



FIRM FINANCING AND GROWTH: THE INFLUENCE OF OWNER'S AND FIRM'S CHARACTERISTICS

Alenka Slavec Gomezel

Faculty of Economics, University of Ljubljana, Slovenia
alenka.slavec@ef.uni-lj.si

Abstract

The aim of this study is to investigate the impact of owner's characteristics (strong social ties, weak social ties, and entrepreneurial self-efficacy) and firm's characteristics (legal status, firm age, and tangibility of assets) on small firm financing in terms of bank loans and trade credits. Based on a sample of 497 respondents and using structural equation modeling, research results show that weak social ties, legal status, and tangibility of assets are significantly related to small firm bank financing, whereas strong and weak social ties, entrepreneurial self-efficacy, and legal status are significantly related to trade credit use. Results also show that bank financing and trade credits are significantly related to firm growth. The paper contributes to a better understanding of determinants that are important when entrepreneurs apply for external financial resources.

Keywords: bank financing; trade credit use; growth; owner's characteristics; structural equation modeling

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) are the engine of growth (Beck & Demirguc-Kunt, 2006) and their ability to develop and invest is crucial for any economy that wishes to prosper (Torre, Martinez Peria, & Schmukler, 2008). SMEs growth is critically related to the availability of external financial sources as new investments require substantial funds (Berger & Udell, 1998; Moretti, 2012; Qorraj, 2017). But small firms suffer from "resource poverty" (Welsh & White, 1981; Woschke, Haase, & Kratzer, 2017) and do not possess as many resources as larger firms do. Moreover, small firms suffer from constrained access to external funds which hinder their investing ability and subsequent growth (Berger & Udell, 2006; Hessels & Parker, 2013).

The awareness of economists, politicians and scholars about the importance of SMEs on national levels has led to detailed analysis about SMEs characteristics, their contribution to the economy in terms of employment and gross domestic product growth and to the awareness of financial problems that SMEs face (Berger & Udell, 2006; Winborg &

Landstrom, 2001). Scholars mostly agree that small firm owners are inseparably linked to small firms' performance (Hmieleski & Corbett, 2008) and that investigating which owners and firms characteristics influence small firm financing is an important research topic. However, relations between some owner's characteristics and small firm financing remain understudied. For example, little is known about the relationship between strong and weak social ties or entrepreneurial self-efficacy and small firm financing in terms of bank loans and trade credits. There is also a lack of studies investigating the influence of some firm's characteristics on bank loans and trade credits simultaneously. Motivated by these gaps in the literature the aim of this research is to contribute to the field by proposing a model of small firm financing through bank loans and trade credits and perform its empirical test using structural equation modeling on a robust dataset.

The paper is structured as follows. First, based on in-depth literature review I develop a conceptual model of small firm financing through bank loans and trade credits and propose research hypotheses. I continue with the explanation of the research set-

ting and methods as well as the results of hypotheses testing. Lastly, I discuss research findings, which have implications for governmental policies and for entrepreneurs themselves.

2. LITERATURE REVIEW

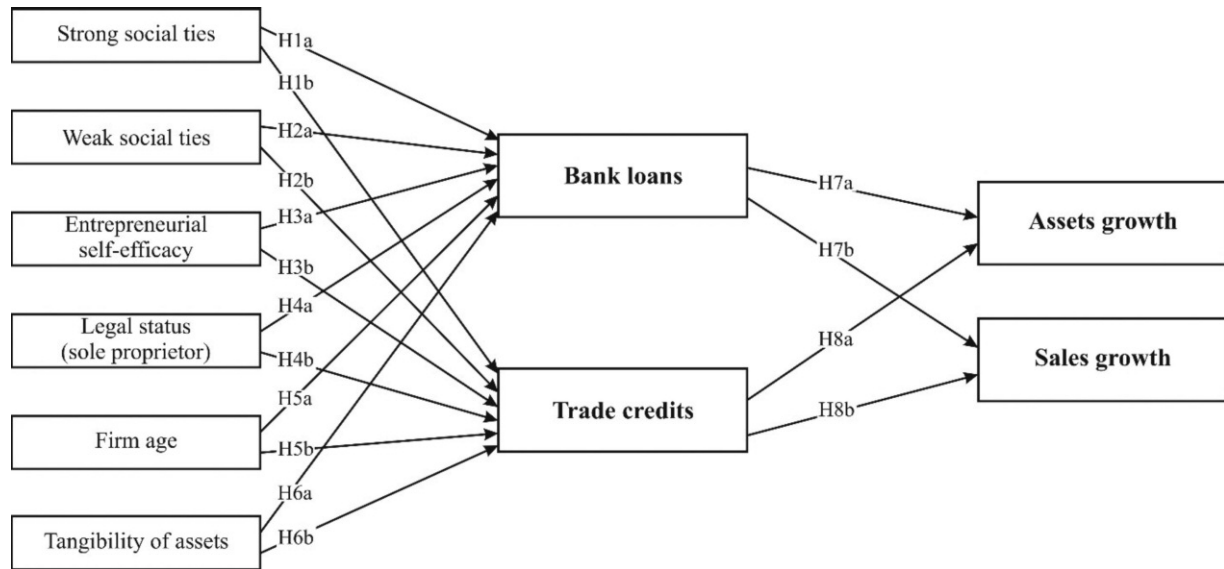
SMEs are special entities with unique characteristics; however their uniqueness often times acts as a constraint when faced with the need to gain external funds (Coleman & Cohn, 2000; Woschke et al., 2017), leading to a limited access to capital and money markets (Chaganti, Decarolis, & Deeds, 1995; Raci, 2010). The informational opacity of small firms is undoubtedly a key factor that defines their funding (e.g. Berger & Udell, 1998; Fungáčová, Godlewski, & Weill, 2011; Hyytinen & Vaananen, 2006; Torre et al., 2008) and is also linked to informational asymmetry between owners and lenders when owners have more information than lenders about the firm, its future plans and potential (Arad, Hanson, & Schneider, 1997; Jagric & Jagric, 2011). The informational asymmetry problem arises also from the lack of publicly released information (Carpenter & Petersen, 2002) for which small firms in several countries are not obliged to and from the nonobligatory and costly revision of their financial statements that usually is not undertaken (Berger & Udell, 1998). All these peculiarities face lenders with difficulties when searching for necessary information about firms and with experiencing greater uncertainty when lending to small firms. Moreover, small firms face difficulties in signaling their creditworthiness (Scholtens, 1999) and the quality of the firm (Berger & Udell, 1998) to providers of external funds because small firms are addressed with liabilities of newness and smallness which usually imply that small and new firms have high death rates (Baum, 1996). Finally, small firms are being attributed with problems of adverse selection (Bester, 1985) and moral hazard (Berger & Udell, 1998; Drakos, 2012; Hyytinen & Vaananen, 2006). While adverse selection problems arise when the agent (the entrepreneur) has more information than the principal (the lender), moral hazard problems arise when the action undertaken by the agent is unobservable and has a differential value to the agent as compared to the principal (Darrough & Stoughton, 1986).

Although these small firms' characteristics have been a largely inspected topic and consensus is shown that they constrain small firm growth also via limited access to external financial sources, scholars argue that small firm owners are not less important for firm growth (Coleman & Cohn, 2000; Wu, Chua, & Chrisman, 2007). Yet, there is still a lack of research investigating the influence of owner's characteristics on funding small firms through bank loans and trade credits. Prior research has predominantly focused on characteristics, such as owner's age, gender, educational level, and years of experience (Storey, 1994; Vos, Yeh, Carter, & Tagg, 2007), however little attention has been directed to the influence of owner's social network (strong and weak social ties) and entrepreneurial self-efficacy on bank loans and trade credits. In this research, I differentiate between strong and weak social ties as proposed by Hoang and Antončič (2003). To the author's knowledge the influence of the entrepreneurial self-efficacy on small firm financing through bank loans and trade credits has not been studied before.

Even though the influence of firm's characteristics on bank loans and trade credits has been studied more comprehensively (e.g. Berger & Udell, 1998; Huyghebaert, Van de Gucht, & Van Hulle, 2007), there is also a lack of empirical studies that investigate the influence of various firm's characteristics (firm's legal status, firm's age, and the tangibility of assets) on bank loans and trade credits simultaneously. Simultaneous analysis is important because of interrelated dependence relationships, which exist because firms use more trade credit when credit from financial institutions is unavailable (Petersen & Rajan, 1997). I also investigate the relationship between small firm financing and their growth in terms of assets and sales growth, because financial results are considered as one of the key measures of firms' performance (Berginc, 2014).

Building on existing findings on owner's and firm's characteristics and in-depth literature review on financing, entrepreneurship, psychology of entrepreneurs and small business management, Figure 1 presents the proposed model of small firm growth and financing through bank loans and trade credits. In what follows I elaborate the research hypotheses that describe specific relationships proposed in the model.

Figure 1: Conceptual model



2.1 Strong social ties and external financing of small firms

Walker et al. (1977) defined a social network as the set of personal contacts through which an individual maintains his social identity and receives emotional supports, material aid, services, information and new social contacts. Granovetter (1973) defined the strength of a tie as a combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie. Strong ties are established between individuals that see each other frequently, have an emotional and intimate relationship and trust each other. Family members, relatives, and close friends are representatives of an owner's strong ties network (Gimeno, Folta, Cooper, & Woo, 1997). Strong ties provide more personal information which can be trusted and at the same time reduce the need to do follow up research (Singh, 1998). Because the entrepreneur can trust the other party, it is easier to predict their behavior, avoid problems in the relationship, and better deal with them when they occur (Aldrich, 1999).

Strong social ties have been investigated from different points of view, but there is still a lack of research on the relationship between owner's strong social ties and bank loans or trade credits. Based on

the literature review regarding the influence of strong social ties on financing in general, this section extends previous findings by developing the corresponding hypotheses about the influence of strong social ties on bank loans and trade credit use. Unlike large firms, small firms typically have a substantial amount of their funding provided by insiders – the entrepreneur, other members of the start-up team, family, and friends (Berger & Udell, 1998). Family and friends are crucial for funds rising, especially it is so at the start-up stage (Hutchinson, 1995; Johannisson, 2000). In this role, strong ties are seen as substitutes for bank loans and trade credits and based on that a negative relationship between strong ties on the one side and bank loans and trade credits on the other side is hypothesized. Similarly, research has shown that family firms financing decisions move toward maintaining control over firms by financing firms through equity (Wu et al., 2007). Based on this result I assume that owner's family will help providing funds when the owner will need them because of the fear that for obtaining a bank loan firm's owner will have to provide some collateral. Small firms, especially high-tech firms and firms with the majority of intangible assets in total assets, usually cannot provide enough collateral; therefore owner's or owner's family assets will have to be pledged. To prevent losses of family property, owner's family and

friends will help in providing required funds for the firm. When strong ties provide funds, also the need to apply for trade credits diminishes. Based on this discussion, I propose that a larger network of strong social ties results in less bank loans and trade credits and propose the following hypotheses:

Hypothesis H1a: There will be a negative relationship between strong social ties and bank loans.

Hypothesis H1b: There will be a negative relationship between strong social ties and trade credits.

2.2 Weak social ties and external financing

Weak social ties refer to acquaintances, business partners, former employees, and co-workers (Bruderl & Preisendorfer, 1998). They see each other occasionally; their relation is not intimate and they do not communicate as frequent as members of strong social ties do.

Scholars predominantly agree that firms gain different advantages from networks in terms of information, knowledge, resources, and contacts, especially if they are widened in a targeted way with people who can provide resources that the firm does not possess. For example, Singh (1998) argues that social networks can improve the knowledge base of individuals by providing access to knowledge not contained by the individual. Granovetter (1973) postulated that weak ties in an entrepreneur's social network provide more unique information. Greve and Salaff (2003) studied personal networks as the relationship between entrepreneurs and others who provide resources that are important in establishing a business. Individuals involved in a broader social network frequently access profitable exchange opportunities because they are better positioned to discover suitable exchange partners (Rangan Insead, 2000). Social networks provide entrepreneurs with avenues for negotiation and persuasion and enable them to gather a variety of information and resources (e.g. market information, ideas, solutions to problems, labor force and equipment, social support, and financial resources) held by other actors (Hoang & Antončič, 2003; Walter, Auer, & Ritter, 2006). Johannisson (2000) goes a step further asserting that personal networks provide entrepreneurs a "universal resource kit" that provide information

about access to physical and financial resources besides strengthening entrepreneur's identity and building general support.

Social relations are crucial for small firms to broaden the available sources of funds (Petersen & Rajan, 1994). Belonging to a more or less formalized network constitutes an advantage for small firms (Rivaud-Danset, Dubocage, & Salais, 1998). Especially in the start-up stage when the firm is not known and not well established, weak ties can facilitate the firm in getting loans and receiving lower interest rates on loans (Uzzi, 1999) by building their reputation and credibility also through a system of guarantees (Dollinger, 2003; Rivaud-Danset et al., 1998). Furthermore, research showed that building close and long-lasting ties with creditors is beneficial for the availability of financial resources (Cavalluzzo & Cavalluzzo, 1998; Petersen & Rajan, 1994; Severin, Alphonse, & Ducret, 2004). In doing so, creditors acquire more soft information on firms and owners, diminish their opacity, and are more likely to approve credits (Berger & Udell, 2006; Cole, 2008). The soft information garnered from past communication with firm's owners, suppliers, customers, or neighboring businesses provide a base for assessing firms' future prospects (Berger & Udell, 2006; Petersen & Rajan, 1994). Moreover, Cole (1998) exposed that small firms are more likely to obtain an extension of credit in the presence of pre-existing transactions with potential lenders. Entrepreneurs with larger networks are more likely to apply and eventually obtain bank loans and trade credits since weak ties can benefit the entrepreneur by accessing to important information and resources that could not otherwise be acquired. Also, weak ties can put in a good word for the entrepreneur or his firm to enhance the chance for gaining financial resources. Based on this discussion, the following hypotheses are postulated:

Hypothesis H2a: There will be a positive relationship between weak social ties and bank loans.

Hypothesis H2b: There will be a positive relationship between weak social ties and trade credits.

2.3 Entrepreneurial self-efficacy and external financing

Self-efficacy refers to people's beliefs in their capabilities to mobilize the motivation, cognitive resources, and courses of action needed to exercise control over events in their lives (Wood & Bandura, 1989) and their capability to perform a given task (Bandura, 1997). Individuals high in self-efficacy believe that they can successfully accomplish specific tasks that they undertake (Bandura, 1997). Similarly, entrepreneurial self-efficacy refers to the strength of an individual's belief that he or she is capable of successfully performing roles and tasks of an entrepreneur (Boyd & Vozikis, 1994; Chen, Greene, & Crick, 1998). For these reasons, individuals who consider themselves efficacious in performing entrepreneurial roles and tasks are more likely to enter the entrepreneurial environment than those who do not (Chen et al., 1998). Highly motivated and self-confident entrepreneurs are linked to higher firm's performance (Chandler & Jansen, 1992; Khedhaouria, Gurău, & Torrès, 2015; Miao, Qian, & Ma, 2017).

Although entrepreneurial self-efficacy has been extensively studied in relation with entrepreneurial intentions, start-ups, opportunity recognition, performance and entrepreneurship in general, there is a lack of research regarding the influence of entrepreneurial self-efficacy on small firm financing through bank loans and trade credits. In this section, I summarize main findings that will facilitate me in postulating research hypotheses.

Krueger and colleagues (2000) revealed that perceived self-efficacy is correlated with perceived feasibility, which, together with global perceived desirability and propensity to act, significantly predicts intentions. Similarly, Prodan and Drnovsek (2010) showed that higher entrepreneurial self-efficacy influences intentions to establish an academic spin-off. Ozgen and Baron (2007) evidenced that self-efficacy is significantly related to opportunity recognition and that opportunity recognition is related to firm growth. An entrepreneur that offers internal rational explanations for his or her plans to start a business and has high self-efficacy, will be more likely to establish a business (Gatewood, Shaver, & Gartner, 1995). Coleman and Kariv (2014) found that higher levels of entrepreneurial self-effi-

cacy were associated with a greater willingness to raise capital from external sources. By the same token, creditors will be more prone to lend to those entrepreneurs that are convinced of their success. Baum and Locke (2004) showed that goals, self-efficacy, and communicated vision had direct positive effects on venture growth and that venture growth was influenced by entrepreneur's self-efficacy. Other studies evidenced that entrepreneurial self-efficacy predicts new venture performance (Baum, Locke, & Smith, 2001; Hmieleski & Corbett, 2008). I propose that firms which have a highly ambitious owner who believes in his or her capacities and strives for firm's growth are more likely to obtain bank loans and trade credits, since lenders perceive that self-efficacious entrepreneurs will be able to repay their liabilities. On the other hand, those entrepreneurs who are less self-efficacious will also apply for bank loans and ask suppliers for trade credits less frequently, again leading to a positive relation between entrepreneurial self-efficacy and bank loans or trade credits. On the basis of this discussion the following hypotheses are postulated:

Hypothesis H3a: There will be a positive relationship between entrepreneurial self-efficacy and bank loans.

Hypothesis H3b: There will be a positive relationship between entrepreneurial self-efficacy and trade credits.

2.4 Firm legal status and external financing

The prime purpose of introducing the limited liability and corporate status was to reduce the risk to an individual or group of individuals for being personally responsible for firm losses in the event of its failure (Storey, 1994). Freedman (1994) found that lack of limited liability was the main perceived disadvantage of sole proprietors since they are liable with all their personal assets. On the other hand, Channon et al. (2001) argue that for many small enterprises the limited liability pattern is of little or no practical value since lenders often insist that directors give personal guarantees in order to obtain financial support. However, Johnson et al. (1999) showed that personal liability associated with sole

proprietorships is likely to act as an inhibitor of fund raising by the owner(s), as well as making businesses less attractive to institutional investors. Additionally, Storey (2004) argues that banks view sole proprietors as more risky borrowers than other legal statuses of firms. From the bank's point of view sole proprietors do not signalize as much credibility and creditworthiness as limited companies do. Limited liability companies will also be more likely to obtain trade credits from their suppliers. This is consistent with Petersen's and Rajan's (1997) finding of a positive connection between firms' legal status and trade credit supply. Coleman and Cohn (2000) also found that sole proprietors use lower percentages of debt than other firms do. On the basis of this discussion the following hypotheses are postulated:

Hypothesis H4a: There will be a negative relationship between sole proprietor firm's legal status and bank loans.

Hypothesis H4b: There will be a negative relationship between sole proprietor firm's legal status and trade credits.

2.5 Firm age and external financing

From the lender's point of view the age of the firm can act as a proxy for default risk (Leeth & Scott, 1989), as a proxy of experience (Elliehausen & Wolken, 1993), as a proxy for the amount of credit information available (Cavalluzzo & Cavalluzzo, 1998), as a proxy for lender information costs, and as a signal of firm's viability (Avery, Bostic, & Samolyk, 1998). Young firms usually do not have a reputation yet and are limited in using signaling devices (Scholtens, 1999). Older firms are more likely to be known and have longer and more established relationships with lenders, which makes easier for lenders to evaluate them (Bates, 1991). As a result, contract terms such as collateral requirements may be more favorable for older businesses than for younger firms (Avery et al., 1998). In addition, Beck et al. (2006) found that older, larger and foreign-owned firms report lower financing obstacles. Therefore, due to the lack of financial and business information and trade records of a newer and smaller firm, lenders are not willing to finance these

firms since the risk of not being repaid back is higher. This is why young and small firms finance a smaller share of their investment and working capital with formal financial sources than large firms (Beck & Demirguc-Kunt, 2006). Additionally, Berger and Udell (1998) showed that smaller, younger, and more opaque firms borrow less from financial institutions like banks. This leads me to propose the following two hypotheses:

Hypothesis H5a: Older firms borrow more from banks than younger ones.

Hypothesis H5b: Older firms borrow more from suppliers than younger ones.

2.6 Tangibility of assets and external financing

Firm assets are an important source for insuring loan repayments. In the lending process, lenders evaluate firm's rating scores also through the value and structure of assets which can be pledged as collateral. Collateral requirements are common terms in loan contracts, together with interest rate, maturity, size and possible covenants (Jimenez, Salas, & Saurina, 2006). Issuing debt secured by tangible assets or inventory with known values decreases information asymmetry and agency costs, making more debt available at a lower cost to small firms (Michaelas, Chittenden, & Poutziouris, 1999). Moreover, debt secured with assets reduces costs of monitoring which could be more difficult and expensive for small firms because they may not be required to disclose much, if any, information (Michaelas et al., 1999). The requirement for pledging collateral depends on the industry and on firms' asset specificity. The younger and smaller a firm, the less it is able to put up collateral (Scholtens, 1999). Since most small firms, especially microenterprises, in the establishment and development stages are perceived as risky, credit institutions ask for significant amounts of collateral for short-term loans and totally ration long-term loans to small businesses (Drakos, 2012; Hedges & Storey, 1994). Coleman and Cohn (2000) argue that lenders try to mitigate risks of lending to small firms by demanding collateral or personal guarantees. Furthermore, firms with a higher percentage of real estate, land, en-

gines and equipment that can be pledged as collateral will more often use bank loans. This is consistent with Michaelas et al.'s (1999) finding that a high fixed asset component and a high inventory level are associated with higher short term as well as long term debt.

In his study of trade credits as substitutes for bank credits De Blasio (2005) argues that firms with high proportions of intangible assets, which include R&D expenditures, patents, development and advertising costs, are more subjected to financial constraints, since intangible assets are relatively difficult to evaluate for an outside lender and cannot be used as collateral. So, to a certain extent tangible assets act as indicators of firms' creditworthiness. Asset tangibility has been found as an important determinant of a company's ability to finance investments externally (Almeida & Campello, 2007) and an exogenous variable that determines firms' debt capacity (Dietrich, 2007). On the basis of these findings, the following hypotheses are postulated:

Hypothesis H6a: A higher percentage of tangible assets in total assets will be positively related to bank loans.

Hypothesis H6b: A higher percentage of tangible assets in total assets will be negatively related to trade credits.

2.7 Debt financing and firm growth

At some point of development and growth firms typically need to turn to external sources such as banks, public debt and equity markets (Coleman & Cohn, 2000) but they are frequently unable to grow due to informational asymmetry which results in a finance gap (Vos et al., 2007). Scientific research and public debate confirms that financial problems restrain small firms' development and growth. For example, research shows that small firms frequently face difficulties obtaining equity and debt financing which restricts their development (Moretti, 2012) whereas availability of external financing enhances their growth (Beck, Demirguc-Kunt, & Maksimovic, 2005). Storey (1994) found that bank's decision to lend or not to lend to new firms depends not only on the expected value of the return but also on

firm's growth rate, since faster growing firms are larger users of bank services than slower growing firms. Thus, growing firms need resources for financing their growth. Internally generated sources are usually insufficient; therefore, external financing is needed. Similarly, also suppliers appear to support growing, cash-constrained firms by granting them more trade credits (Petersen & Rajan, 1997). These authors also suggest that suppliers have incentives for financing customers because of future profits that can be attained if these customers grow and increase their purchases. On the basis of the above-mentioned findings the last four hypotheses are postulated:

Hypothesis H7a: Bank loans will be positively related to small firms' growth in terms of assets' growth.

Hypothesis H7b: Bank loans will be positively related to small firms' growth in terms of sales' growth.

Hypothesis H8a: Trade credits will be positively related to small firms' growth in terms of assets' growth.

Hypothesis H8b: Trade credits will be positively related to small firms' growth in terms of sales' growth.

3. METHODOLOGY

In this section, the methodology is discussed in terms of sample, data analysis, operationalization and measure validation.

3.1 Sample and data analysis

Based on the literature review a survey instrument was developed. Dillman and colleagues' (2009) tailored design method, which is a set of procedures for conducting successful self-administered surveys that produce both high-quality information and high response rates, was followed. The questionnaire was mailed to a representative random sample of top executives from 2,200 small Slovenian manufacturing firms and 497 usable responses were obtained. For all responses corresponding financial

data were obtained from firms' balance sheets and income statements, which were available through the GVIN database. The research was performed in 2009. There were 81% of males in the sample. The average respondent was 47 years old. 54% of respondents had post-secondary education.

The EQS Multivariate Software version 6.1 was used for structural equation modeling. Since a small amount of non-normality was present in the data, the structural relationships in the model of small firm financing through bank loans and trade credits were estimated using the ERLS method which minimizes the problems deriving from data skewness and kurtosis and is otherwise comparable with the maximum likelihood (ML) method (Shane, 2004). The fit of the model was assessed with multiple indices: NFI, NNFI, CFI, GFI, SRMR, and RMSEA. Values of NFI, NNFI, CFI, and GFI greater than 0.90 indicate a good model fit (Byrne, 2006; Hair, Black, Babin, & Anderson, 2010). Hu and Bentler (1999) suggest that values of SRMR less than 0.08 indicate an acceptable fit. Values of RMSEA less than 0.05 indicate a good fit, and values as high as 0.08 represent reasonable errors of approximation in the population (Hair et al., 2010).

3.2 Operationalization and measure validation

In this research, the dependent variables bank loans and trade credits were measured with corresponding items from the firms' balance sheets. Growth was measured as the average annual growth of total assets in the period between 2003 and 2006 and as the average annual growth of the sales income in the same period (Antončič & Prodan, 2008).

Strong social ties were measured with the number of family members (partner, parents, brothers, sisters, children) and friends (people with whom the entrepreneur spends his free-time – lunches, dinners, drinks, visiting each other, sports activities, visiting social happenings) with whom the respondents talked about important matters in the last three months. Weak social ties were measured with the number of co-workers, business partners, and counselors with whom the respondents talked about important matters in the last three months. Measures

for strong and weak social ties were adapted from Greve (1995). Entrepreneurial self-efficacy was measured by asking respondents to assess their perceived abilities on a 5-point Likert scale ranging from 1 (completely unsure) to 5 (completely sure) in the following entrepreneurial tasks that pertain to the attainment of important entrepreneurial effectiveness goals: conduct market analysis, expand business, find new markets, make a strategic plan, make decisions under uncertainty, perform financial analysis, set and attain profit goals, set and attain sales goals, take calculated risks, and take responsibility for new ideas and decisions. These roles/tasks were adapted from Chen and colleagues' (1998) study. Cronbach's alphas of 0.88 was above the threshold of 0.70 (Hair et al., 2010), indicating strong internal consistency of items operationalized to measure the construct. Exploratory factor analysis in SPSS 16.0 extracted one factor (N = 497; Bartlett's test of sphericity: approx. chi-square of 197,345; 45 df; sig. 0.000. Kaiser-Meyer-Olkin measure of sampling adequacy: 0.90. Variance explained: 43.0%). The factor analysis indicated that all factor loadings were above 0.5. Entrepreneurial self-efficacy was entered in the model of small firm financing through bank loans and trade credits as a latent construct.

Firm's legal status was measured with a dichotomous variable (1-sole proprietor; 0-other legal statuses, e.g. limited liability company). Firm age was measured with the number of years from the firm's establishment to the year 2007. The tangibility of assets was measured by the share of tangible assets in total assets.

4. RESULTS

Results of model test using structural equation modeling indicated good model fit (goodness-of-fit indices: chi-square = 388.055, 125 df, probability 0.000; NFI = 0.91; NNFI = 0.91; CFI = 0.93; GFI = 0.90; SRMR = 0.06; RMSEA = 0.07). EQS reported that parameter estimates appear in order and that no special problems were encountered during the optimization. Examination of the hypotheses related to the model of small firm financing through bank loans and trade credits is presented in the following paragraphs. Structural equations with standardized coefficients are shown in Table 1.

Hypothesis H1 proposed that strong social ties would be negatively related to external financing in terms of bank loans and trade credits. While the relationship between strong social ties and bank loans (H1a) was not found to be significant, the results indicate a significant relationship between strong social ties and trade credits (H1b; a negative, significant standardized coefficient of -0.13); therefore, the results support hypothesis H1b. Hypothesis H2 looked at the relationships between weak social ties and bank loans (H2a) and at the relationships between weak social ties and trade credits (H2b). Empirical results were found in support of hypothesis H2a (a positive and significant standardized coefficient of 0.25) and hypothesis H2b (a positive and significant standardized coefficient of 0.22). Hypothesis H3 predicted that higher entrepreneurial self-efficacy would be positively related to external financing. Whereas the relationship between entrepreneurial self-efficacy and bank loans (H3a) was not found to be significant, the results indicate a significant relationship between entrepreneurial self-efficacy and trade credits (H3b; a positive, significant standardized coefficient of 0.15).

Hypothesis H4 proposed that sole proprietor as firm's legal status would have negative influence on bank loans (H4a) and trade credits (H4b). The results presented in Table 1 indicate that sole proprietor as firm's legal status has a significant negative influence

on both bank loans and trade credits (significant negative path coefficients of -0.18 and -0.11, respectively). Hypothesis H5a proposed that older firms borrow more from banks than younger ones and hypothesis H5b proposed that older firms borrow more from suppliers than younger ones. Empirical results were not found in support of hypotheses H5a and H5b. Hypothesis H6 examined the impact of higher percentage of tangible assets in total assets on bank loans (H6a) and trade credits (H6b). Hypothesis H6a was supported and results indicate a significant positive relationship between the percentage of tangible assets in total assets and bank loans (positive and significant standardized coefficients of +0.31). Hypothesis H6b was not supported (close-to-zero and non-significant standardized coefficient of +0.02).

The last four hypotheses examined the relationship between external financing and firm growth. As indicated in Table 1 bank loans are strongly, positively, and significantly related to assets growth (H7a; standardized coefficient of +0.30) and sales growth (H7b; standardized coefficient of +0.25). While the relationship between trade credits and assets growth (H8a) was not found to be significant, hypothesis H8b was supported, since the results indicate the significant positive relationship between trade credits and sales growth (positive and significant standardized coefficients of +0.10).

Table 1: Structural equations for the model of small firm financing through bank loans and trade credits

Independent variables	Dependent variables			
	Bank loans	Trade credits	Assets growth	Sales growth
Strong social ties	-0.08	-0.13*		
Weak social ties	+0.25*	+0.22*		
Entrepreneurial self-efficacy	+0.06	+0.15*		
Legal status (sole proprietor)	-0.18*	-0.11*		
Firm age	-0.03	-0.02		
Tangibility of assets	+0.31*	+0.02		
Bank loans			0.30*	0.25*
Trade credits			0.04	0.10*
Error	0.92	0.96	0.95	0.96
R-squared	0.16	0.08	0.10	0.08

Note: * Sig. < 0.05

5. DISCUSSION AND CONCLUSION

There are several important observations for entrepreneurs, policy makers, and scholars that can be derived from the results of this study. I analyzed the influence of three owner's and three firm's characteristics on small firm debt financing. In this study I considered bank loans and trade credits as sources of finance for small firms. I also tested how external financial sources influence small firms' growth.

The literature review indicates a lack of research on the influence of weak social ties, strong social ties, and entrepreneurial self-efficacy on bank loans and trade credits. In this study, weak social ties were found to be the most important owner's determinant of external financing. This is consistent with findings of those authors that demonstrated the benefits of building a wider network of acquaintances (Greve & Salaff, 2003; Hoang & Antončič, 2003; Ozgen & Baron, 2007) which can help an entrepreneur getting more useful information, new contacts, and eventually new sources of finance or at least a less constrained access to external sources for financing the start-up stage of the firm, daily business operations and growth intentions. The results of the study also imply that having a closer relationship with counselors, co-workers, and business partners increases the availability of external financial sources (bank loans and trade credits). Based on these research results, I propose to entrepreneurs to widen their social network through business clubs (e.g. Lions club, Rotary club), business associations (e.g. local, regional and national chambers, tradesmen unions), seminars, and important events. By widening their social network in a targeted way, entrepreneurs can benefit from accessing to important information and resources (including financial resources) that could not otherwise be acquired.

On contrary, the relationship between strong social ties and bank loans was not found to be significant, while the results indicate a significant negative relationship between strong social ties and trade credits. I hypothesized that members of strong ties of an individual's social network will help in providing financial sources in the case of entrepreneur's need. Since the results did not demonstrate a significant result for the proposed hypothesis I cannot confirm this assumption. However, a significant influence of strong ties on trade

credits confirms the assumption of a negative influence between the two. Family and friends will help the entrepreneur in financing the business; therefore, less external sources will be needed.

Probably the most interesting conclusion of this study arises from the analyzed influence of entrepreneurial self-efficacy on bank loans and trade credits since this independent variable has not been analyzed before in such contexts. Results revealed that entrepreneurial self-efficacy has a positive influence on trade credits but it does not influence bank loans. These results can be explained with the fact that when lending, banks observe strict rules, measures, and procedures so not even an entrepreneur with a distinctive self-efficacy can influence an easier access to loans or on favorable borrowing terms. Consequently, an entrepreneur with high entrepreneurial self-efficacy can more effectively present his or her projects, motivation, and desire to succeed and develop the firm to suppliers since suppliers have more flexible directives when approving delays and extensions of payments. This results act as an important contribution to the literature. Entrepreneurs with a higher entrepreneurial self-efficacy will more frequently make use of trade credits which indicates that entrepreneurs, whose firms may have constrained access to credits due to their disadvantageous characteristics (e.g. newly established and young firms or fast-growing firms), must focus on increasing their entrepreneurial self-efficacy. Since entrepreneurial self-efficacy can be improved with appropriate entrepreneurial education (Chen et al., 1998; Zhao, Seibert, & Hills, 2005) I suggest entrepreneurs to participate in entrepreneurial educational programs. For the same reason, I suggest policy makers to introduce some entrepreneurial education programs in all high schools and technical faculties. Additionally, it is essential to develop appropriate entrepreneurial education programs for unemployed people.

The most important firm's determinant and the determinant with the highest regression coefficient in the model was the asset tangibility, however this determinant was found to be significant only for bank loans. The result was not surprising since firms with more tangible assets (e.g. real estate, land, engines and equipment) which can be pledged as collateral will demand for bank loans more often. This result is

consistent with findings of different authors that also confirmed a positive influence of tangible assets on bank loans (e.g. Almeida & Campello, 2007; Berger & Udell, 2006). On the other hand, banks would rather finance those firms with more tangible assets since the risk of not being repaid back is replaced with the right of possession of pledged assets (Jimenez et al., 2006). Financing firms with more tangible assets is therefore less risky (Coleman & Cohn, 2000). Contrary, the results show a non-significant relationship between suppliers' trade credits and tangible assets.

This study also supports findings of other scholars that have focused their attention to the influence of firm's legal status on small firm external financing (e.g. Coleman & Cohn, 2000; Petersen & Rajan, 1997; Storey, 2004). Results show that sole proprietors borrow less from banks and suppliers. The main constrain that sole proprietor face is the lack of creditworthiness as they do not signalize as much credibility as limited companies do. This leads me to suggest entrepreneurs to transform firm's legal status from sole proprietor to a limited liability company in order to facilitate the access to bank loans and trade credits. I found no statistically significant influence of firm's age on small firm financing through bank loans and trade credits even though some scholars reported that this relationship exists (Coleman & Cohn, 2000; Severin et al., 2004).

This study also reveals that external financing is an important determinant for small firm growth.

Bank loans permit larger investments and the positive relationship between bank loans and assets' growth is reasonable. Moreover, both bank loans and trade credits positively influence sales' growth and assets' growth.

However, future research should dig more into these relationships and investigate which other owner's and firm's determinants interplay with external firm financing and growth. For example, it would be interesting to see how owner's coping strategies impact decisions to get external financing and how on the other hand such strategies impact firm growth (Drnovšek, Örtqvist, & Wincent, 2010). Motivation plays a considerable role in firm performance and investigating how motivational factors such as greater business achievement, independence, intrinsic factor and job security (Stefanovic, Prokic, & Rankovic, 2010) impact firm financing and growth. Another avenue for future research would be exploring how business excellence, a motive power that drives people to achieve top results (Meško Štok, Markič, Bertoneclj, & Meško, 2010), impacts availability of bank loans and trade credits.

Despite certain limitations of this study (single-item measures for some of the variables, the cross-sectional nature of this study, and single country sample) the research results show that greater emphasis should be put on the topic of the firm's and owner's characteristics as determinants of small firm financing.

EXTENDED SUMMARY / IZVLEČEK

Namen študije je raziskati vpliv podjetnikovih lastnosti (močne socialne vezi, šibke socialne vezi in podjetniška samoučinkovitost) ter značilnosti podjetja (pravni status – samostojni podjetnik ali pravna oseba, starost podjetja in opredmetenost osnovnih sredstev) na financiranje majhnih podjetij preko bančnih posojil in dobaviteljevih odlogov plačil. Na podlagi vzorca 497 anketiranih podjetnikov in z uporabo strukturnega modeliranja enačb rezultati raziskave prikazujejo, da so šibke socialne vezi, pravni status in opredmetenost osnovnih sredstev pomembno povezana z višino bančnih posojil, ki jih majhna podjetja izkazujejo v svojih bilancah stanja. Rezultati študije tudi kažejo, da so močne in šibke socialne vezi, podjetniška samoučinkovitost ter pravni status podjetja statistično značilno povezani z večjo uporabo dobaviteljskih odlogov plačil za blago. Nenazadnje pa študija osvetli tudi pomen zunanjega financiranja za rast majhnih podjetij, saj se je izkazalo, da tako bančni kot dobaviteljski krediti pozitivno vplivajo na rast majhnih podjetij. Študija tako prispeva k boljšemu razumevanju dejavnikov, ki so pomembni, ko podjetniki zaprosijo za zunanje finančne vire in posojilodajalcem sporoča njihova pomembno vlogo pri rasti majhnih podjetij.

REFERENCES

- Aldrich, H. (1999). *Organizations Evolving*. London: Sage.
- Almeida, H., & Campello, M. (2007). Financial constraints, asset tangibility, and corporate investment. *Review of Financial Studies*, 20(5), 1429-1460.
- Antončič, B., & Prodan, I. (2008). Alliances, corporate technological entrepreneurship and firm performance: Testing a model on manufacturing firms. *Technovation*, 28, 257-265.
- Arad, S., Hanson, M., & Schneider, R. (1997). A Framework for the Study of Relationships between Organizational Characteristics and Organizational Innovation. *Journal of creative behavior*, 31(1), 42-58.
- Avery, R. B., Bostic, R. W., & Samolyk, K. A. (1998). The role of personal wealth in small business finance. *Journal of Banking & Finance*, 22(6-8), 1019-1061.
- Bandura, A. (1997). *Self-efficacy: the exercise of control*. New York: JH. Freeman.
- Bates, T. (1991). Financial capital structure and small business viability. In R. Yazdipour (Ed.), *Advances in Small Business Finance* (pp. 63-77). Dordrecht: Kluwer Academic Publishers.
- Baum, R. J. (1996). Organizational ecology. In S. Clegg, C. Hardy, & S. Nord (Eds.), *Handbook of Organization Studies*. London: Sage.
- Baum, R. J., & Locke, E. A. (2004). The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth. *Journal of Applied Psychology*, 89(4), 587-598.
- Baum, R. J., Locke, E. A., & Smith, K. G. (2001). A multidimensional model of venture growth. *Academy of Management Journal*, 44(2), 292-303.
- Beck, T., & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: access to finance as a growth constraint. *Journal of Banking & Finance*, 30(11), 2931-2943.
- Beck, T., Demirguc-Kunt, A., Laeven, L., & Maksimovic, V. (2006). The determinants of financing obstacles. *Journal of International Money and Finance*, 25(6), 932-952.
- Beck, T., Demirguc-Kunt, A., & Maksimovic, V. (2005). Financial and legal constraints to firm growth: does size matter? *The Journal of Finance*, 60(1), 137-177.
- Berger, A. N., & Udell, G. F. (1998). The economics of small business finance: the roles of private equity and debt markets in the financial growth cycle. *Journal of Banking & Finance*, 22(6-8), 613-673.
- Berger, A. N., & Udell, G. F. (2006). A more complete conceptual framework for SME finance. *Journal of Banking & Finance*, 30(11), 2945-2966.
- Berginc, D. (2014). Views of CEOs on firm performance. *Dynamic Relationships Management Journal*, 3(2), 37-49.
- Bester, H. (1985). Screening vs. rationing in credit markets with imperfect information. *American Economic Review*, 75, 850-855.
- Boyd, N. G., & Vozikis, G. S. (1994). The Influence of Self-Efficacy on the Development of Entrepreneurial Intentions and Actions. *Entrepreneurship: Theory & Practice*, 18(4), 63-77.
- Bruderl, J., & Preisendorfer, P. (1998). Network support and the success of newly founded businesses. *Small Business Economics*, 10(3), 213-225.
- Byrne, B. M. (2006). *Structural equation modeling with EQS: basic concepts, applications, and programming* (2nd ed.). Mahwah (N.J.): Lawrence Erlbaum Associates.
- Carpenter, R. E., & Petersen, B. C. (2002). Is the growth of small firms constrained by internal finance? *Review of Economics & Statistics*, 84(2), 298-309.
- Cavalluzzo, K. S., & Cavalluzzo, L. C. (1998). Market structure and discrimination: the case of small businesses. *Journal of Money, Credit & Banking*, 30(4), 771-792.
- Chaganti, R., Decarolis, D., & Deeds, D. (1995). Predictors of Capital Structure in Small Ventures. *Entrepreneurship: Theory & Practice*, 20(2), 7-18.
- Chandler, G. N., & Jansen, E. (1992). The Founder's Self-Assessed Competence and Venture Performance. *Journal of Business Venturing*, 7(3), 223-236.
- Channon, G., Edwards, A., & James, S. (2001). *The economic, legal and taxation effects of disincorporation*. Retrieved from Exeter: http://www.intranet.ex.ac.uk/sobe/discussion_papers/discussion_papers_in_management/index.php?id=123
- Chen, C. C., Greene, P. G., & Crick, A. (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers? *Journal of Business Venturing*, 13(4), 295-316.
- Cole, R. A. (1998). The importance of relationships to the availability of credit. *Journal of Banking & Finance*, 22(6-8), 959-977.
- Cole, R. A. (2008). *Who needs credit and who gets credit? Evidence from the surveys of small business finances*. Retrieved from Washington: <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTFINRES/0,,contentMDK:21622894~pagePK:64168182~piPK:64168060~theSitePK:478060,00.html>
- Coleman, S., & Cohn, R. (2000). Small firms' use of financial leverage: evidence from the 1993 national survey of small business finances. *Journal of Business and Entrepreneurship*, 12(3), 87-130.
- Coleman, S., & Kariv, D. (2014). 'Deconstructing' entrepreneurial self-efficacy: a gendered perspective on the impact of ESE and community entrepreneurial culture on the financial strategies and performance of new firms. *Venture Capital*, 16(2), 157-181.
- Darrough, M. N., & Stoughton, N. M. (1986). Moral Hazard and Adverse Selection: The Question of Financial Structure. *Journal of Finance*, 41(2), 501-513.

- De Blasio, G. (2005). Does trade credit substitute bank credit? Evidence from firm-level data. *Economic Notes*, 34(1), 85-112.
- Dietrich, D. (2007). Asset tangibility and capital allocation. *Journal of Corporate Finance*, 13(5), 995-1007.
- Dillman, D. A., Smyth, J. D., & Christian, L. M. (2009). *Internet, mail, and mixed-mode surveys: the tailored design method* (3rd ed.). Hoboken, N.J.: John Wiley & Sons.
- Dollinger, M. J. (2003). *Entrepreneurship: Strategies and Resources 3rd Ed.* Upper Saddle River, New Jersey: Pearson Education, Inc.
- Drakos, K. (2012). Bank loan terms and conditions for Eurozone SMEs. *Small Business Economics*, 1-16.
- Drnovšek, M., Örtqvist, D., & Wincent, J. (2010). The effectiveness of coping strategies used by entrepreneurs and their impact on personal well-being and venture performance. *Zbornik radova Ekonomskog fakulteta u Rijeci*, 28(2), 193-220.
- Elliehausen, G. E., & Wolken, J. D. (1993). *The demand for trade credit: an investigation of motives for trade credit use by small businesses*. Retrieved from Washington Federal Reserve: <https://www.federalreserve.gov/pubs/staffstudies/1990-99/ss165.pdf>
- Freedman, J. (1994). Small businesses and the corporate form: burden or privilege. *The Modern Law Review*, 57(4), 555-584.
- Fungáčová, Z., Godlewski, C. J., & Weill, L. (2011). Asymmetric information and loan spreads in Russia: Evidence from syndicated loans. *Eastern European Economics*, 49(1), 13-29.
- Gatewood, E. J., Shaver, K. G., & Gartner, W. B. (1995). A longitudinal study of cognitive factors influencing start-up behaviors and success at venture creation. *Journal of Business Venturing*, 10(5), 371-391.
- Gimeno, J., Folta, T. B., Cooper, A. C., & Woo, C. Y. (1997). Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly*, 42(4), 750-783.
- Granovetter, M. S. (1973). The strength of weak ties. *American Journal of Sociology*, 78(6), 1360-1380.
- Greve, A. (1995). Networks and entrepreneurship — an analysis of social relations, occupational background, and use of contacts during the establishment process. *Scandinavian Journal of Management*, 11(1), 1-24.
- Greve, A., & Salaff, J. W. (2003). Social networks and entrepreneurship. *Entrepreneurship Theory and Practice*, 28(1), 1-22.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis* (7th ed.). Upper Saddle River, NJ: Prentice-Hall.
- Hessels, J., & Parker, S. C. (2013). Constraints, internationalization and growth: A cross-country analysis of European SMEs. *Journal of World Business*, 48(1), 137-148.
- Hmieleski, K. M., & Corbett, A. C. (2008). The contrasting interaction effects of improvisational behavior with entrepreneurial self-efficacy on new venture performance and entrepreneur work satisfaction. *Journal of Business Venturing*, 23(4), 482-496.
- Hoang, H., & Antončič, B. (2003). Network-based research in entrepreneurship: a critical review. *Journal of Business Venturing*, 18(2), 165-187.
- Hu, L., & Bentler, P. M. (1999). Cutoff criteria for fit indexes in covariance structure analysis: conventional criteria versus new alternatives. *Structural Equation Modeling*, 6(1), 1-55.
- Hudges, A., & Storey, D. J. (1994). *Finance and the Small Firm*. London: Routledge.
- Hutchinson, R. W. (1995). The capital structure and investment decisions of the small owner-managed firm: some exploratory issues. *Small Business Economics*, 7(3), 231-239.
- Huyghebaert, N., Van de Gucht, L., & Van Hulle, C. (2007). The choice between bank debt and trade credit in business start-ups. *Small Business Economics*, 29(4), 435-452.
- Hyttinen, A., & Vaananen, L. (2006). Where do financial constraints originate from? An empirical analysis of adverse selection and moral hazard in capital markets. *Small Business Economics*, 27(4), 323-348.
- Jagic, T., & Jagic, V. (2011). A comparison of growing cell structures neural networks and linear scoring models in the retail credit environment. *Eastern European Economics*, 49(6), 74-96.
- Jimenez, G., Salas, V., & Saurina, J. (2006). Determinants of collateral. *Journal of Financial Economics*, 81(2), 255-281.
- Johannisson, B. (2000). Networking and entrepreneurial growth. In D. Sexton & H. Landstrom (Eds.), *Handbook of Entrepreneurship* (pp. 368- 386). Oxford: Blackwell.
- Johnson, P., Conway, C., & Kattuman, P. (1999). Small business growth in the short run. *Small Business Economics*, 12(2), 103-112.
- Khedhaouria, A., Gurău, C., & Torrès, O. (2015). Creativity, self-efficacy, and small-firm performance: the mediating role of entrepreneurial orientation. *Small Business Economics*, 44(3), 485-504.
- Krueger, N. F., Reilly, M. D., & Carsrud, A. L. (2000). Competing models of entrepreneurial intentions. *Journal of Business Venturing*, 15(5-6), 411-432.
- Leeth, J. D., & Scott, J. A. (1989). The incidence of secured debt: evidence from the small business community. *Journal of Financial & Quantitative Analysis*, 24(3), 379-394.
- Meško Štok, Z., Markič, M., Bertoneclj, A., & Meško, M. (2010). Elements of organizational culture leading to business excellence. *Zbornik radova Ekonomskog fakulteta u Rijeci*, 28(2), 303-318.

- Miao, C., Qian, S., & Ma, D. (2017). The Relationship between Entrepreneurial Self-Efficacy and Firm Performance: A Meta-Analysis of Main and Moderator Effects. *Journal of Small Business Management*, 55(1), 87-107.
- Michaelas, N., Chittenden, F., & Poutziouris, P. (1999). Financial policy and capital structure choice in U.K. SMEs: empirical evidence from company panel data. *Small Business Economics*, 12(2), 113-130.
- Moretti, L. (2012). Bank concentration, private credit, and firm turnover: Evidence from the enlarged European Union. *Eastern European Economics*, 50(5), 5-22.
- Ozgen, E., & Baron, R. A. (2007). Social sources of information in opportunity recognition: effects of mentors, industry networks, and professional forums. *Journal of Business Venturing*, 22(2), 174-192.
- Petersen, M. A., & Rajan, R. G. (1994). The benefits of lending relationships: evidence from small business data. *Journal of Finance*, 49(1), 3-37.
- Petersen, M. A., & Rajan, R. G. (1997). Trade credit: theories and evidence. *Review of Financial Studies*, 10(3), 661-691.
- Prodan, I., & Drnovsek, M. (2010). Conceptualizing academic-entrepreneurial intentions: An empirical test. *Technovation*, 30(5-6), 332-347.
- Qorraj, G. (2017). Entrepreneurial ventures under information asymmetry in transition countries. *Dynamic Relationships Management Journal*, 6(1), 27-34.
- Rangan Insead, S. (2000). The problem of search and deliberation in economic action: when social networks really matter. *Academy of Management Review*, 25(4), 813-828.
- Rivaud-Danset, D., Dubocage, E., & Salais, R. (1998). *Comparison between the financial structure of SME versus large enterprise using the BACH data base*. Retrieved from Cachan: http://ec.europa.eu/economy_finance/publications/pages/publication928_en.pdf
- Rraci, O. (2010). The effect of foreign banks in financing firms, especially small firms, in transition economies. *Eastern European Economics*, 48(4), 5-35.
- Scholtens, B. (1999). Analytical issues in external financing alternatives for SBEs. *Small Business Economics*, 12(2), 137-148.
- Severin, E., Alphonse, P., & Ducret, J. (2004). *When trade credit facilitates access to bank finance: evidence from US small business data*. Retrieved from Basel: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=462660
- Shane, S. (2004). *Academic entrepreneurship: university spinoffs and wealth creation*. Cheltenham: Edward Elgar Publishing.
- Singh, R. P. (1998). *Entrepreneurial opportunity recognition through social networks*. Retrieved from Illinois: https://fusionmx.babson.edu/entrep/fer/papers99/X/X_B/X_B.html
- Stefanovic, I., Prokic, S., & Rankovic, L. (2010). Motivational and success factors of entrepreneurs: the evidence from a developing country. *Zbornik radova Ekonomskog fakulteta u Rijeci*, 28(2), 251-269.
- Storey, D. J. (1994). The role of legal status in influencing bank financing and new firm growth. *Applied Economics*, 26(2), 129-136.
- Storey, D. J. (2004). Racial and gender discrimination in the micro firms credit market? Evidence from Trinidad and Tobago. *Small Business Economics*, 23(5), 401-422.
- Torre, A. d. I., Martinez Peria, M. S., & Schmukler, S. L. (2008). *Bank involvement with SMEs: beyond relationship lending*. Retrieved from Washington: http://siteresources.worldbank.org/DEC/Resources/Bank_Involvement_with_SMEs.pdf
- Uzzi, B. (1999). Embeddedness in the making of financial capital: how social relations and networks benefit firms seeking financing. *American Sociological Review*, 64(4), 481-505.
- Vos, E., Yeh, A. J.-Y., Carter, S., & Tagg, S. (2007). The happy story of small business financing. *Journal of Banking & Finance*, 31(9), 2648-2672.
- Walker, K. N., MacBride, A., & Vachon, M. L. S. (1977). Social support networks and the crisis of bereavement. *Social Science & Medicine*, 11(1), 35-41.
- Walter, A., Auer, M., & Ritter, T. (2006). The impact of network capabilities and entrepreneurial orientation on university spin-off performance. *Journal of Business Venturing*, 21(4), 541-567.
- Welsh, J. A., & White, J. F. (1981). A small business is not a little big business. *Harvard Business Review*, 59(4), 18-27.
- Winborg, J., & Landstrom, H. (2001). Financial bootstrapping in small businesses: examining small business managers' resource acquisition behaviors. *Journal of Business Venturing*, 16(3), 235-254.
- Wood, R., & Bandura, A. (1989). Social cognitive theory of organizational management. *The Academy of Management Review*, 14(3), 361-384.
- Woschke, T., Haase, H., & Kratzer, J. (2017). Resource scarcity in SMEs: effects on incremental and radical innovations. *Management Research Review*, 40(2), 195-217.
- Wu, Z., Chua, J. H., & Chrisman, J. J. (2007). Effects of family ownership and management on small business equity financing. *Journal of Business Venturing*, 22(6), 875-895.
- Zhao, H., Seibert, S. E., & Hills, G. E. (2005). The mediating role of self-efficacy in the development of entrepreneurial intentions. *Journal of Applied Psychology*, 90(6), 1265-1272.