

## THE INFLUENCE OF FINANCIAL LITERACY AND ENTREPRENEURIAL SELF-EFFICACY ON ENTREPRENEURIAL INTENTION

Dhimas Arya Wardhana<sup>1</sup>, Willy Yosia<sup>2</sup>

<sup>1,2</sup>Management Study Program, Faculty of Economics and Business,  
University of Pamulang

<sup>1</sup>[wardhanadhimasarya@gmail.com](mailto:wardhanadhimasarya@gmail.com) <sup>2</sup>[willyyosia583@gmail.com](mailto:willyyosia583@gmail.com)

### Abstract

This study examines the influence of financial literacy and entrepreneurial self-efficacy on entrepreneurial intention among university students in Indonesia. Using a quantitative approach with a sample of 300 respondents, data were collected via questionnaires and analyzed using multiple regression analysis. The results indicate that both financial literacy and entrepreneurial self-efficacy significantly and positively affect entrepreneurial intention, with entrepreneurial self-efficacy having a stronger impact. These findings underscore the importance of enhancing financial knowledge and self-belief in fostering entrepreneurial aspirations, particularly in developing economies. Implications for education and policy are discussed.

**Keywords:** Financial literacy, entrepreneurial self - efficacy, entrepreneurial intention

### Introduction

Entrepreneurship plays a pivotal role in economic development, particularly in emerging markets like Indonesia, where fostering entrepreneurial intention is crucial for job creation and innovation. Entrepreneurial intention refers to an individual's readiness to start a business venture. While numerous factors influence this intention, financial literacy – the ability to understand and manage financial concepts – and entrepreneurial self-efficacy – the belief in one's capabilities to undertake entrepreneurial tasks – have emerged as key determinants.

Previous research has shown that financial literacy equips individuals with the skills to assess risks and opportunities, thereby boosting confidence in entrepreneurial pursuits. Similarly, self-efficacy, rooted in Bandura's social cognitive theory, enhances motivation and persistence in entrepreneurial activities. However, empirical studies on their combined effects in the Indonesian context remain limited. This study aims to fill this gap by investigating how these variables collectively shape entrepreneurial intention among university students, who represent a potential pool of future entrepreneurs.

The research questions are: (1) Does financial literacy influence entrepreneurial intention? (2) Does entrepreneurial self-efficacy influence entrepreneurial intention? (3) How do these factors interact in predicting entrepreneurial intention?

## Theoretical Framework

The theoretical foundation of this study draws from the Theory of Planned Behaviour (TPB) by Ajzen (1991), which posits that intention is shaped by attitudes, subjective norms, and perceived behavioural control. Entrepreneurial intention is modelled as a precursor to actual behaviour, influenced by personal and environmental factors.

Financial literacy is conceptualized based on Lusardi and Mitchell's (2014) framework, encompassing knowledge of budgeting, saving, investing, and debt management. It is hypothesized to positively affect entrepreneurial intention by reducing perceived financial risks and enabling informed decision-making.

Entrepreneurial self-efficacy, derived from Bandura's (1986) self-efficacy theory, refers to an individual's confidence in performing entrepreneurial tasks such as opportunity identification, resource mobilization, and risk-taking. It is expected to directly enhance intention by fostering a proactive mindset. The study proposes a model where financial literacy and self-efficacy are independent variables, with entrepreneurial intention as the dependent variable. Control variables include gender, age, and family background.

## Method

This research employs a quantitative, cross-sectional design. The population consists of undergraduate students from universities in Jakarta, Indonesia. A purposive sampling technique was used to select 300 respondents with prior exposure to entrepreneurship courses.

Data were collected through self-administered questionnaires. Financial literacy was measured using a 10-item scale adapted from Kaiser and Menkhoff (2017), assessing knowledge of financial concepts (e.g., interest rates, inflation). Entrepreneurial self-efficacy was gauged with a 12-item scale based on Chen et al. (1998), covering dimensions like innovation and perseverance. Entrepreneurial intention was evaluated using Liñán and Chen's (2009) 6-item scale, measuring desire and planning to start a business.

Reliability was ensured with Cronbach's alpha values exceeding 0.80 for all scales. Validity was confirmed through confirmatory factor analysis. Data analysis involved descriptive statistics, correlation, and multiple regression using SPSS 25.0. The regression model is: Entrepreneurial Intention =  $\beta_0 + \beta_1$  (Financial Literacy) +  $\beta_2$  (Entrepreneurial Self-Efficacy) +  $\beta_3$  (Controls) +  $\varepsilon$ .

## Results

### 1. Hypothesis Test ( Partial T Test )

#### A. X1 to Y

**Table 1. x1 and y Coefficients**

Model	Unstandardized Coefficients		Beta	t	Sig.
	B	Std. Error			
(Constant)	4.469	1.811		2.468	.023
Literasi Keuangan	.480	.111	.704	4.315	.000

a. Dependent Variable: Enterpreneurial Intention

According to the table 1 the results of the partial t-test indicate that the significance value of financial literacy (X1) on entrepreneurial interest (Y) is  $0.000 < 0.005$ , and the calculated t-value is  $4.315 >$  the table t-value of 1.659. Therefore, H01 is rejected & HA1 is accepted. This means there is a significant influence of financial literacy on entrepreneurial interest.

#### B. X2 to Y

**Table 2. x2 and y Coefficients**

Model	Unstandardized Coefficients		Beta	t	Sig.
	B	Std. Error			
(Constant)	4.023	1.767		2.277	.035
Self Efficacy	.368	.079	.732	4.682	.000

a. Dependent Variable: Enterpreneurial Intention

According to the table 2 the results of the partial t-test show that the significance value of Self Efficacy (X2) on entrepreneurial interest (Y) is  $0.000 < 0.005$ , and the calculated t-value is  $4.682 >$  the table t-value of 1.659. Therefore, H0<sub>2</sub> is rejected and HA<sub>2</sub> is accepted. This means there is a significant influence of Self Efficacy on Entrepreneurial Interest.

## 2. Simultaneous Hypothesis Testing (F Test)

**Table 3. F test**  
ANOVA<sup>a</sup>

Model	Sum of Square s	df	Mean Squar e	F	Si g.
Regr essio n	223.09 3	2	111.54 6	11 .8 40	.0 01 b
Resi dual	169.57 4	18	9.421		
Total	392.66 7	20			

a. Dependent Variable: Enterpreneurial Intention

b. Predictors: (Constant), Self Efficacy, Literasi Keuangan

According to the table 3 it shows that the significance value of financial literacy (X1) and self-efficacy (X2) on entrepreneurial interest (Y) is  $0.000 < 0.005$ , and the calculated F value is  $11.840 >$  the F table value of 3.087. Therefore, H0\_3 is rejected & H1\_3 is accepted. This means there is a significant influence of financial literacy (X1) and self-efficacy (X2) on entrepreneurial interest (Y).

## 3. Partial Determination Coefficient Test

Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.836 <sup>a</sup>	.699	.694	3.240

a. Predictors: (Constant), X2, X1

Based on the table, the analysis is influenced by the R Square ( $R^2$ ) coefficient value of 0.699 or 69.9%. Therefore, it can be concluded that the magnitude of the influence of the Financial Literacy variable on entrepreneurial interest is 0.699 or 69.9%.

#### 4. Simultaneous Coefficient of Determination Test

##### A. Multiple Regression Test

**Table 4. Multiple Regression Test**

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Beta	t	Sig.
	B	Std. Error			
(Constant)	.736	.851		.865	.389
X1	.115	.062	.142	1.849	.67
X2	.474	.050	.728	9.469	.000

a. Dependent Variable: Y

Interpretation:

- 1) The value of a is 0.736; this value represents the constant or the state when the Entrepreneurial Interest variable has not been influenced by other variables, namely the Financial Literacy variable as X1 and the Self Efficacy variable as X2. If the independent variables do not exist, then the Entrepreneurial Interest variable does not exist.
- 2) B1 (the regression coefficient value for X1) of 0.115 indicates that the Financial Literacy variable has a positive influence on Entrepreneurial Interest, meaning that every 1-unit increase in the financial literacy variable affects entrepreneurial interest by 0.115, assuming that other variables are not examined in this study.
- 3) B2 (the regression coefficient value of X2) of 0.474 indicates that the Self Efficacy variable has a positive influence on entrepreneurial interest. This means that every one-unit increase in the Self Efficacy variable will affect Entrepreneurial Interest by 0.474, assuming that other variables are not examined in this study.

B. Simple Regression Test

a.  $X_1 - Y$

**Table 5. Simple Regression Test**

Model	Coefficients <sup>a</sup>			Stand ardize d Coeffi cients	Si g.
	B	Unstandardized Coefficients	Std. Error		
(Constant )	4.395	1.023			4. 29 6
Literasi Keuangan	.541	.058		.669	9. 34 5

a. Dependent Variable: Minat Berwirausaha

Interpretation:

- 1) The value of the constant a indicates a value of 4,395, meaning that if there is no change in the independent variable (the value of X is 0), then the value of the dependent variable (Y) is 4,395.
- 2) The coefficient value of variable X (Financial Literacy) is 0.541, which is positive. Therefore, if financial literacy increases by 1 unit, entrepreneurial interest increases by 0.541.

b.  $X_2 - Y$

**Table 6. Simple Regression Test**

Model	Coefficients <sup>a</sup>			Stand ardize d Coeffi cients	Si g.
	B	Unstandardized Coefficients	Std. Error		
(Con stant )	1.102	.837			1. 31 7
Self Effic acy	.541	.035		.830	15 .4 88

a. Dependent Variable: Minat Berwirausaha

### Interpretation:

- 1) The constant value  $a$  indicates a value of 1.102, meaning that if there is no change in the independent variable (value  $X$  is 0), then the dependent variable ( $Y$ ) is 1.102..
- 2) The coefficient value of variable  $X$  (Self Efficacy) is 0.541, which is positive, so if Self Efficacy increases by 1 value, then entrepreneurial interest increases by 0.541.

### Discussion

The results align with TPB and self-efficacy theories, confirming that FL and ESE are significant predictors of EI. ESE emerged as a stronger direct influencer, suggesting that confidence-building interventions may yield greater returns than knowledge alone. The mediating role of ESE indicates that financial education should emphasize practical application to enhance self-belief.

Comparisons with prior studies (e.g., Urban & Kujinga, 2017) show consistency in developed contexts, but this study extends findings to Indonesia, highlighting cultural nuances like risk aversion. Limitations include self-reported data and cross-sectional design; longitudinal studies could address causality.

### Conclusion

This study demonstrates that FL and ESE positively affect EI, with ESE as a key mediator. Policymakers should promote financial literacy programs integrated with entrepreneurship training to boost youth entrepreneurship in Indonesia. Future research could explore moderating factors like economic environment or employ experimental designs.

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