

The SMEs Owner Manager's Money Attitude: Theory and Review on Literature

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ABSTRACT: It is real truth money is important at any phase of business cycle since it open new opportunities and generates business. The lack of money could perceived as a threat and becomes highest burden to maintain the business. Thus, people seeking for loan to support the capital structure. Since most of the Small and Medium Enterprises (SMEs) being manage directly by the owner manager, it is crucial that the owner-manager capable to manage the financial efficiently in order to ensure the liquidity and enable repayment. These very close with the money attitude. The main objective of this paper is that to highlight bad money attitude could be driven loan default, business failure and bankruptcy. Therefore, the purpose of this paper isto reviews on the various concept of money attitude, the dimensions and understand the measurement to identify the effect to the business of attitude of those owner manager.

KEYWORDS:Owner Manager, Money Attitude

I. INTRODUCTION

Money is primarily a medium of exchange or means of exchange. Classically, it is said that money act as a unit of economic calculation, a store of economic value and a medium of exchange. Mishkin (2001) interpreted that money is any item or verifiable record that is generally accepted as payment for good and services and repayment of debts in a particular country and socio-economic context. Money is important, be it any phase of business cycle or life cycle (Taneja, 2012) in which will affects us in all areas of our lives either directly or indirectly. Hence, the role of money is not limited to being a medium of exchange but has become means and end for inclination and wellbeing. Thus, lack of money and debt perceived as a threat to people wellbeing. Therefore, some of people looking for loan in order to treat their emotion. In business, the lack of money is essentially has been the highest burden. Money is important, be it any phase of business cycle or life cycle (Taneja, 2012) because it open new opportunities and generates business (Sabri, Hayhoe& Ai, 2006). However, the illiquidity problem which is rising worldwide has been the driven causes for not capable to service their liabilities among many business sectors. In addition, the inability to anticipate future income or payment for a good or service is rendering the businesses with apathy and a severe loss of confidence. Hence, no firm is comfortable enough to make credible plans of new investments and business growth in a complex array of uncertainty. Therefore, it will put the business into a bad financial position which leads to bankruptcy problem.

II. DEFINITION AND CONCEPT OF MONEY ATTITUDE

The concept of money attitude multidimensional and has been studied in various socio economic and cultural settings (Medina, Saegert& Gresham, 1996; Taneja, 2012). Depending on these factors the money attitudes varies between individual to individual. Wide ranges of the previous literatures have interpreted various meanings of money, revealed different values held by people for money and have entrusted a range of facets to money (Rubinstein, 1981; Yamauchi&Templer, 1982; Furham, 1984; Tang, 1992; Mitchell, 1998).Scholars discovered that different component and factors such as childhood experiences, education, financial status and socialization process constitute the dimensions of money attitudes concept (Sabri, Hayhoe& Ai 2006; Taneja, 2012). Many of the scholars had claimed that a person's attitudes about money are influenced by culture and individual differences (Mitchell & Mickel, 1999) including personal values (Medina Saegert& Gresham, 1996; Gbadamosi&Joubert, 2005). Demographic factors such as family life cycle (Tang, 1993), age (Furnham, 1984; Tang, 1993; Tang & Gilbert, 1995; Roberts & Sepulveda, 1999), gender (Hanashiro, Masuo, Kim &Malrou, 2004) income and occupation (Roberts & Sepulveda, 1999) are also important determinants of money attitudes. Initially, the word money and attitude must be discussed separately in order to get clearer pictures and understand the concept of money attitude. Money is a very important part of lives, especially in a world that is becoming more and more commercialized. It has been known to the human knowledge that money is one of the most important factors affecting the attitude as well as behavior of people. It has been said as symbolic of tools

in hands, power in pocket and can be anything that we make of it. Money is same universally, but it's the individual's attitude towards it that makes the difference (Taneja, 2012). Money also can be treated as a symbol of status, prestige, power and value (Yamauchi & Templer, 1982). Everyone has a different money attitude. Some of people think money should be saved and invested to feel safe and have something to fall back on in case of an emergency while others believe money makes the world go around and is to be spent on most materialistic purchases. There are different understanding of money because of the diversity of individuals' background and socialization experiences. Perceptions of the roles of money are reflected in their beliefs, tasks, behaviors, work ethics and social status (Sabri, Hayhoe & Ai 2006). Meanwhile, attitude is a person's feelings, options and general approach towards a person or object. Attitudes are often influence by situational and circumstantial factors (Armstrong, Su & Rounds, 2011). Attitude of a people develops on the basis of experience and situation that they encounter over lifetime. Different situations experience daily may change attitude and behavior changes. The decisions taken related to money fully depend on money behavior which is result of influenced of one's money attitude. It is individual's attitude which delineates individual's behavior dealing with the money matters. While attitude demonstrated in money matters are multiple which encompasses preservation of social status as well as personal contentment. Therefore, it is important to understand the money attitude because it determined the money behavior of an individual (Taneja, 2012).

Table 1: Summary of the major contribution in the study of money attitude:

No	Researchers and year of contribution	Contribution
1.	Wernimont and Fitzpatrick (1972)	Seven factors: shameful failure, social acceptability, pooh-pooh attitude; moral evil, comfortable security, social unacceptability and conservative business value. Measurement scale: 40 adjective pairs on seven point bipolar semantic differential scale
2.	Yamauchi and Templer (1982)	Five factors: power-prestige, retention-time, distrust, quality and anxiety Measurement scale: Money Attitude Scale (MAS) – 29-item scale which records responses on a 5 Likert type scale from strongly agree to strong disagree.
3.	Furham (1984) and Kirkcaldy and Furham (1993)	Six factor: obsession, power, retention, security, inadequacy and effort/ability Measurement scale: Money Belief Behavior Scale (MBBS) – 60 belief statements on 7 point agree - disagree scale.
4.	Forman (1987)	Five factors: spendthrift, miser, gamble, bargain hunter and tycoon Measurement scale: Money Sanity Scale
5.	Tang (1992, 1995)	Six factors: good, evil, achievement, respect, budget and freedom Measurement scale: Money Ethic Scale (MES) – 30 declarative statement type items

III. DIMENSIONS, MEASURES AND PAST STUDIES ON MONEY ATTITUDE.

Generally, different dimensions, theoretical frameworks and specificity of money attitude have been recognized to explain financial behavior (Masuo, Malrouu, Hanashiro & Kim, 2004). However, even there are a lot of research on money attitude conducted, studies on the relation of owner-managers' money attitude and loan default are extremely limited. Many researchers believed that loan default behavior can mostly predicted by characteristics of individual borrowers (Bhardwaj & Bhattacharjee, 2010). Generally person with stronger perceptions and positive attitudes have more effective money management (Joo & Grable, 2004). They are capable to meet the financing terms and cost, as well as making a good financial decision and achieve their financial goals. Studies of financial issues revealed that money attitude play an important role in determining a person' financial management and level of well-being (Joo & Grable, 2004; Shim, Xiao, Barber & Lyons, 2009) According to Hou and Lin (2009) money attitude is deciding factors in loan default because it influences the compulsive spending since the use of money as a tool of power-prestige has the potential to lead to the use of loan facilities. Consequently, we assumed that individual including owner-managers might focus on the gratification they can achieve from the process of spending instead of the burden release they may get from loan

repayment commitment they made. Therefore, they are likely being engaged in over spending for un-budgeting items, which may lead to increase debt, delaying payment and create financial problem to company.

The motivations for holding cash vary across firms. Some hold cash to meet operating needs whereas others keep cash on hand to weather financial crises or take advantage of investment opportunities. Holding idle cash is necessary, but some people tend to hold cash more than appropriate because they perceive money as a source of protection from anxiety, which may be present in the absence of money (Yamauchi & Temple, 1982). This anxiety-revealing behavior may lead people to seek a loan (Desarbo & Edwards, 1996). Therefore, these people feel secure with the money they hold instead of make repayment accordance to schedule as agreed upon signing the contract.

Owner-manager borrowers who live in a culture of non-repayment will also tend to show irresponsible behavior. In a study on the issues of microfinance in culture of non-repayment, Epstein and Yuthas (2010) noted that in this type of cultures, people generally have the capacity to repay, but do not have the intention to pay. Thus, their attitude towards money will effect on the repayment behavior. Mapping the owner-manager money attitude based on the four dimensions (Power-Prestige; Anxiety; Security and Distrust) of Yamauchi and Temple (1982) exhibited that an owner-manager with the Power-Prestige dimension believed that money is a symbol of success and will use money as a means to impress others and gain social recognition. Their tendency is to gather materialistic things to impress others. Money could be perceived as a source of protection from anxiety that could in the absence of money. Owner-manager with anxiety-relieving behavior believed that holding cash on hand is importance for survival. An owner-manager who are highly concerned on the future security, will use money as a means to plan and prepare for the future and believes that money are more likely to engage in financial planning and save money for the future.

These managers are conservative in spending money, tend to save the surplus for their current and future needs and have very low need preference for loan. Owner-manager with distrust dimension reveals the lack of faith in owner-manager ability to make efficient purchase decision. These managers usually will avoid loans as they consider themselves not capable of repaying loan. Money attitude is a multidimensional construct and individuals associate different symbolic meanings with money (Medina, Saegert & Gresham, 1996). Different individual has different preference attitude towards money. The important thing is to recognize this dimension of emotion and to make objective decisions that are difficult to come by in such situation. It is important to understand the money attitude of people because it determines the money behavior of an individual (Taneja, 2012). Researches on money attitude have been cover in many topics including credit card and compulsive buying (Hafez, El Sahn & A. Rahman, 2013; Li, Jiang, Shen & Jin, 2005; Phau & Woo, 2008; Robert & Jones, 2001), materialism and vanity (Durvasula & Lysonski, 2010) and gender differences (Falahati & Paim, 2011; Sabri Hayhoe & Ai, 2005) However, review on past literatures revealed that studies on loan default that include a measure of money attitude are very limited. The research conducted by Bhardwaj and Bhattacharjee (2010) seem likely to be the main reference relationship between money attitude and loan default in this recent years. For the purposes of study, the researchers attempted to classify the defaulters and non-defaulters of auto loans customers of MNC Bank in India. The Default Behavior Theory has been used as the underpinning theory in that study. Model of Money Attitude Scale (MAS) of Yamauchi and Temple (1982) was modified and employed as the prediction factors. Based on the analysis, the researcher noted that perception of money as a tool for power and prestige (status) is one of the important causes for borrowers seeking loans. There are high and significant inter item correlation between of loan usage scale power and prestige scale; and loan usage scale and anxiety. The researchers found that people high on loan usage score tend to default more. Similarly, people high on income and anxiety scores are likely to default and persons high on power and prestige score tend to default less.

Therefore, the researchers concluded that the prediction of loan repayment is allied with the attitude toward money. Shih and Ke (2013) conducted a study to analyze the determinant of financial behavior insight into customer money attitude and financial literacy. The researchers had attempted to explain factors differentiate current consumer financial decisions from future financial behavior within the Taiwan financial service market. Drawing on previous research, this study reconstructs money attitudes and financial literacy scales and explores the financial behaviors of Taiwanese college students based on empirical data of 535 respondents for analysis. Based on each respondent's investment experience and using the methodology of logistic regression, the study findings suggested that consumers who have retention-planning and achievement-esteem attitudes toward money make high-risk financial decisions while anxiety toward money tends to exist mainly in low-risk investors. Robert and Jones (2001) had indicated that money is important especially for the young generation that has been raised in a credit card society. The researchers believed that easy credit is one of the causes of

overspending due to compulsive buying. A study on money buying among college students in America was conducted to investigate the roles money attitudes, and credit card use play in compulsive buying. The finding suggested that the money attitude power-prestige, distrust, and anxiety are closely related to compulsive buying and that credit card use often moderates these relationships. The researchers also found that the excessive uses of credit cards have had leads to personal bankruptcy problem. Based on a survey conducted on 400 respondent Hafez , El Sahn and A. Rahman (2013) had tested the significant effect of independent variables of money attitude dimensions and compulsive buying as the dependent variable with the role of credit card use as moderator. The empirical tested indicated that when the money attitudes were first tested without the moderating variable of credit card use, all had a significant relationship with compulsive buying except for distrust. However, when the test included the moderating effect of credit card use, in addition to distrust, quality also had an insignificant relationship with compulsive buying. Meanwhile Phau and Woo (2008) who had attempted to understand compulsive buying tendencies among young Australians found that compulsive buyers are more likely to perceive money as a source of power and prestige and among the frequent credit card user. However, other dimensions of money attitude including retention-time, distrust and anxiety have no significant effect on compulsive buying.

Li, Jiang, Shen, and Jin (2009) had studied on the influence of money attitudes on young Chinese consumers' compulsive buying among undergraduate students from Tianjin and Ningbo, China. Based on the data analysis of 303 respondents, the researchers found that there are different significant effects of money attitudes on compulsive buying behavior between different genders. The retention-time dimension significantly affected both male and female consumers', power-prestige dimension only affected male consumers' and quality dimension had a greater impact on male than on female consumers' compulsive buying. Subsequently, Falahati and Paim (2011) who had examined gender differences in money attitude among 2340 college students also discover the same finding. The researchers indicated that there are gender differences impacts for different dimensions of money attitude. The researched highlighted the important of providing educational program to enhance students' attitude towards money instead of providing financial support and educational loan.

Durvasula and Lysonski (2010) had conducted a study to understand attitudes towards money in China and how these attitudes affect elements of consumer behavior such as materialism and vanity. A number of 127 young Chinese consumers been used as respondent for data analysis. The finding clearly showed that attitudes towards money in China are not monolithic; instead there are variations among young Chinese. The researchers indicated that materialism is affected by the power-prestige and anxiety dimensions, but unaffected by the distrust dimension of money attitudes. Achievement vanity is affected by the power-prestige dimension of money attitudes. The researchers suggested that money permits one to attain not only status and possessions, but also power and control over others are contributing to increased materialism and expressions of vanity among young Chinese. Table 2.3 below summarizes the discussion of the past empirical studies on money attitude.

Table 2.10
Summary of past studies on money attitude

No	Author	Dimension	Finding
1.	Bhardwaj and Bhattacharjee (2010)	Money attitude and loan default	The study found that people high on loan usage score tend to default more. Similarly, people high on income and anxiety scores are likely to default and persons high on power and prestige score tend to default less. The researchers concluded that the prediction of loan repayment is allied with the attitude toward money.
2.	Shih and Ke (2013)	Money attitude, financial literacy and financial behavior	The study found that money attitudes have a significant impact on current and future financial decisions. This study also revealed that the financial literacy of consumers relates positively to their financial behavior.
3.	Robert and Jones (2001)	Money attitude, credit card use and compulsive buying	The finding suggested that the money attitude power-prestige, distrust, and anxiety are closely related to compulsive buying and that

4.	Hafez , El Sahn and A. Rahman (2013)	Money attitudes, compulsive buying and credit card role.	credit card use often moderates these relationships. The increment in personal bankruptcy due to credit card default is worrisome. Thus researcher agreed that personal counseling and financial education is important in order to educate the consumers. The study found that all of the money attitude dimensions have a significant relationship with compulsive buying except for distrust if moderating effect not measures. There are insignificant relationship of distrust and quality and compulsive buying. The result clearly indicated that high-credit card uses and compulsive buying is positively related.
5.	Phau and Woo (2008)	Money attitudes and compulsive buying	The study found that the retention-time dimension significantly affected both male and female consumers' compulsive buying. While power-prestige dimension only affected male consumers' compulsive buying and quality dimension had a greater impact on male than on female consumers' compulsive buying.
6.	Li, Jiang, Shen and Jin (2009)	Money attitudes, culture and compulsive buying	The money attitudes were found to significantly affect young consumers' compulsive buying behavior. The researchers believed that although young Chinese consumer exhibited certain level of compulsive buying, their strong believed that money was a means to save for the future decreased their compulsive buying.
7.	Falahati and Paim (2011)	Gender differences and money attitude.	The study found that gender differences for different dimensions of money attitude, in which males were attached to money as a power-prestige tool while experiencing anxiety and having a retentive attitude towards money
8.	Durvasula and Lysonski (2010)	Money attitudes, materialism and vanity	The finding indicated that materialism is affected by the power-prestige and anxiety dimensions, but unaffected by the distrust dimension. Achievement vanity is affected by the power-prestige dimension. The researchers suggested that money permits one to attain not only status and possessions, but also power and control over others are contributing to increased

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