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PREDICTING AFFORDABLE LOSS BEHAVIOR USING THEORY OF PLANNED BEHAVIOR FOR SME OWNER IN JAKARTA GREATER AREA, INDONESIA

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ABSTRACT

Entrepreneurs can take affordable loss actions when facing uncertain situations. This action is the entrepreneur's ability and willingness to lose or suffer losses from the entrepreneurial investment he makes. This behavior allows entrepreneurs to survive and even develop when facing an economic crisis due to the past Covid-19 pandemic. This study investigates the variables that influence the affordable loss behavior of SME owners in Jakarta, Greater Area using The Theory of Planned Behavior. Questionnaires were distributed to 200 SME owners engaged in the culinary, retail, service and manufacturing sectors. Data were analyzed using Partial Least Square. The results of this study indicate that attitudes and perceived behavioral control can be used to predict affordable loss behavioral intentions. Meanwhile, the subjective norm variable has insignificant predictive ability. The perceived behavioral control variable has the strongest association with behavioral intention. Entrepreneurs are encouraged to have positive views and attitudes towards their abilities and skills in order to be able to behave at an affordable loss, so that business continuity can be guaranteed.

Keywords: *Affordable Loss, Perceived Behavioral Control, Subjective Norms, Attitudes*

1. INTRODUCTION

The impact of the pandemic due to the outbreak of the Covid-19 virus in 2020 for the Indonesian economy is very real. GDP was down by 2.1% but based on seasonally adjusted quarterly growth, activity started picking up again in the third quarter of the year (Asian Development Bank, 2022). For entrepreneurs, especially for owners of small and medium enterprises (SMEs), this situation creates uncertainty and is difficult to predict. In Indonesia, SME sales turnover has fallen by 83% (Soetijpto, 2020 in Purnomo et al., 2020). A 2020 Asian Development Bank study including Indonesia, found that SME sales and revenue fell sharply soon after the pandemic was announced in March 2020. Many businesses laid off employees in order to survive and faced a shortage of working capital in the early stages of recovery. For many businesses, it becomes difficult to continue operations (Shinozaki, 2022).

Sarasvathy (2001) suggests that in an environment full of uncertainty, turbulence, and constantly changing, entrepreneurs are more suitable to act in effectuation. Effectuation provides an explanation of why entrepreneurs take risks only to the extent that they are prepared to take losses and retain the ability to adapt to changes brought about by the environment. They pursue new business opportunities that arise from the changes that occur and learn by doing.

Effectuation logic is also reported to develop in an unstable operating environment which is difficult to predict, because it makes it possible to react quickly to environmental changes that occur (Sarasvathy and Dew, 2005). Continuous learning is also an important part of effectuation

logic, because changes in the operating environment also require companies to change and learn new operating methods to respond to changing situations (Sarasvathy, 2001).

Entrepreneurs face situations of uncertainty and it is difficult to draw conclusions based on statistical calculations alone. In addition, it is also difficult to find a suitable way to calculate the expected return for certain actions.

Instead of analyzing alternatives and choosing the one with the highest expected return, entrepreneurs can choose behavioral alternatives based on affordable loss (Chandler, DeTienne, McKelvie, Mumford, 2011). Affordable loss behavior is an entrepreneurial action that is able to bear the risk of loss from entrepreneurial investment.

Based on this description, this research was conducted to investigate the variables that influence the intention of SME owners in Jakarta Greater Area to engage in affordable loss behavior.

Theory of Planned Behavior

Theory of Planned Behavior is derived from Theory of Reasoned Action (Fishbein & Ajzen, 1975), which assumes that most human social behavior is under volitional control and therefore can be predicted from intention.

Theory of Planned Behavior postulates three conceptually independent determinants of intention. The first is the attitude toward the behavior, which refers to the extent to which a person has a favorable or unfavorable evaluation or assessment of the behavior in question.

The second predictor is a social factor called subjective norm which refers to perceived social pressure to perform or not perform the behavior.

The third antecedent of intention is perceived behavioral control which refers to the perceived ease or difficulty in carrying out the behavior and is assumed to reflect past experiences as well as anticipated obstacles and obstacles.

In combination, attitudes toward behavior, subjective norms, and perceived behavioral control lead to the formation of behavioral intentions. Finally, with a sufficient degree of actual control over behavior, people are expected to carry out their intentions when the opportunity arises. Intention is considered as the direct antecedent of behavior.

Affordable Loss

According to Dew et. al (2009) affordable loss is “what entrepreneurs can afford and what they are willing to lose in entrepreneurial investments.” This statement refers to what the entrepreneur is able and willing to lose or lose from the entrepreneurial investment he or she makes.

Meanwhile, according to Martina (2019) suggests affordable loss as "an interaction between abilities and willingness where loss aversion acts as the mechanism that triggers the transition from abilities to willingness." This can be interpreted as an interaction between ability and will where the act of avoiding loss as a mechanism that triggers the transition from ability to will.

Affordable loss is one of the five principles of effectiveness and is defined as what entrepreneurs can afford and what they are willing to lose in entrepreneurial investments (Dew et al. 2009).

Entrepreneurs who invest using affordable loss pay attention to losses from entrepreneurial investments rather than predicting future financial returns (Dew et al. 2009). Investing within one's means is the preferred choice among entrepreneurs because information about investment losses is easily accessible. In addition, this information is endogenous and is under the control of the entrepreneur (Dew et al. 2009). In contrast, information about profits from entrepreneurial investments is exogenous, uncertain, unreliable, and beyond the entrepreneur's control. Therefore, affordable loss is in line with the logic that effective entrepreneurs seek to influence or create the future rather than predict it (Sarasvathy and Dew 2005). Based on this description, it can be concluded that subjective norms, attitudes, and perceived behavioral control affect intentions. In this study the variables studied were attitudes, subjective norms, perceived behavioral control and intentions, so that the hypothesis can be formulated as follows:

H1: Attitudes toward behavior affect intention.
H2: Subjective norm affect intention.
H3: Perceived behavioral control affect intention.

2. RESEARCH METHOD

This study uses a quantitative approach, namely by distributing questionnaires to respondents, namely SME owners in Jakarta Greater Area who have been running a business for at least one year. The sample selection was carried out using a nonprobability sampling approach with a purposive sampling technique. The number of respondents is as many as 200 people. They consisted of 120 men and 80 women, mostly (90%) aged 18 to 60 years. Their business fields are culinary (50%), retail trade (30%), services (15%), manufacturing (3%) and others (2%). Most of them, namely 60%, have been running a business for more than 10 years. There are 30% who have run a business for 5-10 years, the rest (10%) for less than 5 years.

The data analysis technique uses PLS SEM by utilizing Smart PLS version 4 software. The operationalization of variables, namely subjective norms, intentions and experimental behavior are presented in the following table:

Table 1. Operationalization of Variables

No	Variable	Indicator	Source
1.	Attitudes	1. Taking action based on an affordable loss is good. 2. It is advantageous to act on an affordable loss.	Ajzen (1991)
2.	Subjective Norms	1. The next of kin agrees to take action based on the losses that can be borne. 2. The closest friend agrees to take action based on the losses that can be borne.	Ajzen (1991)
3.	Perceived Behavioral Control	1. Having full control over the business to take action based on bearable losses. 2. Having the ability to take action based on a loss that can be borne. 3. Having the confidence to take action based on a bearable loss. 4. Having the knowledge to take action based on the loss that can be borne. 5. Having the skills to take action based on a bearable loss.	Ajzen (1991)
4	Intention	1. Entrepreneurs will take action based on losses that can be borne. 2. Entrepreneurs are ready to take action based on losses that can be borne for the business to run.	Ajzen (1991)

	3. Entrepreneurs will carry out various businesses so that they can take action based on losses that can be borne for the business to run. 4. Entrepreneurs are serious about taking action based on losses that can be borne for the business being run.

3. RESULT AND DISCUSSION

Before the data is analyzed, its validity and reliability are first tested. Table 2 presents the outer loadings of each variable indicator which shows a value greater than 0.7. Thus all indicators have met the requirements of convergent validity (Chin, 1995).

Table 2. Outer Loading

	Attitude	Intention to do affordable loss	Perceived Behavioral Control	Subjective Norm
I1		0,859		
I2		0,876		
I3		0,877		
I4		0,881		
A1	0,906			
A2	0,876			
PBC1			0,824	
PBC2			0,875	
PBC3			0,895	
PBC4			0,862	
PBC5			0,890	
SN1				0,908
SN2				0,929

Meanwhile, the AVE value as presented in table 3 is greater than 0.6 so that it also meets the requirements (Chin, 1995). Thus the construct meets the convergent validity requirements.

Table 3. Average Variance Extracted

	Average variance extracted (AVE)
Attitude	0,794
Intention to do affordable loss	0,763
Perceived Behavioral Control	0,756
Subjective Norm	0,843

Table 4 presents the results of cross loadings which show that the cross loading values for each variable of attitude, subjective norm, perceived behavioral control and intention are greater than 0.7. Thus the construct meets discriminant validity (Chin, 1995).

Table 4. Cross Loadings

	Attitude	Intention to do affordable loss	Perceived Behavioral Control	Subjective Norm
I1	0,572	0,859	0,723	0,523
I2	0,577	0,876	0,662	0,444
I3	0,573	0,877	0,644	0,435
I4	0,524	0,881	0,576	0,474
A1	0,906	0,61	0,542	0,556
A2	0,876	0,535	0,413	0,474
PBC1	0,42	0,564	0,824	0,43
PBC2	0,439	0,629	0,875	0,481

PBC3	0,504	0,681	0,895	0,52
PBC4	0,515	0,676	0,862	0,464
PBC5	0,463	0,697	0,89	0,458
SN1	0,515	0,462	0,47	0,908
SN2	0,55	0,524	0,523	0,929

For reliability testing as presented in table 5, Cronbach's alpha variables of intention, subjective norms, perceived behavioral control and intention are greater than 0.7 so that they are declared reliable (Hair et al, 2008). While composite reliability, all variables tested are greater than 0.7 so that they are also declared reliable (Hair et al, 2008).

Table 5. Reliability Analysis

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Attitude	0,742	0,751	0,885	0,794
Intention to do affordable loss	0,896	0,899	0,928	0,763
Perceived Behavioral Control	0,919	0,923	0,939	0,756
Subjective Norm	0,815	0,824	0,915	0,843

Testing the interrelationships between variables is carried out using the bootstrapping method. The test results using the bootstrapping method are presented in Figure 1 below:

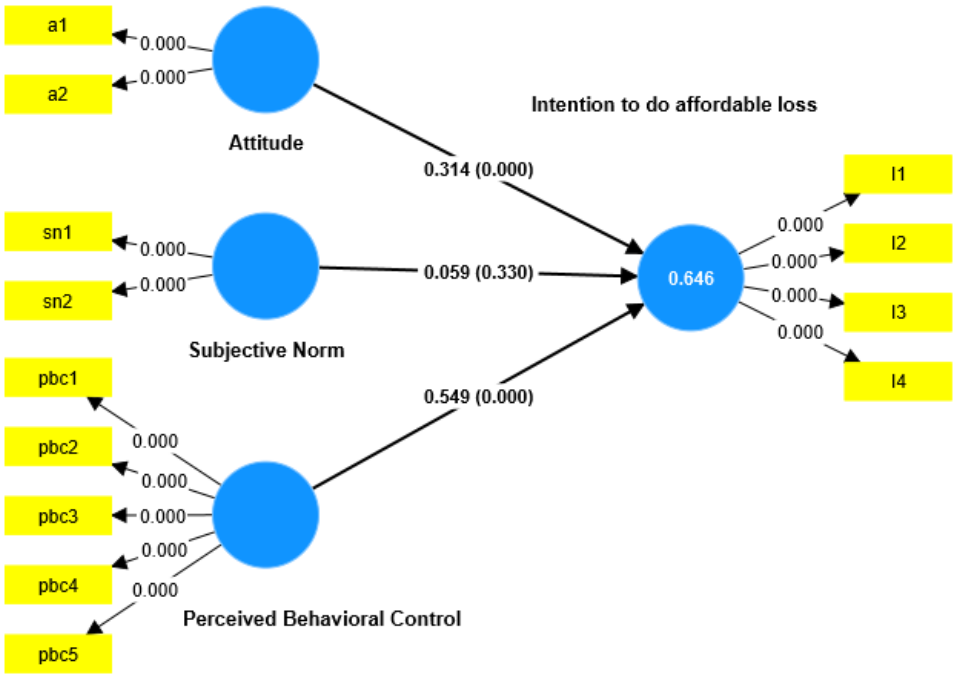

Figure 1. Bootstrapping

Based on Figure 1, a determination coefficient of 0.646 is obtained, which means that the variability of the intention variable can be explained by the variables of attitudes, subjective norms and perceived behavioral control of 64.6%, while the remaining 35.4% is explained by other variables.

Table 6 below summarizes the results of the tests that have been carried out.

Tabel 6. Test Result

	Path Coefficient	Significance
Attitudes→Intention	0,314	0,000
Subjective Norm→ Intention	0,059	0,330
Perceived Behavioral Control → Intention	0,549	0,000

Based on table 6, attitude influences the intention to take affordable loss actions positively with a path coefficient of 0.314 and is significant because $\rho = 0.000 < 0.05$. Thus, attitudes can be used to positively predict affordable loss actions. H1 is accepted, that is, attitude can be used to predict intention. This means that if entrepreneurs have a better view of affordable loss actions, it can be predicted that the intention to take these actions will also be higher. This is in line with The Theory of Planned Behavior that attitudes towards certain behaviors can be used to predict certain behaviors through intentions (Ajzen, 1991).

Meanwhile for the subjective norm variable, a path coefficient of 0.059 is obtained, which means that it has a positive effect on intention, but it is not significant because $\rho = 0.330 > 0.05$. Thus, H2 is rejected. Insignificant subjective norms are used to predict the intention to take affordable loss actions. This means that social pressure from the surrounding environment such as close friends and family does not affect the SME owner's intention to take affordable loss actions. This is possible because the individual as an entrepreneur is independent and free from pressure, even from the closest environment.

For the perceived behavioral control variable, a path coefficient of 0.549 is obtained with $\rho = 0.000 <0.05$, which means that, this variable influences intention positively and significantly. Thus, H3 is accepted. This means that perceived behavioral control can be used to positively predict intention. The more positive the view of SME owners to take affordable loss actions, the higher the intention can be predicted as well. This also supports the theory of planned behavior which states that perceived behavioral control can be used to predict behavioral intention (Ajzen, 1991).

4. CONCLUSION & RECOMMENDATIONS

Based on the previous description, it can be concluded as follows:
1. Attitude can be used to predict the behavioral intention of affordable loss in a positive and significant way.
2. Subjective norms can be used to predict the behavioral intention of affordable loss positively but not significantly.
3. Perceived behavioral control can be used to predict the behavioral intention of affordable loss in a positive and significant way.

SME owners are encouraged to develop positive attitudes and good views regarding affordable loss behavior, because this action is an activity that is more appropriate to carry out when facing uncertain situations when running a business.

For further research it is recommended to measure the affordable loss behavior of SME owners so that research is not limited to intention.

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