

GCSME
GLOBAL CONFERENCE ON SME
& ENTREPRENEURSHIP

2010

CONFERENCE PROCEEDINGS

**"SME AND ENTREPRENEURSHIP IN SUSTAINABLE ECONOMIC DEVELOPMENT AND
ENHANCEMENT OF QUALITY OF LIFE"**

26 – 27 August 2010

Hotel Equatorial, Kuala Lumpur, Malaysia

Edited by:

Nelson Oly Ndubisi

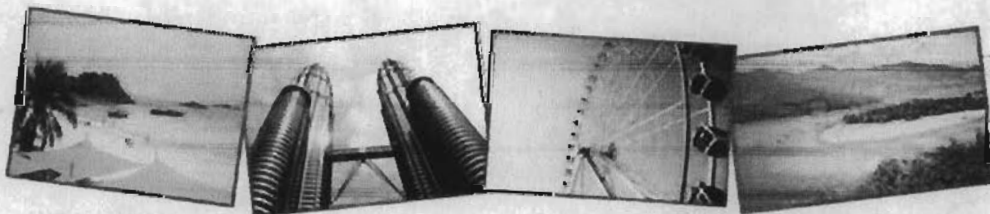
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Our deepest appreciation goes to THE EDGE SOLUTIONS for the support provided to GCSME 2010. Without you the conference wouldn't have been possible. Thank you for the confidence you have in this conference by accepting to collaborate with us at a very short notice by underwriting the conference, providing resources, logistics, and expertise, as well as publishing the proceedings, when other organizations were just interested in counting their gains. You have lived out your name by showing that indeed you are the edge solutions provider.

The following journals and the editors will not go unrecognized for their various roles in making this meeting a success-Psychology & Marketing, Family Business Review, Thunderbird International Business Review, International Journal of Quality and Reliability Management and Asia Pacific Journal of Marketing & Logistics.

To all reviewers, we would like to thank you for a good job. Your short but useful recommendations are appreciated. Your professionalism in handling the reviews was outstanding, even when rejection was recommended; it was done with collegiality, in keeping with the spirit of the conference.

Authors and presenters, your contribution is the best. Without contributing and presenting your research, there will be no GCSME 2010. I hope you will continue to make this conference a priority outlet for your future research. Please watch out for the announcement on GCSME 2011 on our website .
See you again next year at gcsme 2011.

Secretariat

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KEYNOTE SPEAKERS

Professor Sonny Nwankwo, PhD.

Sonny is Professor of Marketing and doubles as the Director of Research & Enterprise at the Royal Docks Business School, London. He is also the founding President of the International Academy of African Business and Development, Director of the Black Business Observatory for London (funded by the London Development Agency), Co-Director of the Africa Knowledge Hub which is dedicated to 'open access' publication and dissemination of evidence-based research on the dynamic processes of business and management, science and technology, and sustainable development within African contexts. A recipient of ANBA Citation of Excellence for Highest Quality Rating, he is a member of Editorial Review/Advisory Board of several academic journals; external assessor and Visiting Professor at universities across Africa, Europe, Australasia and North America. He is a Chartered Marketer (among the first cohort to receive the personal chartered status), Fellow of the Chartered Institute of Marketing, FCIM; Fellow of the Royal Society of Arts, FRSA, amongst other professional affiliations.

Professor Felix Mavondo, PhD.

Professor Felix Mavondo is a graduate of the Monash University and currently Professor of Marketing and Director of Higher Degrees by Research at Monash University in the Faculty of Business and Economics. He has had extensive publications in the areas of Entrepreneurship, Market Orientation, Relationship Marketing, Tourism, Psychic Distance, among many other research interests. His current area of research interest is in Resources and capabilities. Felix has supervised more than 36 PhDs to completion in the last 8 years. Felix will speak on the topic of "Doing Cross-country Research".

Mr Mohd. Ruslan Abdul Ghani

Mr Ruslan is the General Manager of UMW Lubricant. Ruslan achieved his Bachelor of Science in Finance, from Southern Illinois University, USA and has an MBA majoring in Marketing. He has been with UMW in the Lubricant Division for 11 years where he managed to increase Pennzoil's position in Malaysia market from 8th to the 3rd spot making Pennzoil a force to be recognized by competitors. At the

same time, he managed to reposition Lubetech Sdn. Bhd. as a premium blending plant. Ruslan is the Director for UMW Lubritech China Limited, a UMW lubricant subsidiary company in China. Prior to joining UMW Corporation, he started his career as a banker in Arab Malaysian Merchant Bank and then as a lecturer in UITM for 5 years. He then moved to ESSO Malaysia Sdn. Bhd. as Sales Manager, part of the Exxon Mobil worldwide circuit. In 1996, he joined TMTOUCH Sdn. Bhd., a telecommunication subsidiary of Telekom Malaysia for 10 years and became the General Manager of Sales & Marketing. Under his leadership, TMTOUCH managed to become the market leader of GSM1800 putting the company as a player to reckon with among the GSM 900 players. He now heads: UMW Lubetech Sdn. Bhd; UMW Pennzoil Sdn. Bhd.; and UMW Lubritech China Limited, all subsidiaries of UMW Holdings.

EDITORIAL

Welcome to the Global Conference on Small & Medium-sized Enterprises and Entrepreneurship 2010. The significant roles of entrepreneurial ventures and small and medium-size enterprises in general to the growth of many of the world's economies have been documented. However, growth is just one dimension of development. Economic development involves an increase in living standards, greater choice of goods and services, improvement in environmental wellbeing, low level of unemployment, and security (in general). It also deals with an increase in a country's real level of national output which can result from an increase in the quality and quantity of resources (both human and non-human), and improvements in technology. Economic development is concerned with sustainability and takes into account the size and quality of the informal economy. It alleviates people from low standards of living into a better quality of life. Small enterprises have made significant contributions towards economic growth, development, and quality of life in many nations, but they are yet to reach their maximum potential. The recent economic meltdown has further adverse effect on their contributions. GCSE 2010 is a forum to deliberate on several issues related to the subjects of small enterprises and entrepreneurship from academic and practitioner perspectives.

Submissions in the form of case study, conceptual, empirical and practitioner papers are invited in the following areas (but not limited to these), which address issues around Entrepreneurship, Family Business and SMEs in general:

- Accounting
- B2B and B2C,
- Competitiveness and sustainability
- Corporate governance and CSR
- Cross cultural Issues
- Economic meltdown and Small Firms
- E-commerce
- Education and training
- Employment creation
- Environmental quality management
- Ethics
- Financing and access to funds
- Franchising
- Gender and minority issues

- Government policies/support
- Human resource management
- ICT and innovation
- Internationalization of small firms
- Law
- Micro and Interest free finance
- Managing growth and quality of life
- Marketing strategy
- Operations strategy, quality and knowledge management
- Services
- Small enterprises and poverty alleviation
- Small enterprises and economic restructuring
- Small enterprises and MNEs
- Taxation
- Tourism

This year, this quality global conference will hold in Kuala Lumpur, Malaysia on August 26 & 27. The 2010 conference is another opportunity for small business, family business and entrepreneurship researchers, practitioners and policy makers to meet and discuss developments in the field and how to improve managerial practices, research and policy making. Known for its quality and collegiality, the conference provides an environment for early career researchers and more experienced academics to network and freely interact and strike collaborations in areas of mutual interest. All submissions to the GCSME 2010 were peer reviewed before acceptance for presentation and inclusion in the proceedings.

Professor Nelson Oly Ndubisi (PhD)
EDITOR

CONFERENCE PROGRAMME

WEDNESDAY, AUGUST 25, 2010	
12.30 – 4.00 PM	Industry Tour – UMW Pennzoil Sdn Bhd
6.00PM – 8.00 PM	REGISTRATION – HOTEL LOBBY
THURSDAY, AUGUST 26, 2010	
7.30 am – 9.00 am	REGISTRATION – CEMPAKA/RAYA ROOM
9.00 am – 9.30 am	1st Keynote Address: Professor Sonny Nwankwo University of East London
9.30 am – 10.00 am	2nd Keynote Address: Professor Felix Mavondo Monash University, Australia
10.00 am – 10.30 am	3rd Keynote Address: Mr Mohd. Ruslan Abdul Ghani General Manager, UMW Lubricant
10.30 am – 10.50 am	Q & A
KEYNOTE SESSION MODERATOR: MC:	Professor Nelson Oly Ndubisi Ms Siti Haryati Shaikh Ali
10.50 am – 11.00 am	Coffee Break
11.00 am – 1.00 pm	Parallel Sessions 1
1.00 pm – 2.00 pm	Lunch Break
2.00pm – 4.00 pm	Parallel Sessions 2
4.00 pm – 4.10 pm	Coffee Break
4.10 pm – 6.10 pm	Parallel Sessions 3
FRIDAY, AUGUST 27, 2010	
10 AM – 3PM	WAWA, WAKA-WAKA, TOUR & SPLASH
6.30 PM – 10.30 PM	CONFERENCE DINNER

PARALLEL SESSIONS 1

THURSDAY, AUGUST 26, 11.00AM – 1.00 PM

THEME: Accounting, Finance & Governance

CO-CHAIR: Helen Samujh & Wai Meng Chan

VENUE : CEMPAKA ROOM

No	Paper ID	Title	Presenter/s	Time
1	046	Determinants that affect the capital structure of small and medium industries	Tasya Aspiranti	11.00 – 11.10
2	021	Job Creation and Destruction of Firms in Vietnam	Nguyen Minh Ha	11.10 – 11.20
3	031	The use of external accountants' advisory services in complex and competitive environment and its effect on SME performance.	Yahya Kamyabi	11.20 – 11.30
4	037	Ownership Structure and Voluntary Disclosure of Intellectual Capital: Evidence from Malaysia	Kin Gan	11.30 – 11.40
Q & A				11.40 – 12.00
5	045	Enhancing SME Capacity and the Role of professional accountants: An Asian perspective	R. Helen Samujh	12.00 – 12.10
6	047	Audit Exemption for SMEs: Does Ownership Matter?	Wai Meng Chan	12.10 – 12.20
7	051	The Growth of Small Firms and Internal Finance: Evidence from a Natural Experiment	Rasyad A. Parinduri	12.20 – 12.30

THURSDAY, AUGUST 26, 11.00AM – 1.00 PM

THEME: ICT, Knowledge & Innovation

CO-CHAIR: Cyril Ezeh & Sumesh Nair

VENUE : RAYA ROOM

No	Paper ID	Title	Presenter/s	Time
1	011	Technology and Innovation of SMEs in Malaysia	Nazatul Shima Abdul Rani	11.00 – 11.10
2	016	Key Determinants of Online Purchase Intentions: A Conceptual Framework	Sudarsan Jayasingh	11.10 – 11.20
3	020	A Knowledge Audit Initiative on DeGPT System: A Case Study on GPT Consulting SME	Lim Liyen	11.20 – 11.30
4	043	Knowledge Management Practice in SMEs: A Case Study in Textile Industry	Thevendran Renganathan	11.30 – 11.40
Q & A				11.40 – 12.00
5	044	Entrepreneurs Intention toward Innovation and Start New Business	Sedigheh Moghavvemi	12.00 – 12.10
6	033	The Impact of TQM Practices towards Employee Satisfaction in Malaysian SMEs.	Tan Pei Kian	12.10 – 12.20

PARELLEL SESSIONS 2

THURSDAY, AUGUST 26, 2.00 PM – 4.00 PM				
THEME: Marketing, Internationalisation & Quality				
CO-CHAIR: Margaret Matanda & Rebecca Lai				
VENUE : CEMPAKA ROOM				
No	Paper ID	Title	Presenter/s	Time
1	030	Organisational Capabilities and Relationship Quality Performance Implications for Palm Oil Processors in Malaysia.	Yew Chong Tan	2.00 – 2.10
2	017	Global Sourcing for Small and Medium-sized Enterprises: The Barriers	Tuan-Hock Ng	2.10 – 2.20
3	035	Consumer's Perception towards Social Network Advertising in Malaysia: A Preliminary Study	Uchenna Cyril Eze	2.20 – 2.30
4	038	Influences and Benefits of Environmental Marketing Practices – Lessons from India	Sumesh R. Nair & C. Ganesh	2.30 – 2.40
Q & A				2.40 – 3.00
5	048	Instant Internationalization of Mature SMEs: Critical Incidents leading to Rapid Internationalization	Thomas Straub	3.00 – 3.10
6	049	Respected or Not Being Respected: Does it Matter in Perceived Relationship Quality?	Siti Haryati Shaikh Ali	3.10 – 3.20
7	052	Organisational Capabilities and Performance of Entrepreneurial SMEs: The Mediating Role of Dynamic Capabilities	Wei Jiang & Margaret Matanda	3.20 -3.30
8	054	Relationship between Demography, Ethical Ideologies, Personalisation Commitment in Travel & Leisure Industry	Jennie Chew	3.30 – 3.40
Q& A				3.40 – 4.00

THURSDAY, AUGUST 26, 2.00AM – 4.00 PM

THEME: Management & Economics

CO-CHAIR: Dilber Ulas & Mei Peng

VENUE : RAYA ROOM

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2	028	Size Effect and Insolvency Profiles among the SMEs in Malaysia: An Empirical Testing on the 'Failure Prediction'	Maran Marimuthu	2.10 – 2.20
3	022	An Empirical Analysis of Factors Affecting Asset Growth of SMEs in Vietnam	Nguyen Minh Ha	2.20 – 2.30
4	023	Proposing a Modified-Delphi Method for Questionnaire Development and Validation in Entrepreneurship Study	Jeen Wei Ong,	2.30 – 2.40
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5	025	SME Policy Regimes: A Comparative Review of Japan and India	Lina R. Thatte & Prajakta Khare	3.00 – 3.10
6	039	The Causes of Workplace Bullying in SMEs.	Jian Ai Yeow & Tee Suan Chin	3.10 – 3.20
7	029	Model Suggestion for SMEs Economic and Environmental Sustainable Development	Dilber Ulas & Hatice Calipinar	3.20 – 3.30
Q & A				3.40 – 4.00

THURSDAY, AUGUST 26, 4.10 PM – 6.10 PM

THEME: Interdisciplinary

CO-CHAIR: Thomas Straub & Hatice Calipinar

VENUE : RAYA ROOM

No	Paper ID	Title	Presenter/s	Time
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2	026	When the externality factor doesn't work: A case study of Jepara wood furniture	Roos K. Andadari	4.20 – 4.30
3	050	The Effect of Rapport and Respect on (Small) Firm-Customer Relationship Quality	Siti Haryati Shaikh Ali	4.30 – 4.40
4	027	Local Entrepreneurs' Competitiveness in Indonesia	Sri Adiningsih	4.40 – 4.50
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5	018	A Conceptual Model of the Antecedents and Consequences of Employee's Motivation in SMEs	Low Mei Peng	5.10 – 5.20
6	041	The Process of Legitimacy Acquisition in Social Enterprises	Rajesh Rajaguru	5.20 – 5.30
7	042	Cultural Dimensions of Arts Entrepreneurship: Lessons for Vietnam from Australia	Huong Le	5.30 – 5.40
8	053	Ethical Norms, Relationship Quality and Commitment in Malaysia's Legal Service Sector	Rebecca Lai	5.40 – 5.50
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THURSDAY, AUGUST 26, 4.10 PM – 6.10 PM				
THEME: Sustainability, Competitiveness & Cross-cultural Issues				
CO-CHAIR: Jens Mueller & Siti Haryati Shaikh Ali				
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2	013	Theoretical Framework for Business Survival of Tour Agents in Miri	Nazatul Shima Abdul Rani	4.20 – 4.30
3	014	The Contingency and the Board in SMEs	Jens Mueller	4.30 – 4.40
4	015	Types of entrepreneurship in East Asia's emerging economies	Jens Mueller	4.40 – 4.50
Q & A				4.50 – 5.10
5	019	The Moderating Role of Firm Size and Organisational Culture in Malaysia	Chin Chee Choy	5.10 – 5.20
6	024	Is Competitive Advantage Equal to Superior Performance? Redefining the Boundary	Jeen Wei Ong,	5.20 – 5.30
7	032	Literature Review of Corporate Governance in Malaysian Commercial Bank Performance	Peong Kwee Kim	5.30 – 5.40
8	034	Impact of Entrepreneurial Values and Environmental Education on Environmental Marketing and Customer Satisfaction: Conceptualisation and Propositions.	Sumesh R. Nair	5.40 – 5.50
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Determinants that affect the capital structure of small and medium industries

(Survey in Textile and Textile Product Industry of Bandung Region)

Tasya Aspiranti

Bandung Islamic University, Indonesia

This study aimed to identify factors that affect capital structure of small and medium industries. Two main factors that affect capital structure in this research are financial and institutional factors, which consist of Bank and Non-Bank institutional. Objects in this study are small and medium industries in the sub-sectors of textile and textile product that located in centers of industry, spread across 15 districts in Bandung Regency. The types of analysis in this research are descriptive quantitative and qualitative research, data collection techniques used are in-depth interviews through a structured interview guide. Prediction of the capital structure by using logit regression shows that capital structure is significantly affected by financial and institutional factors.

Key words : capital structure, financial, institutional factors.

1. Introduction

In 2009, small and Micro Enterprises are absorbing 93.56% of the total workforce in Indonesia, while only 3.47% and 2.97% Medium and Large business. This shows that the proportion of labor absorption is the dominant contributed by Micro and Small Enterprises. Thereby also contributing to the GDP, Micro and Small contribution to GDP is 39, 94%, although it still lags far in proportion compared with Medium and Large Business contribution that is equal to 54.86%. This is due to Micro and Small Enterprises are more labor intensive compared with the Large Business that more capital intensive. Contribute towards the creation of foreign exchange is also seen from the Micro and Small Enterprises for 7.07%, although the gap is very much in proportion compared with the Medium and Large Enterprises which reached 92.93%. Contribution of Micro and Small Business investment is better than foreign exchange (29.09%), although in this case is still too far behind from the Medium and Large Enterprises which reached 70.91%. From the description above, Small and Micro Enterprises remains important to be cultivated for instance, absorbs a very large for labor. Micro and Small Enterprises was potential for a tough economy as a support for the Indonesian people.

Conditions of SMEs are still weak in terms of capital reveals that Indonesia is still oriented towards the total economy of the poor. SMEs still lack a role in the national economy, especially in the period before the crisis occurred in 1997 business conditions are more pro large business. The increasing role of SMEs after the crisis year 1997 proved to be a buffer the economy to help restore the national economy, so that in less than five years of the Indonesian economy gradually improved.

Hafidz and Sondakh (1987) from the results their research in 27 provinces in Indonesia clearly states that the poor need help capital loans. Commercial banks can not be relied upon by the poor because these groups will not be able to meet the requirements requested by the Bank (The Five C of Credit), namely Character (performance of the borrower), Capital (asset ownership), Collateral (collateral), Capacity of repayment (the ability to pay) and Condition of economics (economic conditions). It has also been put forward by Yunus (2002) that, "Commercial banks require collateral

and various other administrative conditions, which is not fulfilled by them (the poor). What is needed is how to connect the work they do with the availability of capital to enable these groups to improve their economic capabilities, and obtaining sources of income. " the role of government must be fair to improve the greatest number of Small and Medium Enterprises".

Viewed SMEs ratio of total debt to total assets, is still very low. SMEs are still very difficult to get loans from external lenders, especially lenders Bank of formal financial institutions. Most of the SMEs, especially small entrepreneurs never associated with banking, so that their characters are not known by the banks. SMEs, especially small entrepreneurs generally have assets in a small amount so assessed is not feasible to obtain credit from banks. In addition, the assets owned by a relatively small then the collateral can be provided also relatively small or nonexistent. If there are assets owned by SMEs, most have not legalized that can not be used as collateral. Legalization cost for protection of property rights system is still expensive and complicated caused by bureaucracy in judicial system still inefficient so most SME textile industry has not been taking care of the legalization of assets owned. Various bureaucratic practices still happen, so the fulfillment of various requirements to the Bank by the small industries of textiles and textile products has become more difficult.

Research was conducted on small and medium industries which is a sub sector of textile and textile products in Bandung regency. Bandung regency was chosen due to the research area is the industrial center of the National Textile export oriented. Strategic plan of regional development, determined that textiles became one of the priority products for the year 2006-2010. The purpose of this study was to determine (1) How do financial factors affect the capital structure of small and medium industries of textiles and textile products in Bandung regency ? (2) How do Bank institutional factors affect capital structure of small and medium industries of textiles and textile products in Bandung regency? (3) How does Non-bank institutional factor affect capital structure of small and medium industries of textiles and textile products in Bandung regency?

2. Theories

In Indonesia, various researcher explained several characteristics of SMEs. According Subandi (2007), MSME character marked by: a) Not a good idea of business administration systems, especially the financial administration system; b) The low quality of human resources especially from the ability of modern management; c) The uncertainty of the availability of raw materials and additives (helper) and; d) equipment and production technology used is very simple to half-modern, so productivity is relatively low.

Another expert, Suryana (2001) argues that the characteristics of firms belonging to small business: 1) usually is free, not tied to the identity of other businesses, such as branches, subsidiaries, or divisions of larger companies, 2) are fully controlled by the owner who usually is the owner-manager contributes to almost everything, not just limited to working capital, 3) management decision-making authority held by the business owner. While Winarni, describes the characteristics of small businesses, among others: 1) Usually the form of individual business and companies have not incorporated 2) Weak aspect of business legality

- 3) The organizational structure is simple with the division of labor that is not standard
- 4) Most do not have the financial statements and not doing the separation between personal wealth with the wealth of the company
- 5) Management competency is low and rarely have business plan
- 6) Main source of venture capital is the private capital
- 7) Limited competency of Human Resources.
- 8) The owner has a strong bond with the company, so that the entire liability of the company also became the owner of liability.

From the discussion above regarding small business and its characters, the description was obtained that small businesses have a relatively small capital investment, the skills possessed by hereditary as well as with the use of simple technologies. Development of small business need improved through regular training and also by improving the regulation and business development. Apart from the diversity that sense, it is important to know is the characteristic or characteristics of small businesses in general.

Capital structure theory was first raised by Modigliani and Miller (1958), this theory was the basis on the development of various theories of capital structure that emerged later. Conclusion MM (1958) is indeed questionable, and then further revised by the researchers to discover the secrets of the capital structure puzzle, which until now has not been solved. The theory of capital structure has been approached through various approaches, but until now no theory that is universally acceptable and practically applicable. In the context of SMEs, many experts claim that the theory of capital structure can also be applied in the context of Small Business. Ang (1991), Holmes and Kent (1991) and Cosh and Hughes (1994) in M. Psilaki and N. Daskalakis, (2008) argued that the pecking order theory can be applied to SMEs.

According to Psilaki and N. Daskalakis, (2008), SMEs have two important particularities. First, capital structure decisions of SMEs to meet constraints of access to financial institutions and credit markets. Second, there are many heterogeneity of the sector / field of SMEs. According to Petit and Singer (1985), SME particularities related to tax issues. Tax factors are not important determinants of capital structure of SMEs, because SMEs tend not to use debt as a tax deduction. Furthermore, also questioned, "Is the SME capital structure is determined by the characteristics of a typical SME is not determined by the institutions - institutions that exist in the surrounding areas?" (Rajan and Zingales, 1995, Hall et al. 2004). Meanwhile, according to Watson and Wilson (2002), typical characteristics of SMEs is a difference with Large Business on the structure of the asset, the risk of various types of debt, financial distress costs and agency costs. Nevertheless, almost all of the capital structure approach can be applied to SMEs. This implicates that the research on SME capital structure must be separate from Large Business.

Determinants that affect the capital structure of SMEs in the theoretical framework, not substantially different from the Large Business. Capital Structure Theory still resting on the proposition of Modigliani and Miller (1958), which is associated with the company's value when operating in a perfectly competitive market. Further research on capital structure based on the proposition of Modigliani and Miller (1958) is an agency cost (Jensen and Meckling 1976, Myers 1977, Harris and Raviv 1990), signaling (Ross 1977), information asymmetry (Myers and Majluf 1984), product market interaction / input (Brander and Lewis 1986, Titman 1984), corporate control

considerations (Harris and Raviv 1988), taxes (Bradley et.al 1984). Van der Wijst and Thurik (1993) states that fixed assets can be pledged as collateral better than the current asset. Therefore, companies that have more tangible assets will be more debt. Viewed from the perspective of financial distress, caused by large firm is more diversified in the types of businesses, the odds of bankruptcy of SMEs will be smaller. (Warner 1977, Ang et al 1982, Pettit and Singer 1985), so that firm size positively correlated with debt. Myers (1984) and Myers and Majluf (1984) argues that there is a hierarchy of used of capital in a company. The existence of asymmetric information between owners of SMEs and Bank and other financiers, the SME owners will prefer the use of retained earnings prior to debt. SMEs are highly likely to gain more profit will prioritize the use of retained earnings compared with debt. Research conducted by Lakshmi and Murugan (2009) in India, explains that there is a very high correlation between interest rates, bank credit procedures and services with credit access from Bank. Rajan and Zingales (1995), La Porta et al. (1998), Beck et al (2004) and Beattie et al (2006), conducting research on institutional factors (fiscal policy, concentration of ownership, accounting standards) as a determinant of capital structure. This was confirmed by Beck and Demirguc; Kunt (2006) that the weakness of internal financial district and institutional conditions will affect the size of firms, especially SMEs to grow optimally

3. Research Methods

The population of this study is the small and medium industry players in the sub-sector of textile and textile products which are in industrial centers in Bandung Regency in 15 districts spread. Samples taken in this study consisted of 74 respondents from small industrial and medium industries. Sampling was carried out by snow ball sampling, with consideration by the respondents selected. This way will be better understood by respondent, because respondent was chosen who know better about variables. Snow ball sampling is a way of sampling by taking a respondent who is determined, then the respondent subsequently determined based on recommendations from previous respondents. The respondents were based on recommendations from the Department of Industry, Bandung regency. Data collection technique is in depth interview so that the various variables examined in this study more accurately answered by respondents. Variables used in this study are the financial and institutional factors. Financial factors, factors which reflect the company's internal financial condition consist of:

- 1) Tangible Assets, the overall tangible assets owned by the company.
 - 2) The size of the Company that measured by the logarithm sales.
 - 3) Profit, the company's profitability as measured by the percentage margin than sales.
- Bank institutional factors consist of facility given to the SMEs:
- 1) Access ability of Credit information, information about credit that can be accessed by SMEs
 - 3) The financial statements of credit terms, form of financial statements required by the Bank on small businesses when applying for loans to the Bank.

Non-bank institutional factors are the rules in relationships and social participation in the form of long-term collective strength of the rules and laws in the context of economic transactions (North (1991) in Maria Luisa Decuir-Viruez, 2006). Non-bank institutional factors consist of: 1) Efficiency of judicial legal system as the integrity of law enforcement officers and related officials about the legal dispute resolution process, a procedure that does not happen quick and opportunities for the settlement of back street legal. (Beck et al (2004).

To support the research, the data required in this case is primary data and secondary data. Primary data is data obtained directly by collecting directly from the field, was conducted by structured interviews using an interview guide and direct observation in the field. Interviews were conducted with reference to the list of questions that had been prepared beforehand. Data collected include data associated with the dependent and independent variables. Secondary data is data obtained indirectly from the field, but obtained from the related institutional, consists of Central Bureau of Statistics, Bank Indonesia, Ministry for SMEs and Cooperatives, Small and Medium Enterprise Credit Agency, Office of Industry and Trade, Bandung Regency, and Association of SMEs principals.

Based on assessment, quantitative research to be conducted using a Logit model. According to J. Supranto (2004), and Pesaran (2000), that in order to test the hypothesis that will lead to the conclusion that (valid) if the sample exceeds 30 or better than 50 respondents. Processing of data obtained from the interviews and secondary data collection is done through several steps, editing, tabulation, entry, and data analysis. While the verification of analysis method to test the hypothesis used in this study is approach of Econometrics.

Steps that will be done in this study using Logit model :

(1) Stating logit model with k independent variables:

$$P\{Y = 1 | X_i\} = \pi_i = \frac{\exp(\beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \beta_3 X_{i3} + \dots + \beta_k X_{ik})}{1 + \exp(\beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \beta_3 X_{i3} + \dots + \beta_k X_{ik})} \quad (1)$$

$$P\{Y = 0 | X_i\} = \pi_i = \frac{\exp(\sum_{j=1}^k \beta_j X_{ij})}{1 - \exp(\sum_{j=1}^k \beta_j X_{ij})}, i = 1, 2, \dots, n \quad (2)$$

Atau

$$P\{Y = 1 | X_i\} = \pi_i = \frac{1}{1 + \exp(-z)}, i = 1, 2, \dots, n \quad (3)$$

$$z = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \dots + \beta_k X_{ik}$$

$$X_{i0} = 1 \text{ for all } i; 0 \leq \beta_j \leq 1$$

Where: Y = binary variable (Y = 1 and Y = 0) (Capital structure)
 X1, X2, ... X6 = independent variable (Tangible Asset, Firm Size, Profit, Financial Statement, Information, Judicial Efficiency)

$\beta_0, \beta_1, \beta_2, \dots, \beta_k$; β_j = parameter logit model regression coefficients

2) Estimating Model Coefficient

To estimate the parameters of the regression coefficient of logit model used maximum likelihood method, the following:

$$\log L(\beta) = \prod_{i=1}^n P\{y_i = 1 | x_i; \beta\}^{y_i} P\{y_i = 0 | x_i; \beta\}^{1-y_i} \dots\dots\dots (4)$$

$$\log L(\beta) = \sum_{i=1}^n y_i \log F(x_i; \beta) + \sum_{i=1}^n (1 - y_i) \log(1 - F(x_i; \beta)) \dots\dots\dots (5)$$

By doing the First Order Conditions (FOC), the above maximum likelihood problem can be solved by:

$$\frac{\partial \log L(\beta)}{\partial \beta} = \sum_{i=1}^n \left[\frac{y_i - F(x_i; \beta)}{F(x_i; \beta)(1 - F(x_i; \beta))} f(x_i; \beta) \right] x_i = 0 \dots\dots\dots (6)$$

$$\frac{\partial \log L(\beta)}{\partial \beta} = \sum_{i=1}^n \left[y_i - \frac{\exp(x_i' \beta)}{1 + \exp(x_i' \beta)} \right] x_i = 0 \dots\dots\dots (7)$$

where: f = first derivative of F (F'); Equation (7) will produce a value estimated parameters logit model regression coefficients.

3) Partial Coefficient Model Testing

Hypothesis :

$$H_0: \beta_j = 0; H_1: \beta_j \neq 0$$

$$\text{Wald Test Statistic } W_j = \left[\frac{\hat{\beta}_j}{SE(\hat{\beta}_j)} \right]^2$$

Statistics Chi Square W followed distribution with one degree of free. If $W >$ Chi Square table, then reject the null hypothesis. Mean a significant independent variable explaining the dependent variable at level μ .

Coefficient Tests for Simultaneous Models

$$H_0 = \beta_1 = \beta_2 = \beta_3 = \dots \beta_k = 0$$

$$H_1 = \text{At least there is one } \beta_j \neq 0$$

Performed with Likelihood Ratio (LR Statistics) that follow the distribution of Chi Square with $df =$ number of free variables = 12. Based on literature review and observations on earlier research, then the following is the dependent variable and independent variables in the model.

Dependent variable (Y) is capital structure; $Y = 1$, use their own capital, and loan capital; $Y = 0$, fully use their own. Dependent variable is form of discrete data / category, in the form of decision variables that must be selected. The goal determines the probability of occurrence of something that is whether the probability usage of their own capital and loan capital or fully use their own capital.

The independent variable consisted of 3 (three), which is quantitative, namely:
1. $X_1 = TA =$ Tangible Assets (Rupiah)

2. X2 = FS = Firm Size (Logarithm Sales)

3. X3 = PR = Profit (%)

The independent variable consisted of 3 (three), which behave as a dummy that is:
1) D1 (INF) = information

D1 = 1, Know about the various information of Bank Credit

D1 = 0, Do not know the various information of Bank Credit

2) D2 = (FS)

D2= 1, Financial statement required by the Bank are easy to fulfill

D2=0, Financial statement required by the Bank are difficult to fulfill

3) D3 (EJ) = efficiency of judicial

D3 = 1, Practice various licensing bureaucracy more efficient (high integrity of law enforcement on performing the procedure / official rate)

D3 = 0, Practice various licensing bureaucracy is inefficient (low integrity enforcement law in carrying out procedures / official rate)

From the explanation above, we created variables estimation model as follows:

Capital Structure = $\alpha + \beta_1$ Tangible Asset + β_2 Firm Size+ β_3 Profit + D1 Financial Statement+ D2 Information + D2 Judicial efficiency + ε

4. Result

Quantitatively, the effect of various factors to the high chance of a small industry of textile and textile products to improve capital structure is interesting to prove. Based on the results of logit regression, determinant variables that affect capital structure can be seen in the following Table 4.1.

Table 4.1 Regression Logit Result

Dependent Variable: SM
Method: ML - Binary Logit
Date: 07/15/10 Time: 17:42
Sample: 1 74
Included observations: 74
Convergence achieved after 6 iterations
Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-4.412105	2.074658	-2.126667	0.0334
Tangible Asset	0.002759	0.002288	1.205952	0.2278
Firm Size	-0.549931	0.878618	-0.625904	0.5314
Profit	3.618662	5.281704	0.685132	0.4933

Financial Statement	2.863175	1.282182	2.233048	0.0255
Information	5.123815	1.289413	3.973759	0.0001
Judicial efficiency	0.712477	1.071478	0.664948	0.5061
Mean dependent var	0.567568	S.D. dependent var		0.498795
S.E. of regression	0.253801	Akaike info criterion		0.579851
Sum squared resid	4.315816	Schwarz criterion		0.797803
Log likelihood	-14.45447	Hannan-Quinn criter.		0.666794
Restr. log likelihood	-50.61514	Avg. log likelihood		-0.195331
LR statistic (6 df)	72.32134	McFadden R-squared		0.714424
Probability(LR stat)	1.36E-13			
Obs with Dep=0	32	Total obs		74
Obs with Dep=1	42			

Source : Data processed

Based on the results of the calculation outputs, this logistic model can be trusted and accurately, it can be proved, among others of the value of coefficient of determination McFadden. To show the performance equation that is similar to Pseudo R^2 coefficient of determination used, or in the Eviews program shown by McFadden R^2 values with the value 0.714424 means that 71,44 % of variation in capital structure changes can be explained by the variation of the respondents change tangible assets, corporate profits, financial statement, information, judicial efficiency. Unless the size of companies that do not affect the capital structure because the level of significance above 50% and the coefficient is not in accordance with the initial hypothesis which states that firm size had a positive impact on the capital structure. The results of this study indicate that the direction of the coefficient of firm size is negative, so the researchers believe that these variables did not significantly affect the capital structure. While 28.56% of variation changes capital structure is determined by other variables outside the model, such as the internal factors, such as banking CAR (Capital Adequacy Ratio), Return On Assets, Non-Performing Loans, Bank of Psychological risks and so forth.

Table 4.1 Classification by Logistic however, by considering the magnitude of LR statistics with a significance level of 0.00 these figures indicate that a number of explanatory variables can explain changes capital structure of respondents. The regression result shows that tangible asset, profit, financial statements, information, judicial efficiency affects Small Medium Industry's capital structure.

5. Conclusion

Considering the value and direction of variable coefficient, tangible assets, profit, financial statements, information, judicial efficiency significantly affect capital structure. If the tangible assets, profits, increase, financial system required by the Bank made more simple, information system more conducive and integrity bureaucratic players increased, it will be very encouraging increased capital structure of small and medium industry of textile and textile product. The government had reasonable care to provide assistance for small and medium industry players so increase ability to create financial reports and accessing information. Collateral which has been the obstacle for small and medium industries should be assisted through loan guarantor institution created by local governments. Bureaucracy has been the obstacle for small and medium industries should be more simplified.

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