GOVERNMENT POLICY AND ENTREPRENEURSHIP PREPARATION: THE MEDIATING ROLE OF MOTIVATION AND RISK PERCEPTION

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Abstract

Escalating the number of young entrepreneurs is challenging (Saptono et al., 2020; Maebane, 2023), and government support can be beneficial in raising the intention toward entrepreneurship. This research assessed how government policies influence the readiness of young people to become entrepreneurs and involved motivation and risk perception as mediators. As many as 360 young entrepreneurs in the Special Capital Region of Jakarta were involved in this self-administered survey research, and the hypotheses were estimated using partial least squares structural equation modeling (PLS-SEM) with SmartPLS 3.0 software. The results of our study are consistent with a number of preliminary papers, which indicate that government policies not only affect the readiness of young entrepreneurs to be concerned about entrepreneurship but also increase their motivation and resilience when facing risks. The findings also show that resilience in facing risks can strengthen the influence of government policies and increase the readiness of young entrepreneurs to do business. This work furnishes insight into the vital role of government policy in increasing motivation, resilience to risk, and the readiness of young entrepreneurs to do business.

Keywords: Governance Policy, Motivation, Start-Up, Business, Risk Perception, Entrepreneurship, Young Entrepreneur


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1. INTRODUCTION

The theme of entrepreneurship has attracted the attention of a number of researchers in both advanced economies and emerging countries (Maebane, 2023). This is due to the fact that entrepreneurship plays a prominent role in reducing unemployment by providing new job opportunities. Several papers have performed research regarding the intention and readiness of entrepreneurship in communities in Asia, Africa, Europe, America, and Oceania (Gomes et al., 2022; López et al., 2022; Ratten, 2022), while some papers have identified demographic and personal psychological characteristics related to the entrepreneurial environment (Ferreira et al., 2012; Nguyen, 2018; Sahinidis et al., 2020). In addition, there are also researchers concerned about government policies toward young entrepreneurs entering entrepreneurship (Boasson & Huitema, 2017; Green, 2017).

An earlier study by Karimi et al. (2017) noted the vital role of government policies in increasing the intention and readiness of young entrepreneurs to start a business in Iran. In this context, the Iranian government spent more funds, developed organizations to promote business enhancement, encouraged entrepreneurship, and stimulated innovation and creativity. Later, some studies (Obaji & Olugu, 2014; Arwan et al., 2018) remarked that a country’s strategic policies have a prominent influence on the attainment of entrepreneurship. Based on this fact, a number of developing country governments are focusing on policies that provide full support to entrepreneurs through the provision of various infrastructure, financial, and fiscal policies.

Another example is Saudi Arabia’s government policy, which emphasizes a couple of integrated policies with the purpose of preserving the community and managing economic steadiness and has a positive impact on entrepreneurship (Sugiri, 2020; Sikki, 2020). The corporate sustainability initiative program of the Saudi Arabian Ministry of Finance provides support in the manifestation of loans and exemptions from lending repayments and charges until the conclusion of the year 2020 (Sikki, 2020). Furthermore, the Danish government established a rule that small and medium-sized enterprise (SME) operators with fewer than ten employees and losses of 30 percent or more are eligible for 75 percent compensation for costs (Redaksi DTDCNews, 2020).

Concerning Indonesia, the government has provided a policy regarding entrepreneurial financing, namely the People’s Business Credit program, in accordance with Indonesian Law No. 20 regarding overcoming the lack of access to entrepreneurship to obtain credit or financing. The Indonesian government also has a mechanism for allocating funds to banks throughout Indonesia with regulations whereby the community can borrow funds from banks to build a business, and the government’s role is to guarantee loan interest from the bank. The realization of the People’s Business Credit program is divided into two parts, namely Micro People’s Business Credit and Retail People’s Business Credit (Arwan et al., 2018; Wibawa & Budiaya, 2018).

Similar to the Iranian government, the Indonesian government’s policy regarding entrepreneurship has also not shown encouraging results. The number of young entrepreneurs in Indonesia is only around two percent of the total population. Whereas in other countries, the number reaches up to 18 percent. An earlier study by Bomani et al. (2022) documented that the government has not been able to make improvements to infrastructure and public facilities that determine the smooth operation of companies, both in the private and government sectors. One way is for the government to approach money as a function. Every tax or levy paid by the community using state facilities is used to maintain and build additional facilities, so there is a high willingness in the community to always carry out their obligations to the state.

Furthermore, Karimi et al. (2017) found that unstable economic and political contexts usually do not favor becoming entrepreneurs because of various obstacles, i.e., unpredictability, volatility, high inflation rates, a modest pace of credit repayment, and instead, an unstable environment. However, unstable economies like Iran nevertheless present prospects for entrepreneurship (Iakovleva et al., 2011). The present study attempts to fill the gap in the findings of several prior scholars (Arwan et al., 2018; Wibawa & Budiaya, 2018; Green, 2017; Karimi et al., 2017) in the unique context of Indonesia. This research offers important insights into at least three things. First, it offers a theoretical study of increasing the readiness of young entrepreneurs for start-ups by increasing the vital role of government policies. Second, insight into the influence of government policies on the readiness of young entrepreneurs is mediated by motivation and perceptions of business risks. Third, practical recommendations for increasing the number of young entrepreneurs through optimizing government policies.

The remainder of the paper is structured as follows. Section 2 provides the theoretical foundation and hypotheses formulation, followed by methodology and research design in Section 3. Section 4 deals with results and is accompanied by a discussion in Section 5. Finally, Section 6 explains the conclusion, limitations, and future suggestions.

2. LITERATURE REVIEW

2.1. Governance policy and preparation for entrepreneurship

A prior study mentioned that contextual dimensions can determine, produce, promote, prepare, and enhance the intentions, opportunities, and actions of entrepreneurship (Nabi & Linan, 2013). The contextual factors in this study are specific to government policies provided to foster entrepreneurship. According to Minniti (2008), the role of government policies in shaping the institutional framework, within which entrepreneurial decisions are rendered, highlights the significance of government policies in the realm of entrepreneurship.

Furthermore, some scholars (Boonmarakorn et al., 2022; Jena, 2020) remarked that several government policies positively promote entrepreneurship readiness, e.g., providing resources and employment training to create skilled and more competitive...
workers. According to Ribeiro-Soriano and Galindo-Martin (2012), there is a robust and reciprocal relationship between government policies and entrepreneurship. First, government policies through good governance can support and stimulate entrepreneurial activities, which will drive economic growth. Second, entrepreneurship is one of the important instruments for the government to promote economic growth. Therefore, a significant number of public policy measures have been put forth with the hope that they will directly boost entrepreneurial activity and, indirectly, economic growth.

The data from the Organisation for Economic Co-operation and Development (OECD, 2020) noted some countries’ policies to save entrepreneurs, especially in the SME sector. Several of these policies are:

1. presenting wage subsidies to SMEs that cannot pay their salaries;
2. escalating entrepreneurial innovation to absorb unemployed workers;
3. providing deferment of obligations or credits for SMEs for tax and business;
4. providing direct loans to SMEs to have sufficient capital to manage their businesses;
5. promoting the digitization of SMEs so that they can operate under circumstances of movement restrictions.

In the context of Indonesia, Law No. 20 of 2008 becomes one of the regulations within the government's policy framework that favors entrepreneurship (Anggraeni et al., 2021).

Furthermore, the government has continued to promote and support SMEs through the One Center of Entrepreneurship program, which is a program of the Jakarta provincial government to foster entrepreneurship among SMEs under the Sub-District of Cooperatives and SMEs. With the aim of fostering entrepreneurial spirit and improving the performance of SMEs. Another program of the Jakarta Provincial Government is JakPreuner, which is forecasted to become a platform for creating, facilitating, and collaborating on SME development through the entrepreneurial ecosystem, e.g., educational institutions and financing. Sugiri (2020) mapped out government policies to strengthen SMEs and mapped out short-run and long-run strategies required as a complement to these policies. These strategies are to realize the steadiness of SMEs as one of the economic performers in Indonesia.

2.2. Risk perception and preparation for entrepreneurship

Perceived entrepreneurial risk can be conceived as the risk decision-making evaluation inherent in pursuing entrepreneurial behavior (Nabi & Linan, 2013). The preliminary paper by Zhao et al. (2005) revealed that the willingness to take risks is heavily influenced by an individual’s perception, particularly their physiological state when taking risks. That is why when an individual’s perception of risk is positive, they become more willing to take risks. Additionally, empirical works by Zhao et al. (2005) and Karimi et al. (2017) concluded that individuals with positive perceptions of risk tend to take risks and feel more comfortable with risk-taking. When doing so, these people also feel less anxious, but they also judge their chances of success as being greater than others. The same people can also be anticipated to have more control over their own actions and surroundings (Zhao et al., 2005), leading them to believe that they have enough control while beginning a new endeavor.

In entrepreneurial practice, young entrepreneurs must be adept at calculating the benefits and perceived risks they will face (Belás et al., 2015). Perceived risk is linked with the level of risk in a situation, considering both the probabilistic assessment of uncertainty and the degree to which that uncertainty can be controlled or managed, and how confident they are in that estimate (Adiwijaya et al., 2017). People who take risks will have a greater chance and are more eager to engage in entrepreneurial involvement, e.g., founding new businesses ( Muller & O’Cass, 2001). Risk-taking is therefore viewed as a key predictor of entrepreneurial preparedness and intention when entrepreneurship is fraught with risk and uncertainty (Nabi & Linan, 2013). According to earlier research, taking risks might affect present-day decision-making, including entrepreneurial decision-making (Bryant & Dunford, 2008).

2.3. Motivation and preparation for entrepreneurship

Motivation is necessary when starting a business in order to build a successful business (Remeikiene et al., 2013). One of the elements that helps an entrepreneur succeed in completing their objectives is motivation (McMurran & Ward, 2004). The degree of success is inversely correlated with motivation (Smigl et al., 2008). Satisfaction increases the motivation to carry out business activities. The entrepreneurial motivation of young entrepreneurs will promote behavior in running businesses (Oumlil & Juiz, 2018). In business activities, pursuing profit is normal, but achieving profit should not harm many parties (Macgowan & Engle, 2010). Thus, it is essential to take into account the concerns and entitlements of others. Ethical conduct in business endeavors is prominent for the long-run viability of the business (Rauh & Rijsdijk, 2013).

The motivation to initiate a business among young entrepreneurs reflects people’s tendency to continually update their knowledge, such as cognitive abilities (Shahzad et al., 2021). Nevertheless, the desire to pursue entrepreneurship gauges how much individuals find satisfaction in their work and take pleasure in engaging in tasks connected to their professional activities (Navis & Ozbek, 2016). In contrast to a work-focused attitude, entrepreneurial intentions gauge the emotional dimension of how individuals approach their professional engagements (Bailey et al., 2017). One could infer those individuals with entrepreneurial aspirations are inclined to endeavor in more rigorous and structured knowledge analysis when confronted with business-related challenges (Kempster & Cope, 2010; Agbenyegah, 2018).

A preliminary work noted that the motivation to initiate entrepreneurship pertains to an individual’s inclination to take action, while
chance signifies a favorable environmental condition that facilitates action (Davidsson, 2015). On the other hand, ability is often linked with one’s talent, skills, or expertise in a specific area. Entrepreneurship encompasses the process of identifying, assessing, and capitalizing on opportunities to provide future products and services (Markman, 2014). Furthermore, entrepreneurial activities result from human motivation and external factors, as acknowledged by some proponents (Ozaralli & Rivenburgh, 2016). Hence, this study hypothesizes the following:

H1: Governance policy will be positively related to risk perception.
H2: Governance policy will be positively related to preparation for entrepreneurship.
H3: Governance policy will be positively related to motivation for business.
H4: Motivation to business will be positively related to risk perception.
H5: Motivation to business will be positively related to preparation for entrepreneurship.
H6: Risk perception will be positively related to preparation for entrepreneurship.
H7: Risk perception mediates governance policy and prepares for entrepreneurship.

H8: Motivation to business mediates governance policy and prepares for entrepreneurship.
H9: Risk perception mediates motivation to business and prepares for entrepreneurship.

3. RESEARCH METHODOLOGY

3.1. Design

In this study, a self-administered survey with a quantitative approach was used to empirically validate a concept study model using the partial least squares structural equation modeling (PLS-SEM). The use of PLS-SEM is suitable for this present research, as it provides robustness to estimate all construct relationships simultaneously and is largely adopted in social sciences, educational psychology, and entrepreneurial studies (Nowinski et al., 2020). This is the first study to examine the mediating role of motivation to business (MTB) in affecting governance policy (GS). Precisely, this research aims to confirm how GS, MTB, and risk perception (RP) directly promote preparation for entrepreneurship (PFE) (Figure 1).

3.2. Sampling and data collection

A convenience sampling method was involved, as is often performed in entrepreneurship research (Karimi et al., 2017). Approximately 370 young entrepreneurs from the Special Capital Region of Jakarta (Daerah Khusus Ibukota Jakarta — DKI Jakarta), Indonesia, were involved in this present survey using a purposive sampling method. The criteria for respondents in this study were young entrepreneurs involved in entrepreneurial activities. The location was chosen because the DKI Jakarta government had first launched the One Center of Entrepreneurship Policy, which is a program by the Jakarta provincial government to provide entrepreneurial education to SMEs under the Cooperative and SMEs Office.

The survey collected students’ responses to deal with the research hypotheses using Google Forms, which were directed to respondents via email and WhatsApp from October to December 2022, with a follow-up two weeks later. The respondents involved in this survey only provided initial names for ethical clearance and thinned the volunteer declaration to fulfill the questionnaires. In addition, the Institutional Review Board of Universitas Negeri Jakarta granted approval for all ethical considerations. From the 371 participants, 368 completed the questionnaires. An investigation was performed to analyse the qualified responses issued in 360 questions for future scrutiny. The respondents’ profiles are demonstrated in Table 1.

Table 1 shows that most respondents in this study were male young entrepreneurs (66.67 percent), while female young entrepreneurs were only 120 (33.33 percent). In terms of age, the majority of participants were aged 33–37 years old (39.17 percent), while the rest were aged 27–32 years old (33.61 percent), and 21–26 years old (27.22 percent). Drawing from the education level, the participants were mostly bachelor’s degree graduates (51.96 percent), while the least were high school graduates (4.16 percent). In terms of entrepreneurship experience, most had been running their businesses for 6–10 years (65.00 percent), while the least had just started their businesses around 1–5 years ago (33.33 percent). Lastly, in terms of business type, the respondents were mostly young entrepreneurs in the coffee shop field (26.38 percent), while the least were young entrepreneurs with a reseller cosmetic business type (11.11 percent).
3.3. Measures and data analysis

We adopted the instrument for measuring variables in this study from several relevant previous studies. Then, we translated the instrument into Indonesian with slight modifications to ensure that respondents had a greater understanding of the meaning of the questions and statements we conveyed. The survey responses were examined for missing information and outliers (Hair et al., 2013). To collect data from respondents, we followed a five-point Likert scale ranging from 1 = "Strongly disagree" to 5 = "Strongly agree". In detail, we adopted seven items from Tung et al. (2020) and Saptono et al. (2020) to measure Preparation for entrepreneurship (PFE). Furthermore, we adopted ten items from Karimi et al.’s (2017) study to measure Governance policy (GS). Similarly, five items from Karimi et al.’s (2017) study were adopted to measure Risk perception (RP). Finally, we adopted seven items from Karimi et al. (2017) to measure Motivation to business (MTB). Furthermore, the collected data were analyzed using PLS-SEM, as it is superior to estimating mediation analysis with a large number of sample sizes (Hair et al., 2013).

4. RESULTS

4.1. Outer model evaluation

This research involved survey data from the recruited respondents to estimate the model. Table 2 displays the output of the measurement model. The loading factor is higher than 0.70 as an indicator of convergent validity. The results show that the loading factor score (λ) ranges from 0.708 to 0.889 (> 0.70). However, the remaining four items (GS1, GS6, GS8, GS9, and GS10) must be dropped, considering the values are smaller than 0.70. Furthermore, out of the seven items of Motivation to business (MTB), four (MTB2, MTB5, MTB6, and MTB7) should be removed. The same also applies to the Preparation for entrepreneurship (PFE) variable, where four items (PFE1, PFE3, PFE5, and PFE7) also were removed. Lastly, from the five items on the Risk perception (RP) variable, three items (RP1, RP2, and RP3) were removed. Table 2 also shows that Cronbach’s alpha (α) is greater at 0.70, composite reliability (CR) is higher at 0.70, and average variance extracted (AVE) is upper at 0.50.

<table>
<thead>
<tr>
<th>Items</th>
<th>λ</th>
<th>α</th>
<th>CR</th>
<th>AVE</th>
<th>SD</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance policy (GS)</td>
<td>GS1</td>
<td>0.792</td>
<td>0.838</td>
<td>0.883</td>
<td>0.601</td>
<td>0.975</td>
</tr>
<tr>
<td></td>
<td>GS2</td>
<td>0.813</td>
<td>0.838</td>
<td>0.841</td>
<td>0.872</td>
<td>3.508</td>
</tr>
<tr>
<td></td>
<td>GS4</td>
<td>0.811</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GS5</td>
<td>0.734</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GS7</td>
<td>0.724</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation to business (MTB)</td>
<td>MTB1</td>
<td>0.879</td>
<td>0.868</td>
<td>0.817</td>
<td>0.599</td>
<td>0.872</td>
</tr>
<tr>
<td></td>
<td>MTB3</td>
<td>0.760</td>
<td></td>
<td></td>
<td></td>
<td>0.929</td>
</tr>
<tr>
<td></td>
<td>MTB4</td>
<td>0.772</td>
<td></td>
<td></td>
<td></td>
<td>0.960</td>
</tr>
<tr>
<td>Preparation for entrepreneurship (PFE)</td>
<td>PFE2</td>
<td>0.852</td>
<td>0.880</td>
<td>0.822</td>
<td>0.607</td>
<td>0.813</td>
</tr>
<tr>
<td></td>
<td>PFE4</td>
<td>0.772</td>
<td></td>
<td></td>
<td></td>
<td>0.952</td>
</tr>
<tr>
<td></td>
<td>PFE6</td>
<td>0.708</td>
<td></td>
<td></td>
<td></td>
<td>0.925</td>
</tr>
<tr>
<td>Risk perception (RP)</td>
<td>RP4</td>
<td>0.882</td>
<td>0.802</td>
<td>0.832</td>
<td>0.713</td>
<td>0.770</td>
</tr>
<tr>
<td></td>
<td>RP5</td>
<td>0.805</td>
<td>0.882</td>
<td>0.882</td>
<td>3.908</td>
<td></td>
</tr>
</tbody>
</table>

Note: CR = Composite reliability, α = Cronbach’s alpha, AVE = Average variance extracted, λ = Loading, SD = Standard deviation, M = mean.

Table 1. Descriptive statistics of participants

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Characteristics</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>21-25 years old</td>
<td>98</td>
<td>27.22</td>
</tr>
<tr>
<td></td>
<td>27-32 years old</td>
<td>121</td>
<td>33.61</td>
</tr>
<tr>
<td></td>
<td>33-37 years old</td>
<td>141</td>
<td>39.17</td>
</tr>
<tr>
<td>2.</td>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior high school</td>
<td>15</td>
<td>4.16</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>188</td>
<td>43.88</td>
</tr>
<tr>
<td></td>
<td>Bachelor</td>
<td>187</td>
<td>41.96</td>
</tr>
<tr>
<td>3.</td>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>120</td>
<td>33.33</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>240</td>
<td>66.67</td>
</tr>
<tr>
<td>4.</td>
<td>Business experience (number of years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1-5 years</td>
<td>121</td>
<td>33.33</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>234</td>
<td>65.00</td>
</tr>
<tr>
<td></td>
<td>Less than 1 year</td>
<td>5</td>
<td>1.67</td>
</tr>
<tr>
<td>5.</td>
<td>Business concern</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coffee shop</td>
<td>95</td>
<td>26.38</td>
</tr>
<tr>
<td></td>
<td>Event organizer</td>
<td>78</td>
<td>21.66</td>
</tr>
<tr>
<td></td>
<td>Fashion</td>
<td>87</td>
<td>24.16</td>
</tr>
<tr>
<td></td>
<td>Reseller cosmetic</td>
<td>40</td>
<td>11.11</td>
</tr>
<tr>
<td></td>
<td>Restaurant</td>
<td>60</td>
<td>16.69</td>
</tr>
</tbody>
</table>
The discriminant validity was performed using the Fornell and Larcker (1981) criteria (Table 3) and the heterotrait-monotrait ratio of correlations (HTMT) approach (Table 4). Table 3 illustrates the discriminant validity of the cross-loading score of the GS, MTB, PFE, and RP variables > 0.70, so that all variables meet the validity criteria. In addition, as suggested by some scholars (e.g., Henseler et al., 2020), the output of the HTMT analysis is that the latents GS, MTB, PFE, and RP have a ratio value of < 0.90, so it accomplished discriminant validity.

<table>
<thead>
<tr>
<th>Variable</th>
<th>GS</th>
<th>MTB</th>
<th>PFE</th>
<th>RP</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS</td>
<td>0.776</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MTB</td>
<td>0.395</td>
<td>0.774</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFE</td>
<td>0.456</td>
<td>0.383</td>
<td>0.779</td>
<td></td>
</tr>
<tr>
<td>RP</td>
<td>0.429</td>
<td>0.495</td>
<td>0.433</td>
<td>0.844</td>
</tr>
</tbody>
</table>

**Table 3. Discriminant validity**

<table>
<thead>
<tr>
<th>Variable</th>
<th>GS</th>
<th>MTB</th>
<th>PFE</th>
<th>RP</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS</td>
<td>0.550</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MTB</td>
<td>0.562</td>
<td>0.550</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFE</td>
<td>0.487</td>
<td>0.758</td>
<td>0.649</td>
<td></td>
</tr>
</tbody>
</table>

**Table 4. Discriminant validity using HTMT**

4.2. Structural model

This study tested the theoretical model and hypotheses based on structural equation modeling. During the inner model test, we conducted several steps, which encompassed:
1) assessing multicollinearity;
2) evaluating R-square;
3) examining F-square;
4) conducting the predictive Q-square test.

The initial step of the collinearity test aims to determine if there is multicollinearity among the tested variables or the opposite. Based on the analysis, the VIF scores have met the cut-off value of 5.00, which shows that multicollinearity has not occurred. Hence, the combination of the GS, MTB, PFE, and RP variables did not display collinearity.

Table 5 presents the outcomes of the collinearity assessment, confirming that all indicators within the calculated constructs do not demonstrate collinearity, making them suitable for further analysis in the subsequent inner model examination.

**Table 5. Variance inflation factor**

<table>
<thead>
<tr>
<th>Variable</th>
<th>GS</th>
<th>MTB</th>
<th>PFE</th>
<th>RP</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS</td>
<td>1.000</td>
<td>1.296</td>
<td>1.185</td>
<td></td>
</tr>
<tr>
<td>MTB</td>
<td>1.401</td>
<td>1.185</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFE</td>
<td>1.450</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 6. R-square estimation**

As shown in Table 6, RP has a score of 0.340, which remarks that 34% of the RP variant can be described by MTB and GS with a moderate level of prediction. Furthermore, PFE has an R-square score of 0.393, which indicates that 39.3% of the PFE variance can be delineated by GS, MTB, and RP in a moderate category. In addition, the effect size (F-square) values of 0.02, 0.15, and 0.35, show the effect of small, medium, and large sizes.

**Table 7. F-square estimation**
4.3. Direct effects and indirect effects

Our final stage in testing the inner model is hypothesis estimation. This present work analyzed the hypotheses using the PLS-SEM with bootstrapping resampling method. In checking the hypotheses, we followed a t-test cut-off value where the t-count was 1.645 with one-tailed and the p-value was 0.05. When examining the indirect connection between variables, we adhere to the guideline set forth by Preacher and Hayes (2008), which suggests the presence of a mediating effect if the confidence interval’s lower limit (LL) at 5% and upper limit (UL) at 95% do not surpass 0. As shown in Table 8 and Figure 2, all the hypotheses we estimated were accepted, considering t-value ranges from 4.479 to 20.299 (> 1.96) and a p-value of 0.000 (< 0.05).

<table>
<thead>
<tr>
<th>Path</th>
<th>β</th>
<th>SE</th>
<th>T-value</th>
<th>P-value</th>
<th>BC</th>
<th>LL</th>
<th>UL</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS → RP</td>
<td>0.277</td>
<td>0.045</td>
<td>6.214</td>
<td>0.000</td>
<td>0.204</td>
<td>0.335</td>
<td>H7: Accepted</td>
<td></td>
</tr>
<tr>
<td>GS → PFE</td>
<td>0.297</td>
<td>0.035</td>
<td>5.636</td>
<td>0.000</td>
<td>0.045</td>
<td>0.242</td>
<td>H2: Accepted</td>
<td></td>
</tr>
<tr>
<td>GS → MTB</td>
<td>0.395</td>
<td>0.067</td>
<td>5.870</td>
<td>0.000</td>
<td>0.283</td>
<td>0.511</td>
<td>H3: Accepted</td>
<td></td>
</tr>
<tr>
<td>MTB → RP</td>
<td>0.386</td>
<td>0.033</td>
<td>7.241</td>
<td>0.000</td>
<td>0.296</td>
<td>0.467</td>
<td>H4: Accepted</td>
<td></td>
</tr>
<tr>
<td>MTB → PFE</td>
<td>0.151</td>
<td>0.058</td>
<td>2.596</td>
<td>0.005</td>
<td>0.208</td>
<td>0.377</td>
<td>H5: Accepted</td>
<td></td>
</tr>
<tr>
<td>RP → PFE</td>
<td>0.230</td>
<td>0.063</td>
<td>3.673</td>
<td>0.000</td>
<td>0.129</td>
<td>0.339</td>
<td>H6: Accepted</td>
<td></td>
</tr>
<tr>
<td>GS → RP → PFE</td>
<td>0.004</td>
<td>0.024</td>
<td>2.684</td>
<td>0.004</td>
<td>0.032</td>
<td>0.112</td>
<td>H7: Accepted</td>
<td></td>
</tr>
<tr>
<td>GS → MTB → PFE</td>
<td>0.000</td>
<td>0.027</td>
<td>2.247</td>
<td>0.013</td>
<td>0.023</td>
<td>0.114</td>
<td>H8: Accepted</td>
<td></td>
</tr>
<tr>
<td>MTB → RP → PFE</td>
<td>0.000</td>
<td>0.030</td>
<td>2.908</td>
<td>0.002</td>
<td>0.058</td>
<td>0.130</td>
<td>H9: Accepted</td>
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</tr>
</tbody>
</table>

Note: T-value > 1.96, p < 0.05, BC = Bias corrected, UL = Upper level, LL = Lower level, SE = Standard error, β = Path coefficient.

5. DISCUSSION

This paper is an initial attempt to investigate the mediating role of Motivation to business (MTB) in affecting Governance policy (GS). In more detail, this study attempts to confirm how GS, MTB, and Risk perception (RP) directly promote Preparation for entrepreneurship (PFE). All nine hypotheses that we proposed were accepted. Our research results are consistent with a number of previous studies (Friedman, 2011; Boasson & Huijtema, 2017; Green, 2017; Karimi et al., 2017) showing that government policies have a positive impact on the readiness of young entrepreneurs to engage in business activities. This indicates that the government must issue a variety of policies that favor young entrepreneurs so that their entrepreneurial activities can develop and contribute to the welfare of the surrounding community. Our findings also reinforce some prior studies (Boonmarakorn et al., 2023; Jena, 2020), which revealed that positive government policies have an impact on entrepreneurial readiness. The aforementioned studies reported that government initiatives like funding and job training are used to create competent and more competitive workers.

Our study results are also consistent with the reports of Ribeiro-Soriano and Galindo-Martín (2012) that there is actually a reciprocal relationship between government policies and entrepreneurship. First, government policies through good governance can support and stimulate entrepreneurial activities, which will also have a positive impact on economic growth. Second, entrepreneurship is one of the important instruments the government uses to encourage economic growth. Therefore, on the premise that these initiatives will directly enhance entrepreneurial activities and indirectly...
increase economic growth, many public policy initiatives have been introduced. The government’s efforts to foster an environment marked by increased knowledge creation, decreased regulation, and the establishment of regional policies based on entrepreneurship are the primary causes of this beneficial effect.

Furthermore, our study is consistent with most entrepreneurship researchers who reveal those personal psychological aspects (Remeikiene et al., 2013; Roomi & Harrison, 2010; Oumlil & Juiz, 2018) influence an individual’s readiness for entrepreneurship. Our study results are very rational because when individuals have a high motivation for business, their perception of risk will be positive, which has an impact on their readiness to initiate a business. According to Zhao et al. (2005), the willingness to take risks is strongly influenced by an individual’s perception, especially related to their physiological state when taking risks. This is the reason why, when an individual has a positive perception of risk, they are more inclined to embrace risk. Also, Karimi et al. (2017) concluded that individuals with a positive perception of risk tend to take risks and feel more comfortable taking them.

Moreover, individuals with this mindset not only encounter reduced anxiety when undertaking such actions but also evaluate their prospects of success more favorably compared to others. Consequently, these same individuals can be anticipated to exercise more significant influence over their conduct and surroundings (Zhao et al., 2005) and therefore consider themselves to have sufficient control when starting a new business. Furthermore, motivation for starting a business is very necessary for building a business (Remeikiene et al., 2013). One of the elements of entrepreneurial success in completing tasks is motivation (McMurran & Ward, 2004). The degree of success is inversely correlated with motivation. According to Smajgl et al. (2008), motivating factors are also known as satisfaction factors. The motivation to engage in commercial activities will rise when one is satisfied (Roomi & Harrison, 2010). Young entrepreneurs’ entrepreneurial motivation will result in certain business-related conduct (Oumlil & Juiz, 2018).

6. CONCLUSION

This paper aimed to investigate the role of motivation for business in mediating the impact of governance policy on preparation for entrepreneurship. Specifically, it examines how governance policy, motivation for business, and risk perception directly promote preparation for entrepreneurship. Our findings are consistent with previous studies that suggest government policies not only influence the readiness of young entrepreneurs to start businesses but also increase their motivation and resilience to face risks. We also found that resilience to risk not only strengthens the influence of government policies but also enhances the readiness of young entrepreneurs to establish start-up businesses. This research is essential for future research and policymakers to explore the link between government policies and entrepreneurship preparation, with a focus on the mediating factors of motivation and risk perception. In addition, future scholars can build upon this foundation potentially leading to more effective policies.

This study offers insight into the vital role of government policies in enhancing the motivation, resilience to risk, and readiness of young entrepreneurs to start businesses. In this regard, understanding how government policies affect individuals’ motivation to initiate entrepreneurship and their perception of risk can help tailor policies to be more effective in promoting entrepreneurship. In addition, based on the findings, governments can consider implementing programs and initiatives aimed at enhancing the motivation of potential entrepreneurs. Lastly, this study offers a contribution to the literature on entrepreneurship, shedding light on how these factors influence entrepreneurial initiation with the support of government policies.

In the context of Indonesia, these policies need to be closely monitored to ensure they target the right audience and contribute positively to young entrepreneurs. These policies include providing social assistance to vulnerable SMEs, offering tax incentives for SMEs, relaxing and restructuring credit for SMEs, expanding working capital financing for SMEs, involving ministries, state-owned enterprises, and local governments in supporting SME products, and providing e-learning training. However, the study has some limitations, including a small and specific sample size that may limit the generalizability of the findings beyond the study population. Additionally, it only considers the role of motivation and risk perception, while other factors may also affect the readiness of young entrepreneurs to establish start-up businesses.

REFERENCES


