (2012) models concerning the knowledge of finance alternative in terms of the views of creative business entrepreneurs in Indonesia. This study develops a model combining aspects of social capital and human capital. This model was developed based on social capital theory perspective (Shane & Cable, 2002; Seghers et al., 2012) and human capital theory perspective (Seghers et al., 2012). The results of this study explains why the majority of the entrepreneurs with the initial knowledge gap, can lead to suboptimal funding decisions.

Third, this study realizes the importance of a guide for practitioners and employers or entrepreneurs so that they are aware of the various financing alternatives available in various stages of the business life cycle. This study realize the importance of financial literacy model of knowledge of finance alternative can be explained from social capital and human capital perspective. The employers should recognize various sources of available funding. Good knowledge of finance alternative can reduce the risk of capital costs and increase value-added business. The model tested in this study can be one of the guides of financial literacy materials for entrepreneurs through financial literacy education programs in Indonesia.

Literature Review And Hypothesis Development

Theoretical Framework

This study focuses on the impact of entrepreneurs' social capital and human capital on their knowledge of finance alternative. This impact is important to study because previous studies proved that knowledge of finance alternatives will affect their financial behavior (Van Auken, 2001; Seghers et al., 2012). Although traditional financial theory generally assumes that the decision maker is fully aware of all financing alternatives and their characteristics, entrepreneurial experts argue that not all entrepreneurs have the same knowledge about the extent of funding alternatives that are available (Van Auken, 2001). This resulted in the initial knowledge gap of finance alternative. Entrepreneurs often do not have detailed knowledge of finance alternative, thereby limiting the set of finance option that they consider (Van Auken, 2001). Lack of knowledge about this funding will further hamper the entrepreneur when negotiating or pricing of the investment. This will result in a failed entrepreneur to obtain an optimal capital. They acquire the level and composition of capital which is not feasible (Van Auken, 2005).

Explanation of the finance alternative can be based on social capital theory and human capital theory perspective (Seghers, et al., 2012). In particular, both theories are used to explain the relationship between the founders' characteristics and their knowledge of finance alternatives.

Human Capital and Finance Alternatives

Previous researches show how the relationship between human capital of entrepreneurs and funding strategies. First, the extant studies suggest that human capital is positively associated with the wealth of the entrepreneur or company founder. Therefore, an entrepreneur with more human capital, can use more of their personal funds to mitigate their venture finance constraints (Lindh & Ohlsson, 1996).

Second, the entrepreneurs' human capital serves as a signal of quality for external investors. This signal is useful in an environment with a high degree of information asymmetric. This increases the probability that investor will provide financial resources to uncertain ventures (Hallen, 2008). Both effects explain why new businesses founded by entrepreneurs with higher human capital generally have less binding capital constraint (Astebro & Bernhardt, 2005, Hsu, 2007). Human capital of entrepreneurs may not only be related to the quality signal or personal wealth but also with regard to their knowledge of financing options.

Human capital theory states that an entrepreneur with a good human capital will perform better than the entrepreneur which is lacking in human resources (Becker, 1997). The accumulated knowledge of entrepreneur allows them to have superior cognitive abilities that make them more productive and efficient in a number of start-up activities, including funding decisions (Van Auken, 2005; Westhead, Ucbasaran, & Wright, 2005). Thus, entrepreneurs with better human capital are expected to be knowledgeable about the financing options (Van Auken, 2005).

Following previous research, this study distinguishes between general and specific human capital (Colombo & Grilli, 2005; Dimov & Shepherd, 2005). In this study, the general human capital related to general knowledge entrepreneurs. This general knowledge, including formal education and professional experience and it is not directly related to funding decisions. Meanwhile, specific human capital, including education and experience, relating directly to funding decisions-making (Dimov & Shepherd, 2005).

Entrepreneurs with higher level of general human capital will experience lower knowledge gap of finance alternatives compared to the those with lower level of general human capital. Specifically, In particular, it is expected that there is a positive association between the level of education of entrepreneurs and their knowledge of finance alternatives. Higher education is expected to contribute to the ability of entrepreneurs to analyze the information. Higher education will encourage someone to develop the ability to acquire knowledge independently. They use the knowledge in order to solve various problems (Dochy, Segers, & Sluijsmans, 1999).

In addition to education, experience of employers are also related to the knowledge of funding alternatives. The results of studies indicate that in

many cases novice entrepreneurs differ from those with prior founding experiences (Westhead & Wright, 1998). The entrepreneur with higher level of the prior founding experience and prior work experience may have learned from their experience. Such experience will enable them to formulate a broader strategy for starting new ventures. This strategy includes business planning, business financing, and interaction with the external environment (Alsos & Kolvereid 1998). Previous research indicates that entrepreneurs with less experience will seek less information than those who experienced more (Westhead, et al., 2005).

Extant studies imply that entrepreneurs with more previous work and founding experience may search for more information on financing alternatives and their characteristics. Extensive search process leads to broader knowledge of funding alternative. Experienced entrepreneurs may raise start up funding more easily and in larger amounts (Seghers, 2012). Entrepreneurs with the higher level of generic human capital may be have greater knowledge of finance alternative. Based on this explanation leads to first hypotheses as follow:

H₁: Entrepreneurs' generic human capital have positive influence on their knowledge level of finance alternative

The employers are more likely to learn when they perform tasks that have more to do with previous experience and knowledge. Therefore, specific human capital will be more valuable than the general human capital (Seghers, et al., 2012). The study of Davidson and Honig, (2005) found that specific human capital is positively associated with the discovery of a new venture. Their results also showed that the effect of general human capital is weak and inconsistent.

Entrepreneurs with a business education not only have a common problem-solving skills, but also has a more relevant knowledge in the domain of finances education than those with non-business or with less education (Dimov & Shepard, 2005). Although, the knowledge of finance alternative obtained during business education is outdated, but when specific knowledge is needed it will trigger them actively to seek current information and allows them to more easily gain knowledge on other financial options. Knowledge of funding options may also be derived from specialized knowledge gained by the employers of their experience in the field of accounting and finance.

It is expected that the entrepreneurs, who have more experience related to finance, will be aware of the various types of providers of financing for new ventures. Direct experience on acquisition of fund, giving employers a thorough knowledge of the financing alternatives and their characteristics (Seghers et al., 2012; Van Auken, 2005). Based on the previous explanation, leads to the following hypothesis:

H₁: Entrepreneurs' specific human capital have positive influence on their knowledge level of finance alternative

Social Capital and Finance Alternative

In addition to human capital, the entrepreneur can also learn about funding alternative through their social capital (Hsu, 2007). The main proposition in the social capital theory refers to actor's ability to look for a variety of benefits, such as information, social structure, network, and members (Granovetter, 1985).

Relationships with relevant individuals and organizations, giving an advantage to employers an access to personal information. Seghers et al., (2012) stated that many and steady relationship with financial community, before starting a new business, it can also reduce information problems experienced by entrepreneurs. Transfers information to employers is about financing alternatives and their characteristics (Van Auken, 2005). In this case, Seghers et al., 2012 found that social capital has an impact on knowledge of finance alternatives. Entrepreneurs who have a strong network in the financial community is positively associated with extensive knowledge of finance alternatives. The broader network allows employers to obtain information of finance alternatives. Entrepreneur with many relationships in the financial community have greater knowledge of finance alternative than those with little relationship. This explanation leads to the following hypotheses:

H₃. Entrepreneurs' social capital have a positive influence on their knowledge level of finance alternatives

Research Method

Sample

The study was carried out with sample survey of entrepreneurs (owner) belonging to various creative business of Indonesia. Purposive sampling was adopted to select the enterprises and entrepreneurs. Questionnaires was given to micro and small businesses in the creative industries located in Yogyakarta, Indonesia. The number of respondents used throughout this study were 90 entrepreneurs (owner or founder).

The characteristics of respondents based on gender, age, marital status, education level, number of employees, target market, industry type of business, and businesses' age. Table 1 describes the frequency and percentage of respondents based on their characteristics. In terms of gender and marital status, among of respondents, majority were female and are married. Most of employer's age above 40 years. Meanwhile, in the young group, 8 percent below 30 years, which implies the creative industry less attractive to young people.

Table 1. Demographic Characteristics of The Respondents (n = 90)

Num	Characteristics	Aspects	Frequency	Procentage
1	Gender of Owner	Male	63	70
		Female	27	30
2	Age of Owner	< 30	8	8.9
		30 -40	16	17.8
		>40 -50	31	34.4
		>50	35	38.9
3	Marital Status	Married	76	84.4
		Single	14	15.6
4	Education Level	Illiterate	1	1.2
		Primary School	5	5.6
		Secondary School	4	4.4
		Higher School	58	64.4
		Diploma	10	11.1
		University Degree	12	12.3
5	Number of employees	< 5 employees	35	38.9
		5 - 20 employees	47	52.2
		> 20 employees	8	8.9
6	Market Target	Domestics Market	85	94.4
		Foreign Market	5	5.6
7	Creative Business	Craft	24	26.67
		Design	19	21.11
		Culinary	27	30.00
		Others	20	22.22
8	Age of Companies (year)		18,3	

In terms of human capital, the majority of owner had received higher School. This indicates that sufficient quality of human capital in this industry. The higher education will affect the ability of an entrepreneur in managing its business. Moreover, most of the target market (94.4%) are in the direction of the domestic market, while the rest (5.6%) are directed to the foreign market. Creative industry consists of the following segments were selected for the survey: craft, design, culinary, advertising and fashion, hotels. Most of the types of creative industry is the in culinary sector.

Variables and Measurement

Dependent variable, the knowlegde of finance altenative. The questionnaer used was based on instrument developed by Seghers *et al.*, (2012). Consistent with prior research, this study conducted a validity and reliability analysis to confirm groups of finance altenatives. Factors one captures the knowledge of five common finance alternatives: loans, credit lines, leasing, friends and family financing. Factor second, anvanced finance alternative for start-up phase, captures the knowledge of four common finance alternatives: public stock, private stock, private bonds, public bonds,

factoring, and venture capital. The knowledge of finance alternative was measured on a five-point likert scale ranging from 1 = unaware of existence of a particularly finance alternative to 5 = very extensive knowledge.

Independent Variable. Independent variables measure the social and human capital of the founding entrepreneur. Measurement of human capital distinguish between generic human capital and specific human capital. The human capital based on the basis of whether education and experience in a particular domain that are directly relevant for skills in performing specific activities (Dimov & Shepherd, 2005). In this study, a generic human capital of the founding entrepreneur relates to overall education and practical experience with a scope of applications that is typically broader and not limited to financial decision-making. Meanwhile, specific human capital on entrepreneurial founders relates to education and experience that is directly relevant to funding decisions in the entrepreneurial venture.

Generic Human Capital. Higher education can be considered more general in its contribution to human capital (Dimov & Shepherd, 2005). Higher education generally doesn't provide skills directly related to financial decision making by entrepreneur. Higher education variable is measured using a dummy variable, which is equal 1 if the entrepreneur has a degree level or equivalent and 0 = otherwise.

Similarly, previous work experience is more extensive and includes many tasks that may not directly related to the financial decision-making but may enhance an entrepreneur's information processing and decision-making skills. Work experience is measured in several ways.

First, previous work experience based on the number of years of work experience gained an entrepreneur in the same industry. Second, work experience based on the number of years of work experience gained an entrepreneur in a different industry. Third, entrepreneur's management experience is measured by a dummy variable, equal to 1 if the entrepreneur previously held management positions in a company, and 0 otherwise. Fourth, self-employment experience is measured by a dummy variable, number equal to 1 if the entrepreneur has prior self-employment experience and 0 otherwise. Finally, start-up experience is measured by a dummy variable equal to 1 if the entrepreneur has prior self-employment experience and 0 otherwise (Birley & Westhead, 1993; Hsu, 2007).

Specific Human Capital. Specific human capital, such as education and experience of entrepreneurs, directly related to financial decisions. Some variables are used as a proxy for specific human capital, ie the education business such as accounting and finance, and experience in the same industry. Business education, accounting and finance will equip founder (entrepreneur) with a set of financial decision-making tools, thus contributing to specific human capital (Dimov & Shepherd, 2005). Business education is measured by

a dummy variable equal to 1 if the entrepreneur has a degree in business (or accounting, finance) and 0 otherwise. Meanwhile, work experience in accounting and finance domains based on the number of years of work experience gained founder of the same industry for accounting or financial position.

Social capital. Social capital variables were measured using an instrument used by Seghers et al., (2012). Several previous studies have used this scale with satisfactory results (Shane & Cable (2002) and Seghers et al., 2012). Social capital is network ties between the founder (entrepreneur) and finance experts. Finance experts are defined as individuals with correct and credible information about finance alternative.

Social capital is measured by six items adapted from Seghers et al., 2012. The items include: 1) prior to the company's start-up, I had a professional relationship with at least one financial expert; 2) prior to the company's start-up, at least one finance expert was some with whom I had engaged in informal social activities; 3) prior to the company's start-up, at least one finance expert was a personal friend; 4) Someone whom I trust to discuss important confidential matters, knew at least one finance expert; 5) a third party whose the judgment I trust, can bring me in contact with a financial expert; 6) through my network of contacts, I could obtain information from finance experts. Each item was measured with a point-five likert scale ranging from, 1 to 5 (1 = strongly disagree, 2 = disagree, 3 = somewhat agree, 4 = agree, and 5 = strongly agree).

Results

Descriptive Data

Explanation will be preceded by the presentation of descriptive statistics and the results of reliability and validity test. Descriptive statistics include statistics, namely mean, standard deviation, extreme value. Descriptive statistics meant here is the main variables that are used as the basis for hypothesis testing. Independent variables: social capital, human capital both general and specific. Dependent variable: the level of knowledge of common finance alternative, the level of knowledge of advanced finance alternative for the start-up phase, and the knowledge of advanced finance alternative for the growth phase. Descriptive data of the dependent variable including the mean, standard deviation, extreme value, the results of validity and reliability test, are presented in Table 2.

Cronbach's alpha statistic test results for each factor and the item is presented. Reliability test results showed that the alpha value for generic finance alternatives, $\alpha = 0.74$, the level of knowledge of advanced finance alternative for the start-up phase, $\alpha = 0.71$, the knowledge of advanced finance alternative for the growth phase, $\alpha = 0.92$. Alpha values

for all constructs gave a Cronbach's alpha, $\alpha > 70\%$. Given, the results of this test can be concluded that all the variables meet reliability criteria.

Table 2. Deskriptive Data, Results of Reliability and Validity Test for The Knowlegde of Finance Altenative

Variable	Mean	Std	Min	Max	Cronbach's Alpha	Person Correlation	
Panel A: Common Finance Alternative							
1	Loans	4.122	.577	2.00	5.00		.374**
2	Working Capital Credit (Credit line)	4.100	.704	1.00	5.00		.552**
3	Trade credit	3.511	1.124	1.00	5.00	0.74	.724**
4	Leasing	3.133	.796	1.00	5.00		.668**
5	Family Financing	3.733	.747	2.00	5.00		.530**
6	Friends Financing	2.911	1.098	1.00	5.00		.537**
Panel B: Advanced Finance Alternative for the start-up phase							
1	State-Owned Enterprises' Loans such as Partnership Program.	2.822	1.001	2.00	5.00		.618**
2	Investment Credit (Loans) from Bank	4.333	.670	1.00	5.00		.380**
3	Government Program: People's Business Credit.	3.200	.939	1.00	5.00	0.71	.704**
4	Peer To Peer Lending,	2.867	.837	1.00	5.00		.695**
5	Micro Finance From Prive Company	3.100	.835	2.00	5.00		.466**
6	Business or Investor Angel	2.711	.974	1.00	5.00		.647**
Panel C: Advanced Finance Alternative for the Growth Phase.							
1	Public Stock	2.856	1.012	1.00	5.00		.879**
2	Private Stock	3.111	1.075	1.00	5.00		.881**
3	Private Bonds	2.867	1.008	1.00	5.00		.926**
4	Government's Bond	2.978	1.049	1.00	5.00	0.92	.919**
5	Factoring	2.656	.876	1.00	4.00		.794**
6	Venture Capital	3.200	.985	1.00	4.00		.776**

Note **. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Meanwhile, the results of the calculation of correlation (r) between the item scores with a total score of constructs can be detailed as follows. First, items of the construct of public finance alternative. For each of the six items, item 1 (r = 0.374), item 2 (r = 0.552), item 3 (r = 0.724), item 4 (r = 0.668), item 5 (r = 0.51), items 6 (r = 0.724). In terms of validity test, the results of correlation calculation for all items is significant. Therefore, all items on each of the general knowledge of finance alternative is valid.

Second, items of the knowledge of advanced finance alternative for the start-up phase, namely the item 1 (r = 0.618), item 2 (r = 0.380), item 3

($r = 0.704$), item 4 ($r = 0.695$), item 5 ($r = 0.466$), and the items 6 ($r = 0.647$). The results of correlation calculation for all items is significant. Therefore, all the items on each of the knowledge of advanced finance alternative for the start-up phase is declared valid.

Third, items of the knowledge of advanced finance alternative for the growth phase, namely the statement item 1 ($r = 0.879$), item 2 ($r = 0, 881$), item 3 ($r = 0, 926$), item 4 ($r = 0, 919$), item 5 ($r = 0, 794$), and items 6 ($r = 0, 776$). The results of correlation calculation for all items is significant. Therefore, all the items on each the knowledge level of advanced finance alternative for the growth phase is valid.

Likewise, the descriptive data for the variables of social capital, namely the mean, standard deviation, extreme value, the result of reliability and validity test were analyzed. The results of the statistical test of Cronbach's alpha for each factor and the item were carried out. Reliability test results showed that the alpha value for social capital, $\alpha = 0.825$. The results of this test can be concluded that the variable meet reliability criteria.

Meanwhile, calculation of correlation (r) between the scores of items with a total score of constructs can be detailed as follows. Items of the dimension of social capital, namely the item 1 ($r = 0.796$), item 2 ($r = 0.853$), and item 3 ($r = 0.848$), item 4 ($r = 0.314$), item 5 ($r = 0.787$), and items 6 ($r = 0, 785$). The results of validity test showed that the results of correlation calculation for all items is significant. This result can be said that all the items meet the validity criteria. Based on these criteria, it can be concluded that social capital with all the items were valid.

Furthermore the descriptive data on the dependent and independent variables, namely the mean, standard deviation, extreme values are presented in Table 3. Not surprisingly, based on table 3, the best financing method known is the common funding alternatives (3.58). Advanced knowledge of finance alternative for start-up phase (3.17) and the knowledge of finance alternative for the growth phase (2.9) is lower. The advanced finance alternative for the growth phase is very little known by entrepreneurs.

Based on table 3, in terms of general human capital indicators, the majority of respondents had a high school education, with an average of 4.7 years of work experience in the same industry and an average of 4.3 years of experience in other industries. However, only a few of the respondents had previous experience in the field of management of the prior company. Meanwhile, most of them have enough previous start up experience and self-employment experience.

Futhermore, in light of the specific human capital indicators, only a few respondents have experience in accounting and finance. Likewise, only a few respondents who have an educational background in business. Meanwhile, in terms of indicators of social capital, the respondents have a

good relationship with the financial community and financial experts.

Table 3. Descriptive Data

	Variable	Mean	Std	Min	Max
Dependent Variable					
1	Common Finance Alternative	3.5811	.49102	2.30	4.80
2	Advanced Finance Alternative for the start-up phase	3.1744	.52351	1.70	4.70
3	Advanced Finance Alternative for the Growth Phase	2.9422	.86609	3.30	1.00
Independent Variable					
Human Capital					
Generic Human Capital					
4	Higher Education (Dummy)	.2444	.43216	.00	1.00
5	Work Experience in Same Industry (years)	4.7556	3.86953	.00	20.00
6	Work Experience in Others Industry (years)	4.2556	4.19352	.00	18.00
7	Prior Management Experience (Dummy)	.0444	.207235	.00	1.00
9	Experience Self-Employment (Dummy)	.6333	.48459	.00	1.00
10	Experience Start-up (Dummy)	.6778	.46995	.00	1.00
Specific Human Capital					
11	Business Education (Dummy)	.1667	.37477	.00	1.00
12	Experience in Accountancy and Finance (In same Industry)	.6111	2.50256	.00	20.00
Social Capital					
14	Relationships in The Financial Community	3.0844	.68333	1.00	4.00

Tests of hypotheses

Hypotheses were tested by using multiple regression analysis. Results from three models are presented in table 4. The results of the regression coefficient analysis (model 1) show that generic human capital has no effect on the level of knowledge of common finance alternative ($p\text{-value} > \alpha = 0.05$). The result of model 1 shows that higher education coefficient is positive (0.107) but not significant ($p\text{-value} = 0.474 < \alpha = 0.05$). This result reveals that the level of higher education has not influence on the level of knowledge of common finance alternative.

Likewise, this study indicates that the coefficient of same industry experience variable is positive (0.002) and not significant ($p\text{-value} = 0.475 > \alpha = 0.05$). Also, experience in other industries has positive coefficient (0.019) and not significant ($p\text{-value} = 0.16 > \alpha = 0.05$). Management experience is positive (0.227) and not significant ($p\text{-value} = 0.416 > \alpha = 0.05$). Experience as self-employment is negative (-0.147) and not significant ($p\text{-value} = 0.387 > \alpha = 0.05$). Start-up experience is negative (-0.191) and not significant ($p\text{-value} = 0.297 > \alpha = 0.05$). These results indicate that the generic human capital has no effect on the level of knowledge of common finance alternative. Thus, these results do not support hypothesis 1 (H_1).

Table 4. Summary of Regression Analysis Results (N = 90)

$$Y_{it} = \alpha + \beta_1 HE_{it} - \beta_2 ESI_{it} + \beta_3 EOI_{it} + \beta_4 ME_{it} + \beta_5 ESE_{it} + \beta_6 ESU_{it} + \beta_7 BE_{it} - \beta_8 EAF_{it} - \beta_9 SC + \mu_{it}$$

Y_{it} = Common Finance Alternative (Model 1); Advanced Finance Alternative for the start-up phase (Model 2); Advanced Finance Alternative for the Growth Phase (Model 3). HE_1 = Higher Education, ESI_2 = Work Experience in Same Industry, EOI_3 = Work Experience in Others Industry, ME_4 = Prior Management Experience, ESE_5 = Experience Self-Employment, ESU_6 = Experience Start-up, BE_7 = Business Education, EAF_8 = Experience in Accountancy and Finance, SC_9 = Social Capital, α = constant, $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9$ = regression coefficient, μ_t = *Disturbance error*.

Hypothesis	Variable	symbol	Model 1	Model 2	Model 3
H1	Generic Human Capital				
H1a	Higher Education	HE	0.107	0.120	0.441**
H1b	Work Experience in Same Industry	ESI	0.002	.036**	0.042***
H1c	Work Experience in Others Industry	EOI	0.019	0.003	0.003
H1d	Prior Management Experience	ME	0.227	.487***	0.373
H1e	Experience Self-Employment	ESE	0.147	-0.143	-0.066
H1d	Experience Start-up	ESU	-0.191	-0.071	0.038
H2	Specific Human Capital				
H2a	Business Education	BE	-0.093	-0.219	0.023
H2b	Experience in Accountancy and Finance	EAF	-0.033	-.061**	-0.067
H3	Social Capital	SC	0.182**	0.234*	0.654*
	Adjusted R ²		0.355	0.356	0.345
	F-test		2,55*	3,11*	15,35*

Note: * significant on critical value, ** $\alpha = 1\%$; significant on critical value, $\alpha = 5\%$
 ***significant on critical value, $\alpha = 10\%$

Contrary to expectations, table 4, model 1, the results of the regression coefficient analysis show that specific human capital has no effect on the level of knowledge of common finance alternative. Unlike what was expected, business education variable coefficient is negative (-0.093) and not significant (p-value = 0.576 > $\alpha = 0.05$). Also, experience in accounting and finance has negative coefficient (-0.033) but not significant (p-value = 0.234 > $\alpha = 0.05$). These results indicate that specific human capital does not influence on the level of knowledge of common finance alternative. The results of this study do not support the hypothesis 2 (H_2).

In line with prediction, model 1 show that the social capital variable has positive coefficient (0.182) and significant (p-value = 0.035 < $\alpha = 0.05$). These result indicates that social capital affects on the level of knowledge of common finance alternative. The study results support the hypothesis 3 (H_3).

Furthermore, based on model 2 tabel 4, the results of the regression analysis show that generic human capital with some indicators influence on

the level of knowledge of advanced finance alternative for the start-up phase. Higher education variable coefficient is positive (0.120) but not significant ($p\text{-value} = 0.442 > \alpha = 0.05$). This result reveals that the level of higher education has no impact on the level of knowledge of advanced finance alternative for the start-up phase.

Meanwhile, the result of model 2 shows that the same industry experience variable has positive coefficient (0.036) and significant ($p\text{-value} = 0.042 < \alpha = 0.05$). Prior management experience is positive (0.487) and significant ($p\text{-value} = 0.096 < \alpha = 0.10$). Unlike what was expected, experience in the others industry has positive coefficient (0.003) but not significant ($p\text{-value} = 0.816 > \alpha = 0.05$). Also, experience in self-employed is negative (-0.143) and not significant ($p\text{-value} = 0.419 > \alpha = 0.05$). Start-up experience is negative (-0.071) and not significant ($p\text{-value} = 0.710 > \alpha = 0.05$). These results indicate that the generic human capital has no impact on the level of knowledge of advanced finance alternative for the start-up phase. Thus, these results of model 2 do not support the hypothesis 1 (H_1).

According to model 2, the results of the regression analysis show that specific human capital has no effect on the level of knowledge of advanced finance alternative for the start-up phase. Business education variable coefficient is negative (-0.219) and not significant ($p\text{-value} = 0.208 > \alpha = 0.05$). On the contrary, accounting and finance experience is negative (-0.061) and significant ($p\text{-value} = 0.037 < \alpha = 0.05$). These results indicate that specific human capital, particularly experience in accounting and finance influences on the level of knowledge of advanced finance alternative for the start-up phase. These results still provide weak support to the hypothesis 2 (H_2). As expected, the social capital coefficient is positive (0.234) and significant ($p\text{-value} = 0.009 < \alpha = 0.05$). This result indicates that social capital influences on the level of knowledge of advanced finance alternative for the start-up phase. The result of the model 2 supports the hypothesis 3.

Based on the table 4, model 3, the results of the regression analysis show that generic human capital with some indicators influence on the knowledge of advanced finance alternative for the growth phase. The result shows that the positive coefficient of higher education variable (0,441) and significant ($p\text{-value} = 0.046 < \alpha = 0.05$). This result reveals that the level of higher education has positive influence on the knowledge of advanced finance alternative for the growth phase.

Not as expected, the result of model 3 (table 4) shows that same industry experience is positive (0.042) and was not significant ($p\text{-value} = .089 > \alpha = 0.05$). Different industry experience is positive (0.003) and not significant ($p\text{-value} = 0.888 > \alpha = 0.05$). Prior management experience is positive (0.373) and not significant ($p\text{-value} = 0.361 > \alpha = 0.05$). Experience as self-employed is negative (-0.066) and not significant ($p\text{-value} = 0.791 > \alpha$

= 0.05). Start-up experience is positive (0.038) and not significant (p-value = 0.885 > α = 0.05). These results indicate that the generic human capital does not affect on the knowledge of advanced finance alternative for the growth phase. These results do not support hypothesis 1 (H_1).

Furthermore, based on model 3 table 4, the results of the regression analysis also show that specific human capital has no effect on the knowledge of advanced finance alternative for the growth phase. Business education is positive (0.023) and not significant (p-value = 0.925 > α = 0.05). Experience in accounting and finance is negative (-0.067) and not significant (p-value = 0.101 > α = 0.05). These results indicate that specific human capital does not affect on the knowledge of advanced finance alternative for the growth phase. The results of model 3 do not support the hypothesis 2.

In line with prediction, the coefficient of social capital variable is positive (0.654) and significant (p-value = 0.000 < α = 0.05). These results reveal that social capital has impact on the knowledge of advanced finance alternative for the growth phase. The results of model 3 support the hypothesis 3.

Discussion

The results of model 1, 2, and 3 constanly show that the coefficient of social capital variables are positive and significant on the level of knowledge of common finance alternative, of advanced finance alternative for the start-up phase, and of advanced finance alternative for the growth phase, respectively. These results reveal that social capital has positive influence on the knowledge of finance alternative. The results of this study are consistent with previous studies (Seghers, et al., 2012). In addition, the results of this study support the argument of Seghers et al. (2012) which stated that the many and steady relationship with the financial community, before starting a new business, can reduce information problems experienced by entrepreneurs. In this respect, Van Auken, (2005) stated that information tranfers related to finance alternatives and their characteristics. The entrepreneurs who have good relationships with finance experts were able to discuss their specific financial needs with them. Thus, it allows the entrepreneur to obtain the information of finance alternative.

However, the results of model 1 shows that generic human capital are not significant on the level of knowledge of common finance alternative. Meanwhile, model 2 and 3, report that common human capital variables with several indicators significantly influence on the level of knowledge of advanced finance alternative for the start-up phase, and of advanced finance alternative for the growth phase, respectively. These results demonstrate weak support on relation between generic human capital and the knowledge of finance alternative. The findings of this study are consistent with prior

research, (Seghers, et al. 2012). Likewise, the research results of Davidson and Honig, (2005) showed that the effect of the common indicators of human capital is weak and inconsistent.

The results of model 1 and 3 show that specific human capital has no significant influence on the level of knowledge of common finance alternative and of advanced finance alternative for the growth phase. Interestingly, specific human capital variables with several indicators significantly have impact on the level of knowledge of advanced finance alternative for the start-up phase. These results show weak support for the influence of specific human capital on the knowledge of common finance alternative and of advanced finance alternative for the growth phase. The results of this study are not consistent with prior research, (Seghers, et al. 2012). They found constantly that specific human capital have a significant effect on the level of common finance of alternative knowledge, of advanced finance alternative for the start-up phase, and of advanced finance alternative for the growth phase, respectively. These results are also inconsistent with the research result of Davidson and Honig, (2005) showed that the specific human capital is positively associated with the discovery of a new venture.

Meanwhile, in model 2, specific human capital variables have a significant effect on the level of knowledge of advanced finance alternative for the start-up phase. The results are consistent with previous studies (Seghers et al. 2012; Van Auken, 2005). Their research results showed that direct experience on a finance acquisition, giving employers a thorough knowledge of the various finance alternatives and their characteristics.

Conclusion, Limitation, And Research Future

This study conclude, first, the results of this research show that the entrepreneurs' social capital have an impact on their knowledge of finance alternative in all model specification. Specifically, entrepreneurs who have networks ties with finance expert have greater knowledge of common finance alternative, and of advanced finance alternative for the start-up phase, and of advanced finance alternative for the growth phase. These results reveal that the impact of entrepreneurs' social on their knowledge of finance alternatives is more pronounced.

Second, the results show that generic human capital with all the indicators have no significant effect on the level of knowledge of common finance alternative. Meanwhile, generic human capital with some indicators have significant influence on the knowledge of advanced finance alternative for the start-up phase and advanced finance alternative for the growth phase. These results demonstrate the weak support on generic human capital influence on knowledge founder of alternative funding. These results provide

weak support on the impact of generic human capital to the knowledge of finance alternative.

Third, unlike previous studies, the results show that the specific human capital has no significant impact on the level of knowledge of common finance alternative. Consistent with prior studies, this study show that the specific human capital has significant impact on the level of knowledge of advanced finance alternative for the start-up phase. Interestingly, specific human capital has no effect on knowledge of advanced finance alternative for the growth phase. These results provide weak support for the influence of specific human capital on the knowledge of finance alternative.

This study has several limitations. First, the independent variables only focus on social capital and human capital, there are still other variables that have the effect potential on business performance. Future research may also consider the behavior of other funding. Second, this study bound time and space, and study only examined the creative enterprises, especially located Yogyakarta. Also, in this research did not distinguish variations in the size of the business, namely the micro, small, and medium. Future research, it is advisable to distinguish variations in the size of the business, namely the micro, small, and medium. Future research should use a larger sample size to increase the external validity of the study. In addition, this research is survey, the data is perceptual variables, which may be biased. Future research should not only surveys but can also case study with in-depth interviews.

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