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## FINANCE | RESEARCH ARTICLE

## Funding Capital: Risk, Scale and Feasibility Perspective

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**Abstract:** This study aims to assess the impact of financial risk and a viable business scale on the volume of capital funding for SMEs at PT PNM Mekaar Takalar. The research provides valuable insights and knowledge for readers to better understand financial risks, business scale, feasibility, and capital funding. Specifically, the objective is to examine the relationship between financial risk, business scale, and financial feasibility on the volume of capital funding for SME customers at PT PNM (Persero) Mekaar Takalar Unit. The research poses a key question: Does the risk of a viable business scale have a significant positive impact on the volume of capital funding for SMEs at PT PNM Mekaar Takalar? This study employs an associative quantitative approach, which examines the relationship between two or more variables, as defined by Sugiyono (2013). The research explores three main variables: financial risk (X1), business scale (X2), and financial feasibility (X3), and their influence on the capital funding volume of PT PNM Mekaar Takalar's SME customers. The study was conducted at the PNM Mekaar office in the Takalar Area over a two-month period. The population consisted of all 50 employees of PT PNM Mekaar Takalar, and the research employed a saturated sampling method, where the sample size equaled the population, resulting in a total sample of 50 employees. The findings revealed that financial risk had no significant impact on the volume of business capital funding, likely due to insufficient risk identification and categorization in lending processes. In contrast, business scale had a significant effect on capital funding, as respondents prioritized sales volume. However, financial feasibility did not significantly influence the capital funding volume, as respondents tended to prioritize income over other factors.

**Keywords:** Financial Risk, Business Scale, Financial Feasibility, Capital Funding, SME.  
**JEL Classification Code:** G32, L26, M13, O16, Q12

### 1. INTRODUCTION

The micro, small, and medium enterprise sector in Indonesia is one of the strengths of the country's economy (Syariati, 2022). It is suitable if SMEs in Indonesia are considered the backbone of the economy that should be protected and developed. There is a lot of potential and opportunities that can be shared as a long-term solution to overcome the shortage of job vacancies. SMEs have ample development opportunities, especially in rural areas where few competitors dominate the market (Yusar et al., 2021). Along with the development of the world economy and progress in the field of science and technology, Indonesia must continue to be able to compete globally; it is necessary to make breakthroughs and changes for the better. One indicator of a nation's progress can be seen from development in the economic sector, so the existence of financial institutions in financing economic growth is very much needed (Tan et al., 2014). The Indonesian Ministry of Cooperatives and SMEs reported that SMEs have a share of around 99.99% (62.9 million units) of the total number of Indonesian business actors (2017), while large businesses only account for 0.01% or around 5,400 units (Maurina & Rusdianto, 2023). Micro businesses absorb around 107.2 million workers (89.2%), small companies 5.7 million (4.74%), and medium firms 3.73 million (3.11%), while large companies absorb around 3.58 million people. SMEs absorb around 97% of the national workforce,



while large businesses only absorb around 3% (Yap, 2023). The high percentage of workers employed by SMEs underscores their significance in providing livelihoods and contributing to Indonesia's overall economic growth and stability.

In carrying out its primary function as a driver of the SME sector, PNM applies the principles of accountability and best practices of a limited liability company committed to achieving greater independence and dignity for the nation. To optimize the task of developing SMEs, PNM is expanding funding sources. Since 2009, PNM has been able to gain the trust of banks. Since 2012, PNM has also obtained funding from the capital market through the issuance of bonds (Regulation of the Minister of Justice of the Republic of Indonesia No.C-11.609.ht.01.TH.99 dated 23 June 1999 concerning National Civil Capital) (Batrancea et al., 2022) Financing activities are carried out so that business actors can obtain the funds or capital needed to develop their businesses. The existence of financial institutions plays a vital role because their function is almost similar to that of banks. Currently, financing institutions are widely used by business actors who need funds or capital. (Learner, 2022). This strategic approach aligns with the government's efforts since 1988 to strengthen the national financial institution system, including financial institutions, to provide alternative credit capital financing for businesses, meeting the growing need for funds to support business activities. (Cruz et al., 2023) By expanding funding sources and collaborating with various financial institutions, PNM aims to facilitate business actors' access to capital, enabling them to obtain the necessary funds for business development and growth. (Hossain et al., 2023; Prijadi et al., 2022).

According to data from PT Permodalan Nasional Madani's website, the Takalar Mekaar Branch has the potential to reach up to 35,220 customers, demonstrating the positive impact of the Mekaar program in providing working capital for SMEs; however, around 3% of Mekaar customers in Takalar District experience terrible credit problems. If calculated, more than 7,657 customers have difficulty paying their working capital contributions. In the realm of credit distribution, ensuring the principles of healthy credit is paramount to mitigate risks and prevent potential losses for financing parties. Analyzing the debtor's ability and willingness to repay and assessing the business scale and financial feasibility are crucial steps before granting credit. (Peng et al., 2022) Implementing optimal self-enforcing arrangements, such as providing lines of credit and fixed-price purchase options, can enhance credit distribution efficiency in settings with limited contract enforcement. (Ericson & Zeager, 2022) Moreover, in online commerce, evaluating sellers' credit distribution is essential to maintaining trust and preventing dishonest behavior. (Fuchs et al., 2022). Understanding the dynamics of credit accessibility, such as the positive impact of cooperatives on credit access for commercial farms, can guide creditors in making informed decisions and reducing the incidence of bad loans. By adhering to rigorous credit assessment procedures and formal agreements, financing parties can safeguard against potential losses and uphold the company's financial health. (Kehinde & Ogundeji, 2022).

Problematic credit can indeed encompass a range of situations, from missed loan installments leading to default to broader issues affecting creditworthiness. Research on commercial real estate (CRE) loan defaults after the 2008 financial crisis highlights how early defaults on CRE loans can signal increased sensitivity to economic downturns and higher loss given default (LGD) rates, emphasizing the fragility associated with rapid CRE loan growth (Ross & Shibut, 2021). Additionally, the use of default clauses in syndicated loan and bond contracts varies, with bondholders incorporating less restrictive default clauses compared to syndicated loan contracts, potentially to mitigate inefficient defaults and higher default costs. Furthermore, institutional factors play a role in student loan defaults, with for-profit colleges, vocational education-accredited institutions, and those serving diverse student bodies facing higher risks of federal sanctions, suggesting the need for accreditation reform and improved graduation rates as long-term solutions (Obina & Adenike, 2022). With bad financing, the portfolio at the Mekaar Takalar Branch is considered harmful, as indicated by several deteriorations and an increase in restructuring customers. However, the Mekaar Takalar Branch has also succeeded in resolving financing problems, although this has not significantly impacted the quality of its portfolio. For customers who have been restructured and have read smoothly, their credit financing will still add unhealthy financing value to the Mekaar Takalar Branch financing portfolio because it is no longer producing income, which will still cause the quality to deteriorate. Risk management is crucial for financial institutions' survival as they encounter various

risks that can arise at any moment (Dantiş, 2023; Elda, 2023; Hazmi, 2023). Although not directly impacting financing risk management effectiveness, internal audit positively influences Account Officer competence, enhancing risk management effectiveness (Sobanova & Kudinska, 2022). The triggers for problematic financing stem from internal and external factors, with the Account Officers significantly mitigating such risks, leading to a decrease in non-performing financing levels. Financial institutions must acknowledge that while risks can only be minimized and not eliminated, effective risk management strategies are essential for navigating the complexities of the financial landscape and ensuring long-term stability and success.

Additional capital for SME activities is generally obtained through credit loans. Still, because these loans require collateral that sometimes cannot be fulfilled by the debtor, other efforts are needed to make it easier for the community to obtain additional capital for their business. One way to do this is through a type of business entity called a financing institution. (Lovianie et al., 2023; Valle et al., 2022). In line with business development, in 2015, PNM launched a business capital loan service for underprivileged women who are micro-entrepreneurs through the program for fostering a prosperous family economy (PNM Mekaar). PNM Mekaar is strengthened by business assistance activities carried out in groups. PNM Mekaar's customers target underprivileged women who are ultra-micro entrepreneurs using a group system of joint responsibility, which is expected to be able to bridge the gap in access to financing so that customers can develop their businesses to achieve their dreams and improve family welfare. Contributions that each member or individual must pay in 1 (one) group are 50 thousand/week or 100 thousand/week. However, the reality in the field is that the contributions that must be paid every week experience problems/congestion. This is because there is no money to spend (Loria, 2022; Vella et al., 2023). After all, the business capital received has yet to produce results, and some customers are running away from responsibility, causing other group members to bear it.

**Table 1. Number of PNM Mekaar customers in 2023 Takalar Regency**

Branch	Regency	Number of Mekaar Customers
M.BLBR-West Bangkala	Takalar	5,332
M. BTSL-South Bontonompo	Takalar	4,138
M. GLO2-Galesong 2	Takalar	1,992
M. GLSG-Galesong	Takalar	4,280
M.GLSL-South Galesong	Takalar	3,841
M.PTT2-Pattalassang Takalar 2	Takalar	4.121
M.PTTR-Pattalassang Takalar	Takalar	4,736
M. MGBG-Mangara Bombang	Takalar	6,780
total		35,220
Troubled		7,657

Source: Customer Data at PNM Makassar Branch Taken from the Center

Financial institutions involved in financing economic development that are not banks are business entities whose main wealth is in the form of financial assets or claims (claims) rather than non-financial or tangible assets. (Kring & Gallagher, 2019). PT Permodalan Nasional Madani (PNM) is a service company engaged in financing in the form of cash. It promotes its services by offering credit loans that are easier and faster to process. The collateral is in the form of movable assets or fixed assets such as vehicles, buildings, and houses. PT. Madani Mekaar Takalar National Capital was established as part of the government's strategic solution to improve society's welfare and economic equality through developing access to capital and capacity-building programs for micro, small, medium, and cooperative business actors (UMKMK). The government established PNM through Indonesian government regulation number 38/99 dated 29 May 1999, which was further ratified by the Minister of Finance of the Republic of Indonesia regulation number 487/KMK.017/1999, dated 13 October 1999, which appointed PNM as BUMN Coordinator for credit distribution for the ex-credit program Bank Indonesia Liquidity (KLBI).

This research aims to determine the influence of financial risk on a financially viable business scale on the volume of capital funding for SME businesses at PT. PNM Mekaar Takalar. This research will help provide additional information and scientific insight for readers to understand better financial

risk, financial scale, business feasibility, and business capital funding volume. Then, I will conduct more in-depth research on analytical aspects, period ranges, and research variables related to risk, business scale, and feasibility finances on the volume of business capital funding for PT SME customers. PNM (Persero) Mekaar Takalar. This research aims to reveal Financial Risk, Scale Business, and Financial Feasibility Against the Volume of Business Capital Funding for SME Customers at PT. PNM (Persero) Mekaar Takalar Unit. If this research is carried out, it will be easier to know the financial risk, business scale, and financial feasibility of the volume of business capital funding for SME customers at PT. PNM (Persero) Mekaar Takalar Unit. Based on the background above, the researcher has several focus problems, namely whether the influence of the risk of a financially viable business scale has a significant positive effect on the volume of capital funding for SME businesses at PT. PNM Mekaar Takalar?

## 2. LITERATURE REVIEW

Several regulations govern financing institutions, including Presidential Decree No. 9 of 2009 concerning financing institutions, which was later revoked by Presidential Regulation Number 110 of 2020 concerning the revocation of Presidential Regulation Number 9 of 2009 concerning financing institutions and Law Number 21 of 2011 concerning financial services authorities. According to article 1 point 9 of law number 21 of 2011 concerning financial services authorities, "A financing institution is a business entity that carries out financing activities in the form of providing funds or capital goods as referred to in financing institutions." (Otoritas Jasa Keuangan, 2023) According to OJK regulation (POJK) number 16/POJK.05/2019, PT Permodalan Nasional Madani (Persero), from now on referred to as a company, is a company established based on the government regulation of the Republic of Indonesia Number 38 of 1999 concerning capital participation of the Republic of Indonesia for the establishment of a limited liability company (Persero) in the context of developing cooperatives, small and medium enterprises (Agustin et al., 2023).

Research on the effect of financing, business scale, and human resources on SME profitability shows that microfinance at Bank Syariah Indonesia Sarolangun Sub-Branch Office has a limited impact on increasing customer business income. This is evidenced by the absence of an increase in income in several customer businesses that have done microfinance at Bank Syariah Indonesia KCP Sarolangun. (Li et al., 2023). Although SMEs demonstrate viability and profitability, especially on a larger scale, further innovation in product offerings is required to meet market demand. (Mujiatun et al., 2023). In addition, challenges in human resources, such as regeneration, and managerial issues, such as planning and quality standardization, are still obstacles in all phases of SME operations. (Cruz et al., 2023). These findings emphasize the importance of addressing not only financial aspects but also innovation and human resource management to improve the performance and profitability of SMEs (Robinson, 2023).

Risk is a term used widely to explain an event related to the possibility of an outcome occurring with uncertainty regarding the future. In contrast, the chance of more than one outcome and the final result are unknown or uncertain. (Gao et al., 2023). Based on regulation Authority Service Finance number 1/POJK.05/2015 concerning the Application of Financial Risk for Nonbank Financial Services Institutions. Risk is the potency of something that can give rise to loss for Institution Service Nonbank Finance (LJKNB). Risk is inherent in all aspects of human life and activities, from personal to corporate matters, lifestyle matters to disease patterns, waking up to sleep at night and much more.

Risk resulting from failure to repay a loan is considered a multidimensional concept regarding the possibility of dangerous events and uncertainties affecting organizational goals (Peña et al., 2018). According to Weeserik & Spruit (2018), financial risk is risks whose loss impact can be assessed or measured in money. Financial risks can be divided into short-term and long-term based on the period. Financial risk is a detrimental or unfavorable event. Adverse events may occur, such as an announcement by the Reserve Bank regarding an increase in interest rates, Default payment of invoices by customers, A fire in a warehouse causing significant asset damage, loss of inventory, and results in harm to the financial condition of the business. Events can also be scenarios, namely future financial conditions. Companies can be categorized into four types of risk. Financial risk is fluctuating a company's financial targets or monetary size due to fluctuations in various macro variables. Financial

measures can be cash flow, company profits, and sales growth. Financial risk consists of liquidity risk, credit risk, and capital risk. Operational risk is the potential for deviation from expected results due to malfunctioning a system, human resources, technology, or other factors. Operational risks can occur at two levels, namely technical and organizational. Strategic risk is a risk that can affect corporate exposure and strategic exposure as a result of strategic decisions that are not by the external and internal environment of the business. Strategic risk consists of strategic transactions, investor relations, and business risks. Externality risk is the potential for deviations in results from corporate and strategic exposures. It can impact the potential for business closure due to the influence of external factors (Sadaa et al., 2023).

Almost all industry banking or institutions finance nonbanks and face various risks, including credit risk in the company. In the analysis study, this financial ratio will be used to calculate mark risk credit as the ratio of NPLs (Non-Performing Loans). On ratio, NPLs can be seen as ability management companies to manage problematic credit faced by the company. The higher its height mark ratio NPLs, the worse (Kim et al., 2022). The quality of the credit company. Moreover, it causes k credit, which is problematic the more it is accepted by the company. The problem with credit in this event is that credit is given to a third party That does not enter credit into the bank or other companies. According to Zhong & Zhou (2020) Risks are losses experienced by banks; if they are related to a fall due date, the counterparty may fail to meet its obligations to the banking sector. So, credit risk is the risk of loss to the bank because the debtor cannot repay the principal in installments, including interest. For example, The company suffered losses resulting from the credit jam. The debtor cannot fulfill his obligations to pay off the debt loan flower. Incident This Can happen on portfolio credit due to not paying off the principal loan. For most companies, the losses arise because credit risk is the most significant element of risk of loss. After all, the company will slightly accept margins in activity lending possibilities. Possibility risk accepted by the company follows where risk credit will happen. With this, risk credit is an element that can be used to subtract capital from the company. Knöchlein (2022) States that the company can apply various techniques and policies to control credit. On incident notified, remove as low as possible possibility or consequence of credit losses fail (credit loss). Scale enterprises

A business scale is a scale on which the size of a business can be classified in various ways, including total assets and the number of employees. It is an indicator that can show a business condition, and several parameters can be used to determine the size of a business, large or small. (Davey et al., 2023; Eckert et al., 2022; Jansen et al., 2023) Business scale is a company's ability to manage its business by examining its total assets, number of employees, and income in one accounting period. (Dellnitz & Rödder, 2021). Business scale is the company's capabilities. A person's ability to manage their business is seen by how much income they receive in one accounting period. The larger a person's business scale, the greater the need for accounting information. From the opinions above, the researcher concludes that business scale is the ability of a company/person to manage its business, seen from the total assets owned by the company, the number of employees, and the amount of income obtained by the company in one accounting period. The larger the business scale, the more information will be needed to determine the steps the company must take for the company's future, one of which is accounting information. (Mastrogioacomo et al., 2020).

Working capital management is essential in financing businesses and impacts their growth and profitability. Factors such as firm size, growth, tangibility, leverage, and cash flow affect working capital management at the firm level. (V. Kumar et al., 2018). In addition, trade credit lines, inventory investment, and positive working capital are key determinants affecting sales growth in small and medium-sized manufacturing firms, especially in the fish processing industry. (Rodeiro-Pazos et al., 2023). Moreover, amid supply chain disruptions such as the COVID-19 pandemic, having higher working capital positively impacts firm performance, emphasizing the importance of adequate working capital for day-to-day operations in Indian manufacturing firms. (Pant et al., 2023). Understanding firm-, industry-, and country-specific determinants of working capital management is critical, as evidenced by the impact of internal, industry-average, and country-specific factors on variables describing working capital management in the energy industry (Batraanca et al., 2022).

Triono et al. (2021), SMEs are small community businesses whose establishment is based on someone's initiative. Most people think that SMEs only benefit certain parties. According to Law

Number 9 of 1995, a small business is defined as A productive business owned by Indonesian citizens as an individual business entity. This business entity is not a legal entity or a business entity with a legal entity, including cooperatives. Subsidiaries or branches of companies owned, controlled, or affiliated, either directly or indirectly, with medium or large businesses are not included in the small business category. Having net assets of a maximum of IDR 200 million, excluding land and buildings where the business is located, or having sales proceeds of a maximum of IDR 100 million per year after the enactment of Law Number 20 of 2008, the definition of SMEs has changed to Micro businesses are productive businesses owned by individuals and individual business entities that meet the criteria for micro businesses. Small businesses are productive economic businesses that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or are part directly or indirectly of medium or large businesses. Medium businesses are productive economic businesses that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of small businesses or large businesses with net assets or sales proceeds. Annual.

SMEs' characteristics differ in capital, turnover, and number of workers. The difference between SMEs and large businesses can also be differentiated based on the characteristics and characteristics contained in the SMEs themselves. According to Banerjee, (2023), the characteristics of SMEs can be explained based on their business group. Micro businesses are generally characterized by needing to carry out financial management/recording, even simple ones, or very few can keep a balance sheet for their business. Micro-business actors generally are diligent, straightforward, and can accept guidance. SME players tend to be skeptical when faced with sources of debt funds to meet their funding needs. They view that using debt carries high risks, such as default and bankruptcy. However, this phenomenon is not absolute. It is not uncommon to find those who rely on debt funding. Sometimes, without adequate consideration, they immediately decide to go into debt. Debt funding can provide positive things for the business. Because they are afraid to use debt, they only meet their capital needs from internal funding or their capital. SMEs will be very limited to meet the funds for their business activities from their capital. SMEs will lose opportunities for business expansion or expansion. Based on this, it is necessary to conduct a study on SME capital practices to provide input on effective capital structures for SMEs.

The research papers comprehensively analyze the funding volume at PT PNM (Persero) Mekaar Takalar Regency, examining it in terms of financial risk, business scale, and financial feasibility. Permatasari & Reswanda (2021) and Sanusi & Anas (2024) Emphasize the importance of funding strategies and their impact on financial performance, with Permatasari specifically highlighting the feasibility of expansion plans. Rahman et al. (2016) and Munawar & Hadiani (2020) Further contributing to the discussion by examining the influence of funding and lending on economic profitability and optimal property development. These studies underscore the significance of strategic funding decisions in achieving financial stability and growth. Permatasari and Sanusi focus on how strategic funding can mitigate financial risks and enhance business scalability. Munawar's research demonstrates the positive correlation between appropriate funding practices and increased economic profitability, while Arisandy highlights the role of funding in optimizing property development. Together, these findings stress the need for a well-thought-out funding strategy to ensure sustainable growth and improved financial performance at PT PNM (Persero) Mekaar Takalar Regency.

The research has several hypotheses as follows:

- H1: Financial risk does not significantly affect the volume of business capital funding for SME businesses at PT. PNM Mekaar Takalar.
- H2: Business scale significantly influences the volume of business capital funding for SME businesses at PT. PNM Mekaar Takalar.
- H3: Financial feasibility does not significantly affect the volume of business capital funding for SME businesses at PT. PNM Mekaar Takalar.

### 3. RESEARCH METHOD AND MATERIALS

This type of research is associative quantitative, namely, research that asks about the relationship between two or more variables, Sugiyono (2013). This research aims to determine the influence of variables, namely variable (X1) financial risk, variable (X2) business scale and variable (X3) financial feasibility on the volume of business capital funding of PT SME customers. PNM (Persero) Mekaar Takalar Area. The location of this research was the PNM Mekaar office in the Takalar Area. This research will be carried out within two months. The population in this study were all PNM Takalar employees, with 50 employees. The sampling method used in this research is a saturated sample; the sample size is the same as the population. The sample in this study was the entire population or all employees of PT. PNM Mekaar Takalar Area has 50 employees. Operational definition variables and variable measurement.

**Table 2. Research variable indicators**

Variable	Indicator
Financial risk	Risk Characteristics Risk Category Risk Identification Risk Occurrence Factors
Scale enterprises	Availability of human resources Sales Volume One Period Asset Value
Financially feasible	Source of funds Income Cost Cash flow
The volume of business capital funding	Capital structure Barriers to accessing external capital The state of the business after adding capital

The data analysis techniques used by SPSS software in this research are multiple linear equation analysis, t-test, F test, classical assumption test, and determinant coefficients. Regression coefficients help determine whether or not there is an influence between the independent and dependent variables. The research model used in this research is:

$$y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + e$$

Information:

Y	= Volume of business funding
$\alpha$	= Constant
$\beta_1, \beta_2, \beta_3$	= Regression coefficient
X1	= Financial risk
X2	= Business scale
X3	= Financially feasible
e	= Error

### 4. RESULTS AND DISCUSSION

#### 4.1. Research Result

The validity test is used to measure whether a questionnaire or questionnaire is valid or not. A questionnaire is valid if the questions or statements can reveal something that the questionnaire will measure. This validity test uses Corrected Total Correlation by calculating the correlation between the weights obtained from statements or questionnaire questions. A statement or question is valid if the calculated r-value > r table (Ghozali, 2012). Before the questionnaire was used as a measuring tool in the research, the measuring tool was first tested using 50 respondents, which consisted of

independent variables, namely financial risk, business scale, and financial feasibility, and the dependent variable was the volume of business capital funding. The basis for decision making is that if  $r_{count} > r_{table}$ , to get  $r_{table}$ , then first calculate the value of  $r$  using the formula  $df = n-2$  where  $n$  is the number of samples used by researchers with a significance level of 0.05 so that the value of  $r_{table} = 0.235$ . Based on Table 3, the validity test above shows that all variable items, namely financial risk, business scale, financial feasibility, and business capital funding volume, are used as variable measurements because they have a calculated  $r$  that is above the  $r_{table}$ , so it can be concluded that all items are valid so it can be used as a research instrument. The results of validity testing are seen in the following table 3.

**Table 3. Validity test results of independent and dependent variables**

Variable	r count	r table	Sig	ket
<b>Financial Risk</b>				
X1.1	0.665	0.235	0,000	Valid
X1.2	0.730	0.235	0,000	
X1.3	0.427	0.235	0,000	
X1.4	0.457	0.235	0,000	
<b>Business Scale</b>				
X2.1	0.878	0.235	0,000	Valid
X2.2	0,797	0.235	0,000	
X2.3	0.805	0.235	0,000	
<b>Financially Feasible</b>				
X3.1	0,709	0.235	0,000	Valid
X3.2	0.653	0.235	0,000	
X3.3	0,494	0,235	0,000	
X3.4	0,558	0,235	0,000	
<b>Funding Volume Venture capital</b>				
Y1.1	0,513	0,235	0,000	Valid
Y1.2	0,781	0,235	0,000	
Y1.2	0,709	0,235	0,000	

Source: Output SPSS, 2024

Reliability Test with a Cronbach Alpha value  $> 0.6$ , so it can be concluded that overall, the items or instruments in this research can be declared reliable or reliable. Hence, they are suitable for measuring instruments. The multicollinearity test shows that multicollinearity does not occur. Meanwhile, the tolerance value is  $> 0.10$  for the financial risk variable 0.523, business scale 0.967, and financial feasibility 0.525. So, it can be concluded that the multiple linear regression model does not have multicollinearity between the dependent variable and one independent variable with another variable, so that it can be used in this research. The heteroscedasticity test with the Glesjer test is at a significance value ( $>0.05$ ), so based on Table 4. It is known that the results of the heteroscedasticity test using the Glesjer test statistics show that the significance value for the Financial Risk variable (X1) is 0.232, Business Scale (X2) is 0.188. Financial feasibility (X3) is 0.070, so it can be concluded that there is no heteroscedasticity in the regression model.

**Table 4. Normality, Reliability, and Multicollinearity Test**

One-Sample Kolmogorov-Smirnov Test		
Statistical Tests	,085	
Sig. (2-tailed)	,200	
	Cronbach's Alpha	VIF
Financial Risk	0.230	1,912
Scale enterprises	0.764	1,035
Financially Feasible	0.408	1,906
The volume of Business Capital Funding	0.379	

Source: SPSS Output, 2024

This test predicts a dependent variable value with changes in the independent variable (Priyatno, 2013). The independent variables in this research are financial risk (X1), business scale (X2), and financial feasibility (X3). Based on table 4.16 shows the significance between exogenous variables and endogenous variables based on the results of the t-test or partial test that financial risk has no significant effect on the volume of business capital funding, a significance of 0.928, which is greater than  $\alpha=5\%$ , with a negative correlation. The business scale significantly affects the volume of business capital funding, with a significance of 0.000, which is smaller than  $\alpha=5\%$ , with a positive correlation. Financial feasibility has no significant effect on the volume of business capital funding, with a significance of 0.149, which is smaller than  $\alpha=5\%$ , with a negative correlation.

**Table 5. Partial Test Results**

Model	$\beta$	$\sigma$	Beta	t	Sig.	Information
Constant	7,632	1,571		4,857	0,000	
Financial Risk	-0.008	0.088	-0.011	-0.091	0.928	Not significant
Scale enterprises	0.598	0.066	0.772	9,004	0,000	Significant
Financially Feasible	-0.128	0.087	-0.171	-1,468	0.149	Not significant
R	0.821					
R Square	0.673					
Adjusted R Square	0.652					

Source: SPSS Output, 2024

#### 4.2. Discussion

Financial risk has no significant effect on the volume of business capital funding. This happens because the highest indicators identified are risk identification and risk categorization. According to Cai et al. (2023), risk identification can be done by analyzing the risk characteristics inherent in the company, the risks of products, and the activities of the business company. There are several methods to identifying risk, including the identification of all risks regularly, risk identification is carried out on all products and business activities, and analyzing all sources of risk, which is at least carried out on the risks of the company's products and activities and it can be ensured that the risks from new products and activities have gone through a proper risk management process. Appropriate before being introduced and implemented. Identifying Techniques Risk One is using a list of questions or a questionnaire. (Wadhawan & Mahajan, 2016) For analyzing risk, a variety of answers to the questions in the questionnaire are expected to provide clues regarding the movement of specific information, which can be structured systematically regarding the risks related to assets or asset-operating companies. Use report finance to analyze the balance sheet, report operations, and several other supporting notes. (Erfani et al., 2023). Therefore, you can learn about or identify asset riches, debt receivables, etc. This can determine repair risk in the coming century, with a compiled report stated in the company and based on forecast budget finance. Moreover, creating a flow chart. Genre goods start from raw materials until they become finished goods; you will know the risks faced by each flow stage. (Blišťanová et al., 2022).

Research shows that risk management carried out correctly, guided by standard operating procedures (SOPs) and regulations set by management, and with risk control, can prevent fraud. Business risk affects capital structure and sales growth. This aligns with other studies that reveal that effective risk management, guided by SOPs and regulations, is vital in preventing fraud in business entities. (Pelivan, 2015; Roslana, 2022). By implementing fraud risk management processes such as risk identification, mapping, and control, companies can reduce risk and protect against fraudulent activities, ultimately protecting their capital structure and driving sales growth. (Pereira et al., 2022). Additionally, market risk management practices have been shown to increase revenue growth and stability, with companies that actively engage in risk management experiencing more consistent revenue levels than companies that do not prioritize risk management strategies. (Kallenberg, 2008). Therefore, a well-executed risk management framework protects against fraud and positively influences a firm's financial health and growth trajectory.

Business scale significantly influences the volume of business capital funding because respondents prioritize sales volume. Research indicates that business scale significantly influences the volume of

business capital funding, with respondents prioritizing sales volume (Xing-ha, 2015). This is supported by the finding that start-ups using public funding are more prominent, suggesting constraints on liquidity at the start-up stage (Yasuda, 2004). The scale of investment funds is also influenced by factors such as the expected net rate, information asymmetry, and the importance of entrepreneurial efforts (Xing-ha, 2015). Furthermore, large firms are more sensitive to industry business cycles regarding capital investment and debt financing (P. et al., 2023). Therefore, the following are the hypotheses in this research: the influence of financial feasibility on the volume of business capital funding. Feasibility means that research carried out in-depth aims to determine whether the business will provide more significant benefits than costs. The business being run will provide more significant benefits than the costs that will provide financial and non-financial benefits, according to their desired goals. Feasibility also means that it can benefit not only the company and entrepreneurs who run it but also investors, creditors, the government, and the wider community (Kniffin et al., 2021). Business scale is a crucial factor influencing the volume of business capital funding, as evidenced by various research studies. The scale effect, driven by the largest firms in the sample, plays a significant role in market-based accounting research (Easton, 1998; Jean-Baptiste & Riordan, 2003). Additionally, the scale of operations directly impacts the amount of equity financing entrepreneurs contribute, affecting market performance in industries with agency problems between investors and entrepreneurs (Easton & Sommers, 2000). Moreover, in the context of SMEs, business scale is influenced by factors such as management skills and capital loans, which affect businesses' potential and performance improvement (Hafid, 2014). Furthermore, debt financing structures, including short-term loans and accounts payable, correlate positively with business scale, indicating the importance of funding sources in scaling operations (Huayang & Yanan, 2011).

Financial feasibility plays a crucial role in assessing the profitability of investments and determining the allocation of funds efficiently to maximize benefits. (Istchuk & Ghisi, 2023). This process ensures that resources are used most effectively to achieve the desired economic outcomes. Capital funding, involving government funds for public goods and infrastructure, is essential for stimulating economic activities and creating job opportunities. (Intaraburt et al., 2022). These investments can lead to improved public services, enhanced infrastructure, and overall economic growth, boosting the community's quality of life. Like feasibility studies, financial feasibility studies help decide the viability of business ideas or projects. (Gonçalves et al., 2022), income levels are critical indicators of economic well-being (Messmer et al., 2021). High-income levels often correlate with better access to education, healthcare, and other essential services, reflecting the overall economic health of a population. However, research on the feasibility of cultivating Dumbo catfish showed that it did not significantly impact the income of farmers in Tabanan Regency, possibly due to the small scale of their businesses. (Wang et al., 2021). This finding highlights that financial feasibility alone may not be sufficient to drive income growth, especially in small-scale agricultural ventures. This suggests that other factors beyond financial feasibility may influence income levels in specific agricultural contexts. These factors could include market access, technological advancements, governmental support, and the overall business environment. For instance, farmers might face challenges such as limited access to modern farming techniques, insufficient infrastructure, or lack of support from agricultural extension services. Addressing these issues could be as important, if not more so, than simply ensuring the financial feasibility of an investment. Therefore, a comprehensive approach considering financial and non-financial factors is essential for improving income levels and achieving sustainable economic development in agriculture and other sectors. The financial feasibility of a business does not significantly influence the volume of capital funding, as respondents prioritize income. This is evident in the case of African catfish farming in Tabanan, where the financial aspect is viable, but marketing has a more dominant effect on income (Suparta, 2013). Similarly, urban rice farming in Makassar City is not economically feasible, leading to the need for alternative income sources. (Molla & Nurdin, 2023). However, broiler duck farming is financially feasible, potentially influencing capital funding. (Willybrordus, 2011).

## 5. CONCLUSION

The research on the funding volume at PT PNM (Persero) Mekaar Takalar Regency reveals several significant findings. First, financial risk does not significantly affect the volume of business capital funding. This outcome stems from a need for comprehensive risk identification and categorization within the lending processes. However, the business scale significantly influences the volume of capital funding, as respondents prioritize sales volume over other considerations. Despite the financial feasibility's essential role in assessing the profitability of investments, it does not significantly impact the volume of business capital funding for SMEs in this context. This finding suggests that while financial feasibility is crucial for evaluating potential returns, it may not directly translate into increased capital funding if income generation is not prioritized.

The value of this research lies in its contribution to understanding the dynamics of capital funding within the SME sector, particularly within the Indonesian context. By highlighting the nuanced influences of financial risk, business scale, and financial feasibility, this study provides valuable insights for policymakers, financial institutions, and SME operators. The emphasis on business scale over financial feasibility underscores the need for tailored financial products and support mechanisms that align with the operational realities of SMEs. Moreover, the study underscores the critical role of effective risk management practices and the prioritization of sales volume in driving funding decisions, offering a pragmatic perspective that can inform strategic planning and policy development.

The study also has limitations that warrant further investigation. The research is confined to the Takalar Regency and may not fully capture the diverse conditions across different regions or sectors. Additionally, the reliance on employee perceptions may introduce subjective biases that could affect the findings. Future research should aim to incorporate a broader geographic scope and include a more diverse sample to enhance the generalizability of the results. Investigating the impact of other factors, such as technological advancements and market access, on capital funding and income generation could provide a more comprehensive understanding of the challenges and opportunities within the SME sector. This expanded scope would help develop more robust strategies for fostering sustainable economic development and financial inclusion for SMEs.

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