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THE LACK OF INTEREST IN LOAN ACQUISITION AMONG UNIVERSITY STUDENT ENTREPRENEURS

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Abstract
The critical role of entrepreneurship in stimulating innovation and fostering economic growth is well-recognized in both academic and policy circles. Specifically, university student entrepreneurs represent a dynamic demographic that contributes to this economic and innovative drive. Despite their potential, student entrepreneurs often face considerable challenges in starting and growing their businesses. One of the key obstacles is the procurement of necessary capital to fund their entrepreneurial ventures. While many financial institutions offer a variety of loan schemes specifically designed to facilitate entrepreneurship, there is a noticeable reluctance among student entrepreneurs to take advantage of these financial products. To date, few studies have investigated the reasons for and consequences of this hesitation towards these financing mechanisms within academic institutions. This paper proposes a conceptual research framework related to the issue of lack of interest in loan acquisition among student entrepreneurs, a complex problem with potential long-term implications. The framework situates the process of acquiring and using information within several contextual factors. By investigating the factors behind this lack of interest, this study aims to contribute to a better understanding of student entrepreneurs' financial behaviours, which could inform the design of financial products and support measures that cater to their specific needs. This research has the potential to significantly impact the strategies of financial institutions, policymakers, and university entrepreneurship programs, ultimately fostering the growth of student entrepreneurship.

Keywords: *Factors, Lack of Interest, Role of Loan, Loan Acquisition, Student Entrepreneurs*

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INTRODUCTION

Entrepreneurship plays a critical role in stimulating economic growth and fostering innovation, particularly within university settings, where the fusion of knowledge, creativity, and ambition often leads to the birth of ground-breaking ideas. However, translating these ideas into viable businesses is a complex process, particularly for university students, who often encounter significant financial constraints. Among various financing options, loans can provide vital capital to initiate or expand entrepreneurial ventures. However, a significant number of student entrepreneurs demonstrate a clear lack of interest in acquiring such loans.

Understanding this loan aversion is the central focus of the work. This investigation is significant due to the potential implications on the growth and success of student-led ventures, as well as their contribution to innovation and economic progress. A comprehensive exploration of the factors dissuading student entrepreneurs from seeking loan-based funding can reveal insights necessary for stakeholders from educational institutions and policymakers to financial institutions to better tailor their approaches, services, and policies to support budding student entrepreneurs.

This study embarks on filling up the research gap, with the aim to interpret the underpinnings of loan aversion among university student entrepreneurs. Thus contribute to the broader discourse on entrepreneurial financing, with a special emphasis on student entrepreneurship. Through this study, we aspire to generate a more nuanced understanding of student entrepreneurs' financing preferences and aversions, ultimately aiding in fostering a more supportive and conducive financial environment for their entrepreneurial endeavours.

Table 1: Information seeking aspects of research related to domain of entrepreneurship issues in university

Key Areas	Issues/Subjects	Focus	Variables
Business & Entrepreneurship	• Interest in Loan • Risk Obligation • Capital Assistance Constraint • Funding Ecosystem	• Student Entrepreneurs • Academic Institutions • University Entrepreneurship Centre/Hub	• Factors • Influences • Reasons
Funding & Financial Instrument	• Loan Acquisition • Financial Term & Conditions • Rates & Interest	• Financial Institution • University Finance Unit • Grant-Related Agencies	• Implication/Impact • Inferential

Table 1 provides a summary of the information seeking aspects of research related to the domain of entrepreneurship issues in university. The table is organized into two key areas: business & entrepreneurship and funding & financial instruments. It can be used to guide the design of research studies and to identify the relevant literature.

LITERATURE REVIEW

The Role of Loans in Entrepreneurship

One of the barriers that young entrepreneurs face, is not having adequate access to finance (Cowling et al., 2006). Cowling and group revealed that the lack of financial capital may drastically impact the feasibility and success of entrepreneurial ventures, as funds are required for start-up costs, investments, operating expenses, and growth initiatives. Financial loan emerges as a critical part of the entrepreneurial ecosystem, offering a potential source of funding, especially when other options such as personal savings, investor equity, or grants are not accessible. The availability of loans can profoundly influence the feasibility and eventual contribution of an entrepreneur's business idea to the entrepreneurial landscape. The essential role of loans in supporting and fostering entrepreneurship, suggesting that improving loan accessibility, refining loan conditions, and providing financial literacy training could stimulate entrepreneurial activity, particularly among the youth. With continues efforts to enhance loan accessibility for young entrepreneurs is important in the entrepreneurial ecosystem.

Canepa and Stoneman's (2017) on the other hand highlighted the significant role of loans in promoting innovation within entrepreneurship. The researchers proposed that easily accessible loans provide crucial capital for extensive research and development (R&D) activities, which are integral to innovation. When entrepreneurs have easier access to loans, they can finance vital R&D efforts, such as developing and testing new products, investing in advanced technology, or improving existing offerings. The study argues that the availability of loans enables the maintenance or even an increase in the level of R&D activity, indirectly contributing to the generation of new ideas and product improvements. Moreover, loans offer a more flexible financing option compared to alternatives like equity financing which allow entrepreneurs to have more control on how the capital could be utilised. This flexibility may resulted in more effective resource allocation towards innovation-stimulating activities. In essence, Canepa and Stoneman's research accentuates the importance of loans in encouraging innovation by ensuring that vital funds for R&D activities are available, thereby enhance the vibrancy and competitiveness of entrepreneurial ventures.

Adelino et al., (2017) investigated the essential role of loans in supporting businesses, especially during economic downturns. Credit access has been identified as a lifeline that helps enterprises overcome challenges like falling sales, shrinking customer bases, and rising operational costs during such periods. Loans can supply critical cash flow when revenues diminish, acting as a financial buffer that allows businesses to withstand economic adversity. Businesses with better credit access were more likely to endure economic downturns, indicating the crucial role of loans as a protective measure. It was found that credit access during downturns is critical for maintaining innovation. Despite financial hardships, companies need to sustain their investment in research and development, product improvements, and process optimization to remain competitive. In order to do this, loan is essential to invest continuously in innovation even during the economic slump. In summary, the work underlines the crucial function of loans as a financial safety net during economic downturns. It emphasizes how loans enable businesses to keep running, make strategic shifts, continue innovation efforts, and ultimately survive and prosper.

Financial institution also has been identified as a catalyst for SME growth (Ayyagari et al., 2017). It was found that access to finance, primarily loans significantly influence the growth of SME in East Java. Grohman and Menkhoff (2018) explored the correlation between financial literacy and financial behaviours, including the propensity for loan acquisition. The study proposed that financial literacy significantly enhances the responsible acquisition of loans, with highly literate individuals being more prone to making well-informed and judicious decisions about loans. In addition, Lo et al., (2018) extended the discourse into psychological factors affecting financial decision-making. The study provides insights into traders' emotional experiences, particularly their risk perceptions and fear of debt, shape loan acquisition decisions, finding a tendency for higher fear levels to induce conservative behaviour regarding loan acquisition.

Davies (2017) carried out study on alternative financing channels like crowdfunding and its implications to traditional loan acquisition. The findings suggest that the proliferation of crowdfunding platforms introduces a viable alternative for businesses and individuals, which could potentially influence their propensity towards traditional loans. Bursztyn et al., (2015) investigated the effects of social networks on loan acquisition decisions. It was reported that peer opinions can considerably influence individual decisions to acquire loans. Howell (2017) investigated the effects of institutional support, especially government-backed programs, on the propensity of businesses to acquire loans. The study suggests that such institutional backing can incentivize businesses to opt for loans by minimizing perceived risks and instilling a sense of security, thereby demonstrating the crucial role of institutional support in promoting interest in loan acquisition.

Shim et al., 2015 investigated the students' financial attitudes, particularly their perceptions of loan default risks. The study found that many students were concerned about the potential negative impact on their credit scores and future financial situations. Borden and Pinto (2016) have also provided a comprehensive review on the students' decision-making related to student loans. The review acknowledged the significant anxiety students face concerning possible loan defaults and its implications on their future financial stability. Asiedu-Appiah et al., (2017) studied the gender differences in loan default risk perceptions among university students. The paper suggests that student entrepreneurs, both males and females, show significant concern about defaulting on loans and the subsequent impact on their future. It was also found that student mostly struggled in managing debts (Stebleton et al., 2018).

Lusardi et al. (2019) focused on the connection between financial literacy and student loans. The study shows that students who are less literate on financial were more worried about loan default risks due to the lack of confidence and knowledge in managing debts. Fear of defaulting is a significant factor leading to loan aversion (Field e tal., 2020). Woon and Teck (2021) investigated student entrepreneurs' perceived risk of loan default in the Malaysian context, affirming the global nature of this concern among university students. Collectively, these studies underscore the perceived risk of loan default as a significant concern among university student entrepreneurs and its potential impact on their financial futures.

Lack of Collateral

The issue of collateral, particularly in the context of university student entrepreneurs, has been addressed in multiple studies since 2015. A study found that the lack of collateral is a significant barrier for young entrepreneurs, including university students, when seeking loans (Brixiová et al., 2021, Cowling et al., 2020, Neneh, 2019, Coleman Petruzzelli et al., 2018 and Cotei, 2017, Munir et al., 2015). Cantillon and Pesando (2016) explored how student entrepreneurs navigate the financial challenges in starting a business. They pointed out that despite having a good credit history and a viable business plan, the lack of collateral often poses a considerable challenge for students in securing loans. The authors specifically highlighted the difficulty of obtaining loans due to the absence of collateral. In general, all of the studies reinforce the notion that the lack of collateral is a significant obstacle for university student entrepreneurs seeking to secure loans.

Many studies have proven that high interest rates were a significant hurdle for student entrepreneurs seeking loans (Jaskiewicz and Klein, 2015, Gupta and Bhattacharjee, 2017, Kerr et al., 2018, Sohn and Brown, 2021). The high cost of borrowing was a particular concern for those whose businesses were not yet profitable. Tran et al. (2016) addressed the issue of high interest rates faced by young entrepreneurs, including students, in Vietnam. They found that these high rates were a major obstacle to entrepreneurship, making it difficult to sustain a new business. The study notes that high rates make the repayment of loans challenging, particularly when the business is in its early stages and not yet profitable. Interest rate is also crucial for small and medium-sized enterprises (SMEs) run by young entrepreneurs, including university students (Hasan et al., 2019). It was discovered that high interest rates often deter these entrepreneurs from taking out loans which will increase their financial burden. During the COVID-19 crisis, high interest rates have also further worsen the situation for businesses that are already struggling (Denes et al., 2020). These studies provide evidence that high interest rates on loans are a significant obstacle for university student entrepreneurs, particularly when their businesses are not yet generating substantial profits.

Unfavourable terms and conditions such as fees, loan terms, early termination fee and prepayment penalties were also some of the major issues that student entrepreneurs often face (Du and Dai, 2021, Botelho and Alves, 2020, Ndirangu and Kumar, 2019, Linares-Zegarra and Shaban, 2017, Omri et al., 2016, Sørheim and Landström, 2015). Omri et al., 2016 reported that high fees and stringent repayment schedules, pose significant challenges to student entrepreneurs in Tunisia. These also have a huge impact on the profitability and sustainability of start-ups run by university students. Fairlie and Fossen (2018) provide insights into the struggles of young urban entrepreneurs in the US, including those still in university, who often confronted with unfavourable loan terms. Some of the terms create significant hurdles to obtaining necessary financing to the entrepreneurs. These studies suggest that unfavourable terms and conditions, often serve as barriers to university student entrepreneurs in acquiring the financing they need for their businesses.

METHODOLOGY

This research employed a qualitative methodology to elucidate the reasons behind the diminished interest in procuring loans among university student entrepreneurs. The research structure will primarily involve the analysis of secondary data, enabling researchers to capitalize on previously collected data to derive fresh insights. The research will use a qualitative method, wherein the preliminary findings will contribute to the determination of the presence of certain concepts or categorizations within given qualitative data. Using content analysis, the factors, implications, and their relationships to the issues and inferences has been analysed.

Research Design

This study consists of two (2) parts. The first part maps the funding procedures and instruments available to student entrepreneurs (Mapping Matrix). This will take into account existing data and reports from academic literature, financial institutions, governments, public agencies, business associations, and research institutes in the field. As a lack of inclusive data is a primary obstacle to the analysis, a specific research intervention is devoted to improving the factual base on the entrepreneurial ecosystem, market trends, and the dissemination of non-debt financing mechanisms. This will complement the information on student entrepreneurs and start-ups' access to finance.

The second part consists of case studies on selected funding or financial mechanisms, developed in universities with internal entrepreneurship committees, financial advisors, and funding markets. These cases examine the accessibility, financial literacy, perception of risk, diffusion, and uptake by new businesses and start-ups among students aiming to overcome financing constraints. They evaluate the contextual factors, policy experiences, program outcomes, and best practices to promote effective funding instruments for student entrepreneurs. The case studies are based on secondary sources, including literature reviews, reports, and statistical data from related University Entrepreneurship Centres. Structure of research methodology is illustrated as in Figure 1.

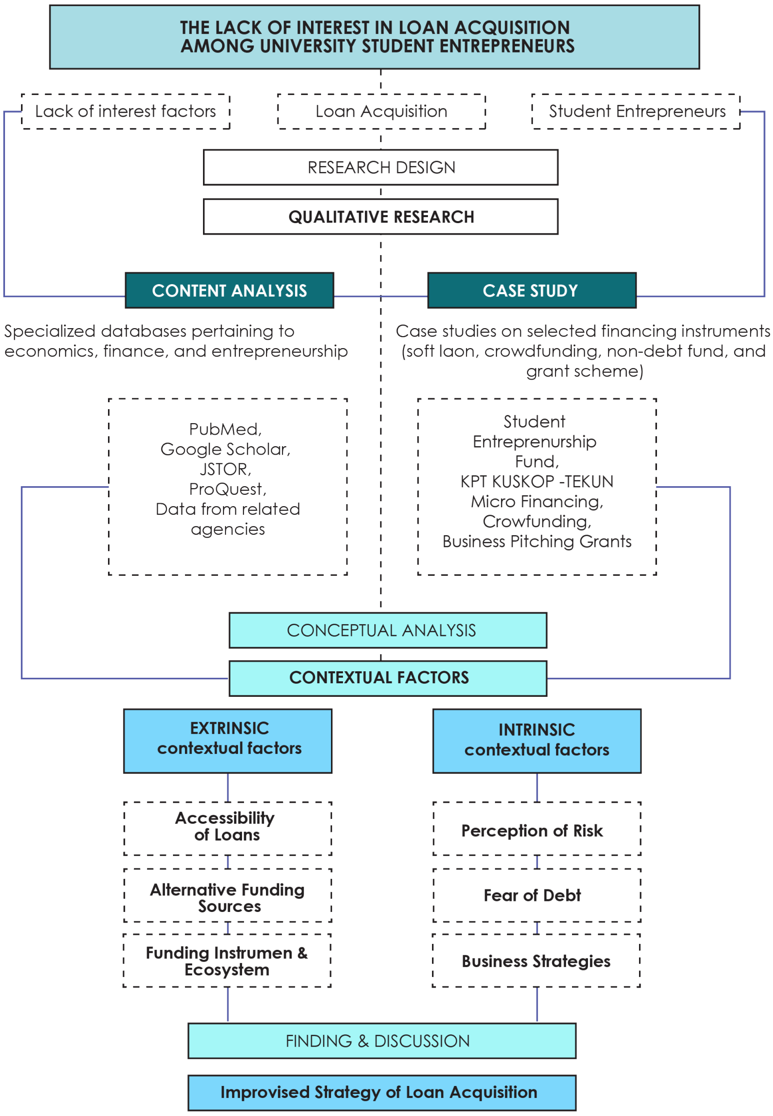

Figure 1: Conceptual Framework of Research Design and Methodology

Data Source

Secondary data were harnessed from trustworthy databases such as PubMed, Google Scholar, JSTOR, ProQuest, and specialized databases pertaining to economics, finance, and entrepreneurship like EBSCO Business Source, Entrepreneurship Database, and others. The data may consist of scholarly articles, surveys, and research reports focusing on student entrepreneurs, loan procurement, and the factors that influence financial decisions.

Data Selection

A thorough review of existing literature were undertaken to select relevant studies. Inclusion parameters encompassed studies focusing on student entrepreneurs, their perspectives towards loan uptake, and potential influencing factors. The chosen studies were those published within the past five (5) years and that have been conducted within a university context. Exclusion parameters may include studies that are not peer-reviewed, not exclusive to the student demographic, or lack a comprehensive examination of the rationale behind decisions related to loan acquisition.

Extraction of Data

Critical data points were extracted from the selected studies, which include demographic specifics of the respondents (university student entrepreneurs), key findings, and the methodologies employed. Further specialized data linked to factors influencing loan acquisition, such as levels of financial literacy, perception of risk, aversion to debt, socio-cultural attitudes, and prevailing economic conditions were gathered.

Analysis of Data

The collected data were analysed using descriptive analysis and ANOVA. This analysis include the use of descriptive statistics to summarize the core attributes of the findings. Inferential statistics may be applied to ascertain correlations between diverse factors and the observed diminished interest of student entrepreneurs in procuring loans.

i. Descriptive Analysis
   To assess the impact of financial literacy, fear of debt, perception of risk, accessibility of loans, and availability of alternative funding sources on interest in loan acquisition, a thorough review and synthesis of the existing literature and data were conducted.
ii. Financial Literacy
   The level of financial literacy among the student entrepreneurs were evaluated based on existing surveys and studies that have measured this among similar populations. The findings and synthesized insights were reported and compared with interest in loan acquisition.
iii. Fear of Debt
   Studies that have measured fear of debt or debt aversion using psychological scales were identified. Similar to financial literacy, domain factors and sub-domain factors were be reported and assessed in relation to interest in loan acquisition.
iv. Perception of Risk
   Literature assessing risk perception among student entrepreneurs, particularly in relation to loans were reviewed. The prevalence of risk-averse attitudes and their correlation with aversion to loans was evaluated.
v. Accessibility of Loans
   Existing data on the accessibility of loans to student entrepreneurs were analysed. This might include interest rates, loan approval rates for student entrepreneurs, and conditions attached to loans. The relationship between these accessibility factors and loan interest was explored.
vi. Alternative Funding Sources
   Literatures on the use of alternative funding sources by student entrepreneurs such as personal savings, family and friends, crowdfunding, and venture capital were be reviewed. The

availability and attractiveness of these sources in comparison to loans were assessed.

For each of these factors, frequency tables, graphs, and charts were used to illustrate the distribution and trends. A mapping matrix were used to show the relationships between these factors and interest in loan acquisition. It is important to note that this analysis is based on secondary data. The findings were subjected to the limitations of the original studies, including how the variables were defined and measured. The results should be interpreted with these limitations in mind.

Interpretation and Conclusion

The outcomes of the data analysis were interpreted to facilitate an understanding of the determinants influencing the diminished interest of university student entrepreneurs in loan acquisition. The research findings were compared with the prevailing body of literature on the subject, pinpointing any commonalities or discrepancies.

Limitations and Future Recommendations

Probable limitations of the research, notably those tied to the utilization of secondary data such as the lack of control over data quality, potential bias in the original data collection process, or gaps in data, will be acknowledged. The study conclude with suggestions for future avenues of research, potentially endorsing primary research methodologies to secure more targeted or comprehensive insights.

FINDINGS AND DISCUSSION

In general, loans are a standard financial or funding instrument that can assist with expanding a business's assets or even entire companies. These resources come in several forms, from conventional term loans to revenue-based loans. Student entrepreneurs are constantly seeking opportunities, evaluating options, and designing unique business models to provide solutions in the market. However, findings from the literatures and case studies conducted in this research suggest that being an entrepreneur and running a business as a university student poses several challenges, particularly in financial management.

Student entrepreneurs and start-ups require flexible financial assistance to bring their ideas to execution. Research has suggested that funding is crucial for business trials and sustainability. One of the options they have is to opt for a business loan to meet their financial requirements. Even though securing a business loan may be easier than approaching venture capitalists or investment firms, loan acquisition is still the least preferable option among student entrepreneurs, according to several factors identified in this preliminary study.

From multiple variables analysed within the scope of financing and funding mechanisms, the factors contribute to the lack of interest in loan acquisition among student entrepreneurs can be categorized under two domains are illustrate in Figure 2. The lack of interest in loan acquisition among student entrepreneurs can be attributed to two (2) main factors which are extrinsic contextual factors and intrinsic contextual factors. Extrinsic contextual factors include accessibility of loan, alternative funding sources and funding instrument and ecosystem. While the intrinsic contextual factors which are the internal variables impacting issues come from perception of risk, fear of debt and business strategy.

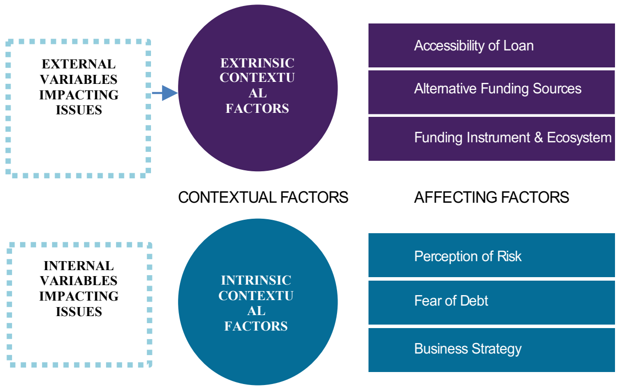

Figure 2. Two Domain Factors of extrinsic contextual factors and intrinsic contextual factors.

Findings from Content Analysis

Many student entrepreneurs were found to have lack of proper financial education and awareness about loans, interest rates, and repayment terms. The complexity of financial jargon and lack of understanding may discourage them from seeking loans, as they may fear accruing debt without fully comprehending the implications. Table 2 summarises the common extrinsic factors that contribute to the lack of interest in loan acquisition.

Table 2. Identified Extrinsic Factors Based on Loan and Funding Mechanism for Student Entrepreneur

EXTRINSIC FACTORS		
Accessibility of Loan	▪ Eligibility ▪ Credit Score ▪ Collateral ▪ **Interest rate** ▪ Loan Amount	▪ **Loan Term** ▪ **Application Process** ▪ **Flexibility of Repayment** ▪ Regulation ▪ Financial Literacy
Alternative Funding Sources	▪ **Crowdfunding** ▪ **Business Competition** ▪ **Grants** ▪ Personal Savings ▪ **Family & Friends**	▪ Venture Capital ▪ Angel Investment ▪ **Accelerators & Incubators** ▪ Peer to Peer Landing ▪ Micro Loans ▪ Corporate Sponsorship
Funding Instrument & Ecosystem	Instrument ▪ **Debt Financing** ▪ Equity Financing ▪ Convertible Notes ▪ **Grants/Non-repayable fund** ▪ Crowdfunding	Ecosystem ▪ **Universities & Educational Institutions** ▪ Government/Private Sectors ▪ Non-Profit Organizations ▪ Crowdfunding Platform ▪ Peer to Peer Landing Platform ▪ **Business Pitching** ▪ Co-working Spaces

The majority of new small businesses and start-ups among students have difficulty in securing conventional financing due to the tremendous risk they pose to lenders or investors. Common problems include a shortage of short-term cash and cash flow problems for business sustainability. Any debt financing, such as loans, will contribute to financial pressure and a high debt-to-income ratio. The identified extrinsic factors show that depending on the instrument and procedures, student entrepreneurs may face these challenges:

i) **Accessibility of loan**: Regulatory hurdles can complicate the loan application process. Compliance requirements can add to the time and cost of obtaining loans. Student entrepreneurs may lack the maturity and experience that investors and lenders seek when evaluating potential business support.

ii) **Alternative funding sources**: Options such as venture capital, crowdfunding, business pitching grants, and incubator programs are available, and some start-ups may prioritize these sources over conventional loans..

iii) **Funding instrument and ecosystem**: In many cases, start-ups may face cash flow challenges, particularly in their initial stages of operation. Some universities may have policies or restrictions on students engaging in commercial activities or starting businesses. These constraints can limit the support available within the academic environment and hinder access to resources and funding.

The intrinsic factors suggest that navigating the funding landscape as a student entrepreneur requires perseverance, creativity, and resourcefulness as shown in Table 3. However, the lack of interest in acquiring loans for their businesses is impacted by these major factors:

i) **Perception of Risk**: This can vary based on individual circumstances, financial knowledge, and the specific context of the loan. The purpose, loan amount, and repayment terms are the common factors that influence how students perceive the risk associated with loan acquisition.

ii) **Fear of Debt**: The fear of defaulting on loan payments and the potential financial consequences can significantly deter student entrepreneurs. Debt can create a sense of financial burden and limit their ability to pursue other goals. High interest rates can also lead to an increase in the total cost of the loan, making borrowers anxious about the burden of repaying both the principal amount and accrued interest.

iii) **Business Strategy**: Lenders and financial providers typically prefer to fund businesses with proven business models and market traction. In most cases, student entrepreneurs often have innovative ideas but may lack the consistent track record and evidence to demonstrate the viability of their business concepts. This can create challenges in establishing trust and credibility in the eyes of potential funders.

Table 3. Identified Intrinsic Factors Based on Loan and Funding Mechanism for Student Entrepreneur

INTRINSIC FACTORS		
Perception of Risk (Risk Tolerance)	• Fear of Default • **Impact on Credit Score** • **Financial Burden** • Collateral Loss • Liability	• Limiting Future Opportunity • Opportunity Cost • **Fear of Hidden Fees & Term** • **Personal Stress & Anxiety**
Fear of Debt (Entrepreneur Awareness)	• **Debt Repayment** • **Impact of Personal Finances** • Long Term Financial Obligation • Loss of Assets • **Negative Credit Impact**	• **Limited Flexibility** • Increased Risk Exposure • Expectation Failure • Social Stigma
Business Strategy (Pace of Business Growth)	• **Comprehensive Business Plan** • **Financial Literacy** • **Risk Assessment** • Credit History management • Cost-benefit Analysis	• **Diversified Financing** • Network Building • Negotiation Skill • Use of Collateral • Regular Review

Some universities and accelerators may prioritize alumni entrepreneurs over current students when providing funding and support, which can further limit funding opportunities for student entrepreneurs. Students may compare loan options with other sources of funding, such as grants, part-time work, or contributions from family and partners. However, in many circumstances, the entrepreneurial ecosystem is competitive, which can create challenges in establishing business viability, credibility, and trust in funding environments.

Major issues arise due to the length of the repayment period and the structure of loan repayments, which can affect risk perception and potentially increase financial stress. Even though the perception of loan-taking risk creates a negative stigma among young entrepreneurs, recent studies show that student entrepreneurs with a higher level of financial literacy tend to have a better understanding of loan terms and conditions, interest rates, repayment schedules, and potential risks. They are more likely to make informed decisions and accurately assess the risks involved.

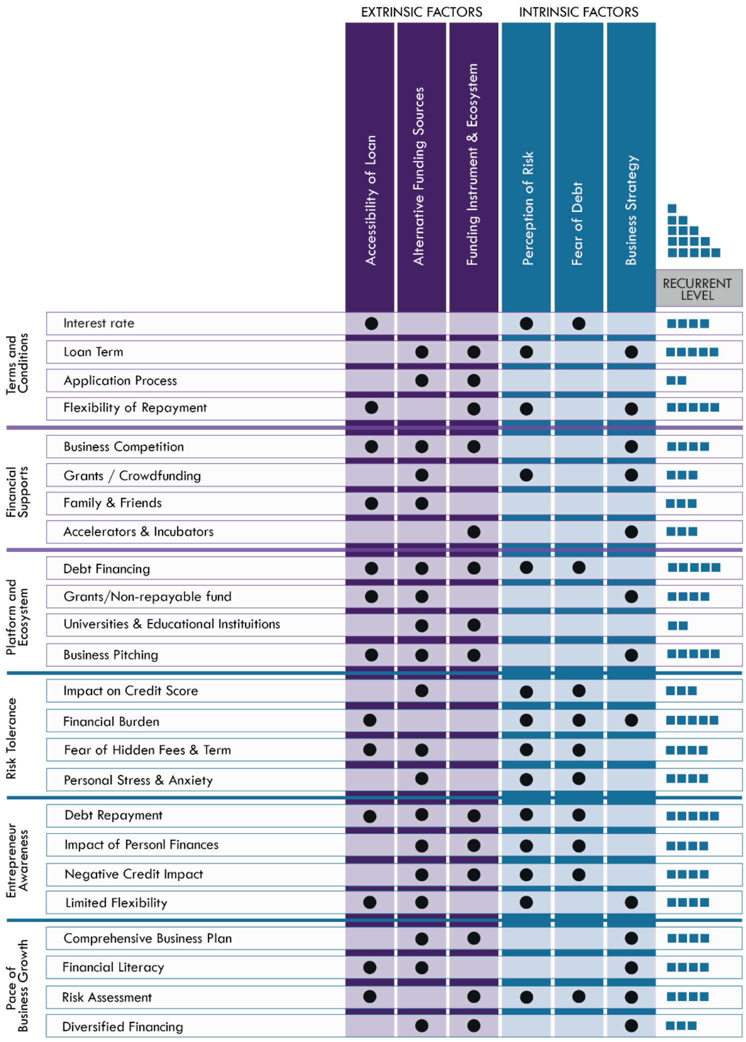

Figure 3. Suggested Mapping Matrix of Domain Factors to Impact Influencing the Lack of Interest in Loan Acquisition Among Student Entrepreneurs based on literature review

Findings from Case Study

The role and scope of entrepreneurship support can vary from one university to another. This case study on loan acquisition trends among students is derived from data and output related to three (3) major financial supports offered by the Malaysian Academy of SMEs & Entrepreneurship Development (MASMED) at Universiti Teknologi MARA (UiTM) (Refer to Table 4).

Table 4: Fund and financial sources for student entrepreneur in Malaysia (Adapted from Key performance Indicator, PI22 of 2022)

No	*Fund and financial sources*	*Type of Fund*	*% of loan used and disbursed within 2021 - 2022*
1	Student Entrepreneurship Fund	0% Interest Loan	Not more than 15% of allocated sum each year
2	Micro Credit Finance by the Government	Business Loan	Not more than 10% of allocated sum each year
3	Local Financial Institution/ Private Financial Agency	Business Loan	1-2 applicants for each cycle/year

The underutilization of business loans among student entrepreneurs can potentially be attributed to a confluence of intrinsic and extrinsic factors such as financial literacy, risk perception, debt aversion, lack of collateral, absence of an operational history and business plan, access to alternative funding sources, and university policies. It is vital to note that these factors may interact in complex ways, and their effects can vary widely among different individuals and contexts. As such, this hypothetical theory should be explored and validated through empirical research.

CONCLUSION

In conclusion, conventional financial instruments such as loans can serve as an effective means of increasing business capital. These tools can enhance the growth of business assets and even entire companies. These loans come in a variety of forms, from standard term loans to revenue-centred loans. Student entrepreneurs are always on the lookout for opportunities, evaluating options, and creating innovative business models to fill market gaps. However, the findings of this research suggest that being an entrepreneur and running a business as a university student poses significant challenges, especially in the area of financial management.

Student entrepreneurs and start-ups need flexible financial assistance to bring their innovative ideas to fruition and to secure profitable outcomes. Research has indicated that funding is crucial for business trials and sustainability. One option available to them is to obtain a business loan to meet their financial needs. Although securing a business loan can be less daunting compared to dealing with venture capitalists or investment firms, it is still a less favoured option among student entrepreneurs due to several factors identified in this preliminary study.

The comprehensive analysis of various factors within the financing and funding mechanisms context revealed that the reluctance towards loan acquisition among student entrepreneurs can be categorized into two main domains identified as extrinsic contextual factors and intrinsic contextual factors. A significant number of student entrepreneurs lack sufficient financial education and awareness about loans, interest rates, and repayment terms. The complexity of financial jargon and a lack of understanding can discourage them from applying for loans, as they may fear incurring debt without fully understanding the implications.

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