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Digital Literacy, Social Media Use, and Entrepreneurial Motivation as Determinants of Entrepreneurial Decisions: The Moderating Role of Government Regulation in the Indonesian Context

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ABSTRACT

In an era where digital platforms are reshaping economic participation, fostering youth entrepreneurship has become a national development imperative for Indonesia — a country with over 190 million active internet users in 2025 and an ambitious regulatory agenda targeting digital MSME growth. This study investigates the effects of digital literacy, social media use, and entrepreneurial motivation on entrepreneurial decisions among Indonesian youth, with government regulation as a moderating variable. Grounded in the Theory of Planned Behavior (Ajzen, 1991), Self-Determination Theory (Deci & Ryan, 2024), and Institutional Theory (North, 1990), the study integrates individual-level cognitive and motivational factors with macro-level institutional contexts — an approach that remains underexplored in the Indonesian digital entrepreneurship literature. A quantitative cross-sectional survey of 240 university students and alumni exposed to government entrepreneurship programs during 2020–2025 was analyzed using Moderated Regression Analysis (MRA). All three individual-level variables — digital literacy, social media use, and entrepreneurial motivation — significantly and positively predict entrepreneurial decisions. Notably, government regulation significantly moderates the relationship between digital literacy and entrepreneurial decisions, but does not moderate the effects of social media use or motivation. This null moderation for social media reflects a theoretically important boundary condition: youth social media engagement is driven more by global platform algorithms and transnational digital trends than by local bureaucratic regulations, rendering it largely impervious to domestic institutional conditions. The novelty of this study is threefold: (1) it is the first to *simultaneously* test three behavioral antecedents alongside a government regulation moderator within the Indonesian digital entrepreneurship context; (2) it provides empirical evidence that institutional moderation is selective — amplifying domain-congruent competencies while leaving algorithm-mediated and motivation-driven pathways unaffected; and (3) it offers a nuanced contribution to Institutional Theory by demonstrating that formal regulations do not uniformly condition all pathways to entrepreneurial decisions. These *findings* provide evidence-based guidance for policymakers seeking to align digital literacy programs with enabling regulatory frameworks to stimulate youth entrepreneurship in Indonesia.

Keywords*: Digital Literacy; Social Media; Entrepreneurial Motivation; Entrepreneurial Decision; Government Regulation; Digital Entrepreneurship; Indonesia; Youth Entrepreneurship.*

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INTRODUCTION

The rapid expansion of digital infrastructure has fundamentally reconfigured entrepreneurial opportunities in emerging economies. In Indonesia, internet penetration reached 79.5% of the total population by 2025 (APJII, 2025), and the number of active social media users has grown to over 190 million — creating an unprecedented ecosystem for digital entrepreneurship. This structural shift is accompanied by an ambitious governmental agenda: the Job Creation Law No. 11 of 2020, the Prakerja Card program, and a series of tax incentives for micro, small, and medium enterprises (MSMEs) collectively signal a state commitment to institutionalizing entrepreneurship as a vehicle for economic mobility.

Despite this enabling environment, the empirical understanding of how individual competencies and institutional factors jointly shape entrepreneurial decisions among Indonesian youth remains fragmented. Prior studies have examined digital literacy (Rahayu & Day, 2015), social media influence (Wirtz et al., 2019), and entrepreneurial motivation (Wuryaningrum et al., 2021) as independent predictors of entrepreneurial intention. However, these constructs have rarely been examined in concert, and the moderating role of government regulation — specifically in the Indonesian context — has received minimal empirical scrutiny.

This study addresses three interconnected gaps in the literature. First, existing research largely treats digital literacy, social media, and motivation as isolated predictors, neglecting the conceptual and empirical interrelationships among them within a unified behavioral framework. Second, the moderating role of government regulation on the pathway from individual competencies to entrepreneurial decisions has not been rigorously tested in Indonesia, where institutional conditions differ markedly from developed-economy contexts studied in prior work (cf. Ndofirepi, 2020; Susanto et al., 2022). Third, the conditions under which institutional factors amplify — or fail to amplify — the effects of individual-level variables represent an important theoretical question with direct policy implications.

Anchored in the Theory of Planned Behavior (Ajzen, 1991), Self-Determination Theory (Deci & Ryan, 1985), and Institutional Theory (North, 1990; DiMaggio & Powell, 1983), this study develops and tests an integrative model in which digital literacy, social media use, and motivation function as behavioral antecedents, while government regulation serves as a boundary condition that modulates their effects. The Indonesian context provides a theoretically and empirically distinctive setting: a large, mobile-first economy undergoing rapid formalization of its digital regulatory environment, where the interplay between individual agency and institutional support is particularly salient.

This study contributes to the literature in three ways. Theoretically, it extends Institutional Theory to the domain of individual entrepreneurial decision-making, demonstrating that formal regulatory environments do not uniformly moderate all behavioral antecedents. Empirically, it provides fine-grained evidence from the Indonesian context that challenges the assumption of regulatory homogeneity in the moderation of entrepreneurial processes. Practically, the findings offer targeted guidance for policymakers on which regulatory levers are most effective in translating digital competencies into entrepreneurial action.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Theoretical Foundation

This study is grounded in three complementary theoretical frameworks. The Theory of Planned Behavior (TPB; Ajzen, 1991) posits that behavioral intentions — and, by extension, actual behaviors — are jointly determined by attitudes toward the behavior, subjective norms, and perceived behavioral control. Within the entrepreneurship domain, digital literacy and social media exposure shape perceived behavioral control over entrepreneurial activities: individuals who are digitally competent perceive fewer barriers to starting and managing a digital business (Schlaegel & Koenig, 2014). Subjective norms, meanwhile, are reinforced by social media environments that normalize and celebrate entrepreneurial behavior.

Self-Determination Theory (SDT; Deci & Ryan, 1985) provides a motivational substrate for the model. SDT distinguishes between intrinsic motivation — rooted in autonomy, competence, and relatedness — and extrinsic motivation, driven by financial incentives and social validation. In entrepreneurial contexts, intrinsic motivation is associated with greater persistence and long-term commitment, while extrinsic motivation often serves as a proximal trigger for the entrepreneurial decision (Krueger et al.,

2000). The integration of SDT with TPB suggests that motivation operates through perceived behavioral control: individuals with stronger intrinsic motivation perceive themselves as more capable of entrepreneurial action.

Institutional Theory (North, 1990; DiMaggio & Powell, 1983) explains how formal institutions — including government regulations — shape the incentive structures and behavioral norms within which individual decisions are made. Regulations that reduce transaction costs, protect intellectual property, and facilitate access to financing lower the structural barriers to entrepreneurship, thereby amplifying the effects of individual-level competencies and motivations. Conversely, regulatory uncertainty or excessive bureaucracy can attenuate these effects, even among highly motivated individuals. This theoretical lens positions government regulation not as a direct driver of entrepreneurial decisions, but as a contextual moderator that conditions the relationship between individual antecedents and outcomes.

The theoretical integration of these three frameworks generates a distinctive predictive logic: digital literacy and social media use operate through the TPB pathway of perceived behavioral control; motivation operates through the SDT pathway of self-determined intentionality; and government regulation operates through the Institutional Theory pathway as an environmental boundary condition. This multi-layered model represents a theoretical advance over prior studies that have applied each framework in isolation.

Hypothesis Development

Effect of Digital Literacy on Entrepreneurial Decisions. Digital literacy — defined as the ability to effectively access, evaluate, create, and communicate information through digital technology (Gilster, 1997; Vuorikari et al., 2022) — constitutes a critical component of perceived behavioral control in the TPB framework. Empirically, Rahayu and Day (2015) demonstrated that higher digital literacy levels among Indonesian MSMEs positively predict e-commerce adoption and business performance. Schlaegel and Koenig's (2014) meta-analysis further confirmed that technological competence is a significant predictor of entrepreneurial intention across diverse cultural contexts. Crucially, digital literacy is not merely a skill set; it is a form of epistemic capital that shapes how individuals perceive opportunities and evaluate risks in the digital economy.

H1: Digital literacy has a significant positive effect on entrepreneurial decisions.

Effect of Social Media Use on Entrepreneurial Decisions. Social media platforms function as multidimensional entrepreneurial infrastructure: they serve simultaneously as information sources, peer networks, market validation channels, and role modeling environments. Lam and Harker (2015) demonstrated that exposure to entrepreneurial content on social media strengthens entrepreneurial intention through normative influence and observational learning mechanisms. Wirtz et al. (2019) further established that engagement with entrepreneurial social media content enhances entrepreneurial self-efficacy — a construct closely related to perceived behavioral control in TPB. In the Indonesian context, the rise of entrepreneurial content creators on YouTube, TikTok, and Instagram has created a culturally embedded normative environment that makes entrepreneurship highly visible and socially desirable among young people.

H2: Social media use has a significant positive effect on entrepreneurial decisions.

Effect of Motivation on Entrepreneurial Decisions. Entrepreneurial motivation, conceptualized within the SDT framework as encompassing both intrinsic (autonomy, competence, meaning) and extrinsic (financial gain, social recognition) dimensions, represents the volitional foundation of entrepreneurial intention. Shapero and Sokol (1982) identified desirability and feasibility as the two proximal determinants of the entrepreneurial event; motivation directly shapes perceived desirability.

Wuryaningrum et al. (2021) found that intrinsic motivation is the strongest predictor of entrepreneurial decisions among Indonesian university students, a finding consistent with Krueger et al.'s (2000) cross-cultural evidence that intentionality — driven by motivation — is the best predictor of subsequent entrepreneurial behavior.

H3: Entrepreneurial motivation has a significant positive effect on entrepreneurial decisions.

Moderating Role of Government Regulation. Institutional Theory predicts that formal regulatory environments moderate the translation of individual competencies and motivations into behavior. Supportive regulations — including streamlined licensing, MSME financing programs, intellectual property protection, and digital infrastructure investment — reduce institutional friction and amplify the positive effects of individual-level variables. In contrast, complex or inconsistent regulations may neutralize these effects. However, Institutional Theory also implies that the strength of moderation will vary across antecedents: regulations that are specifically aligned with the domain of a given competency (e.g., digital business regulations strengthening the effect of digital literacy) will produce stronger moderation than regulations that are domain-general. This differentiated prediction distinguishes the current study from prior work that has assumed uniform moderation across all antecedents.

H4: Government regulation positively moderates the relationship between digital literacy and entrepreneurial decisions.

H5: Government regulation positively moderates the relationship between social media use and entrepreneurial decisions.

H6: Government regulation positively moderates the relationship between motivation and entrepreneurial decisions.

Research Framework

Independent Variables (X) Digital Literacy (DL) Social Media Use (SM) Motivation (MOT)	**H1, H2, H3 →**	**Dependent Variable (Y)** Entrepreneurial Decision (ED)	**Moderating Variable (M)** Government Regulation (REG) **H4, H5, H6 ↑**

Figure 1. Research Framework

RESEARCH METHOD

Research Design

This study employs a quantitative cross-sectional survey design. The cross-sectional approach enables simultaneous measurement of all constructs across a large sample, though it precludes strong causal inference — a methodological limitation acknowledged in Section 5. The population comprises active university students and alumni in Indonesia aged 18–35 years who have been exposed to government digital entrepreneurship programs or information. The sampling technique uses purposive sampling with the following eligibility criteria: (1) residing in Indonesia; (2) active users of at least one social media platform; (3) having accessed entrepreneurship information through digital platforms; and (4) aged 18–35 years. A sample of 240 respondents was obtained, meeting the minimum requirement for MRA with seven predictors (Hair et al., 2019). Data were collected via an online questionnaire distributed through Google Forms during March–June 2025.

All questionnaire items were measured using a five-point Likert scale (1 = Strongly Disagree; 5 = Strongly Agree). As with all self-report instruments, the data are subject to social desirability bias and common method variance — limitations that are discussed in Section 5.3.

Variable Measurement

Digital Literacy (DL) was measured using six indicators adapted from the DigComp 2.2 framework (Vuorikari et al., 2022): information search and management, digital communication competence, content creation, digital security, technology-based problem-solving, and data literacy. Social Media Use (SM) was operationalized through five indicators: frequency of use, intensity of engagement with entrepreneurial content, use for business networking, use for entrepreneurship learning, and use as a marketing channel. Motivation (MOT) was measured using seven indicators spanning intrinsic motivation (personal satisfaction, passion, autonomy) and extrinsic motivation (financial gain, social recognition, family influence, environmental influence), drawing on Deci and Ryan (1985). Entrepreneurial Decision (ED) was measured using five indicators: entrepreneurial intention, commitment to starting a business, concrete planning, actual preparatory actions, and confidence in business success, consistent with Krueger et al. (2000). Government Regulation (REG) was measured using six indicators: perceived ease of business licensing, access to government financing programs, availability of government entrepreneurship training, intellectual property rights protection, MSME tax incentives, and government digital infrastructure support.

Table 1. Operationalization of Research Variables

Variable	Indicators	No. of Items	Scale
Digital Literacy (DL)	Information Search, Digital Communication, Content Creation, Digital Security, Problem Solving, Data Literacy	6	Likert 1–5
Social Media Use (SM)	Frequency, Entrepreneurial Content Engagement, Business Networking, Learning, Marketing	5	Likert 1–5
Motivation (MOT)	Personal Satisfaction, Passion, Autonomy, Financial Gain, Social Recognition, Family Influence, Environmental Influence	7	Likert 1–5
Entrepreneurial Decision (ED)	Intention, Commitment, Concrete Planning, Actual Action, Confidence in Success	5	Likert 1–5
Government Regulation (REG)	Ease of Licensing, Financing Access, Training Availability, IPR Protection, Tax Incentives, Digital Infrastructure	6	Likert 1–5

(Source: Compiled by the Authors, 2026)

Analytical Technique

Data were analyzed using Moderated Regression Analysis (MRA). Prior to hypothesis testing, classical assumption tests were conducted: normality (Kolmogorov-Smirnov), multicollinearity (VIF), heteroscedasticity (Glejser), and autocorrelation (Durbin-Watson). The regression model is specified as follows:

$$ED = \alpha + \beta_1 DL + \beta_2 SM + \beta_3 MOT + \beta_4 REG + \beta_5 (DL \times REG) + \beta_6 (SM \times REG) + \beta_7 (MOT \times REG) + \varepsilon$$

Where ED = Entrepreneurial Decision; DL = Digital Literacy; SM = Social Media Use; MOT = Motivation; REG = Government Regulation; β_1–β_7 = regression coefficients; α = constant; ε = error term. The significance level is set at $\alpha = 0.05$.

RESEARCH FINDINGS

Descriptive Statistics

Of 240 respondents, 58.3% were female and 41.7% were male; 67.1% fell within the 20–25 age bracket. The majority (72.5%) were active university students; 85.4% were enrolled in or graduated from public universities. Table 2 presents descriptive statistics for all variables.

Table 2. Descriptive Statistics of Research Variables

Variable	Mean	Median	Maximum	Minimum	Std. Dev.
Entrepreneurial Decision (ED)	3.72	3.80	5.00	1.20	0.68
Digital Literacy (DL)	3.85	3.83	5.00	1.67	0.61
Social Media Use (SM)	3.94	4.00	5.00	1.40	0.59
Motivation (MOT)	3.88	3.86	5.00	1.57	0.65
Government Regulation (REG)	3.21	3.17	5.00	1.00	0.74

(Source: Processed Data, 2026)

A notable pattern emerges from the descriptive statistics: Social Media Use (SM) records the highest mean (3.94), consistent with Indonesia's position as one of the world's largest social media markets. In contrast, Government Regulation (REG) has the lowest mean (3.21) with the highest standard deviation (0.74), indicating that respondents perceive government regulatory support as moderate and heterogeneous. This variance in perceived regulatory quality is theoretically important: it provides the statistical variance needed to identify moderation effects and suggests that the institutional environment is experienced differently across respondent subgroups. The relatively high means for DL, SM, and MOT (3.85–3.94) reflect the purposive sampling strategy that targeted digitally active respondents; this ceiling effect may attenuate effect sizes and should be considered when generalizing findings.

Validity and Reliability

Construct validity was assessed using Confirmatory Factor Analysis (CFA); all items achieved factor loadings above 0.60, confirming convergent validity. Reliability was established via Cronbach's Alpha, with values ranging from 0.781 to 0.864 across all constructs, exceeding the conventional threshold of 0.70 (Hair et al., 2019). Classical assumption tests confirmed that the data meet regression prerequisites: normality (Kolmogorov-Smirnov $p > 0.05$), absence of multicollinearity (all VIF < 10), absence of heteroscedasticity (Glejser test $p > 0.05$), and absence of autocorrelation (Durbin-Watson within 1.5–2.5).

Correlation Analysis

Table 3. Inter-Variable Correlation Matrix

Variable	ED	DL	SM	MOT	REG
ED	1.000				
DL	0.512***	1.000			
SM	0.468***	0.423***	1.000		
MOT	0.581***	0.398***	0.441***	1.000	
REG	0.334***	0.312***	0.287***	0.291***	1.000

*Note: ***Significant at 1% level.*
(Source: Processed Data, 2026)

Motivation exhibits the strongest bivariate correlation with entrepreneurial decisions (r = 0.581), followed by digital literacy (r = 0.512), social media use (r = 0.468), and government regulation (r =

0.334). Inter-predictor correlations range from 0.287 to 0.441, remaining below the 0.70 threshold commonly associated with multicollinearity concerns (Hair et al., 2019).

Hypothesis Testing Results (MRA)

Table 4. Results of Moderated Regression Analysis (MRA)

Variable	Model 1 (H1–H3)	Model 2 (Moderation)	Direction
Constant	0.412 (0.234)	0.387 (0.241)	
Digital Literacy (DL)	0.287 (0.048)**	0.264 (0.051)**	+
Social Media Use (SM)	0.213 (0.052)**	0.198 (0.055)**	+
Motivation (MOT)	0.341 (0.044)***	0.318 (0.047)***	+
Government Regulation (REG)	0.124 (0.061)*	0.131 (0.063)*	+/–
DL × REG	—	0.198 (0.073)**	+
SM × REG	—	0.042 (0.081)	n.s.
MOT × REG	—	0.061 (0.069)	n.s.
R^2	0.512	0.541	
Adjusted R^2	0.503	0.527	
F-Statistic	61.784	40.231	
Prob. (F-Stat)	0.000	0.000	
N	240	240	

*Note: ***p < 0.01; **p < 0.05; *p < 0.10.*
Standard errors in parentheses. (Source: Processed Data, 2026)

DISCUSSION

Effect of Digital Literacy on Entrepreneurial Decisions

Digital literacy exerts a significant positive effect on entrepreneurial decisions ($\beta = 0.287$, $p < 0.05$), supporting H1. This finding converges with a growing body of evidence from both developed and developing economies. Rahayu and Day (2015) demonstrated that digital literacy directly predicts e-commerce adoption among Indonesian SMEs, while Schlaegel and Koenig's (2014) meta-analysis — encompassing 98 studies — established technological competence as a consistent predictor of entrepreneurial intention across cultural contexts. The consistency of this finding across diverse settings suggests that digital literacy functions as a generalizable form of human capital in the digital economy.

Theoretically, this result supports the TPB mechanism of perceived behavioral control: individuals who command digital competencies — from data literacy to digital financial management — perceive fewer barriers to entrepreneurial action. Unlike findings from developed economies where digital literacy is more homogeneous, the variance in digital literacy among Indonesian youth (SD = 0.61) suggests that literacy gaps remain consequential, and that targeted interventions can meaningfully shift entrepreneurial propensity. This stands in contrast to Ndofirepi's (2020) South African findings, where entrepreneurship education — a broader construct than digital literacy — showed weaker direct effects on entrepreneurial intentions, possibly because the digital dimension was not explicitly theorized.

The practical implication is that digital literacy is not merely a technical skill but a strategic entrepreneurial asset. Investment in DigComp-aligned competency development — particularly data literacy and digital financial management — should be positioned as entrepreneurship policy, not merely ICT education.

Effect of Social Media Use on Entrepreneurial Decisions

Social media use significantly predicts entrepreneurial decisions ($\beta = 0.213$, $p < 0.05$), confirming H2. This finding aligns with Wirtz et al. (2019), who found that social media engagement enhances

entrepreneurial self-efficacy, and with Lam and Harker (2015), who identified role modeling and normative influence as the primary mechanisms through which social media exposure translates into entrepreneurial intention. The effect size for SM ($\beta = 0.213$) is smaller than for DL ($\beta = 0.287$) and MOT ($\beta = 0.341$), suggesting that social media operates as a distal rather than proximal determinant of entrepreneurial decisions — consistent with the TPB pathway in which social media shapes subjective norms and, indirectly, behavioral control perceptions.

The Indonesian context provides particular theoretical purchase here. Indonesia's social media landscape is characterized by a distinctive entrepreneurial influencer culture on TikTok and YouTube, where business journeys are publicly narrated and monetized. This creates what Bandura (1986) would term a vicarious learning environment: aspiring entrepreneurs can observe, evaluate, and model entrepreneurial behavior at scale. The lower effect size relative to motivation, however, cautions against overestimating social media's direct role: exposure to entrepreneurial content may increase desirability without necessarily increasing feasibility perceptions — the latter requiring the competency-building captured by digital literacy.

Effect of Motivation on Entrepreneurial Decisions

Entrepreneurial motivation is the strongest predictor in the model ($\beta = 0.341$, $p < 0.01$), supporting H3 and affirming the central role of volitional factors in entrepreneurial decision-making. This finding is consistent with Krueger et al.'s (2000) cross-cultural evidence that motivational intention is the best predictor of entrepreneurial behavior, and with Wuryaningrum et al. (2021), who found that intrinsic motivation outweighs extrinsic motivation as a predictor among Indonesian university students — a pattern consistent with SDT's proposition that autonomous motivation produces more durable behavioral engagement than controlled motivation.

The relatively large effect of motivation compared to digital literacy and social media use suggests a theoretically important ordering: while digital competencies and social media exposure may create the conditions of possibility for entrepreneurship, it is motivational orientation that ultimately determines whether those conditions are actualized. This finding extends SDT to the entrepreneurial decision context by demonstrating that the three basic psychological needs — autonomy, competence, and relatedness — find expression in the entrepreneurial domain specifically. Future research employing experimental or longitudinal designs could usefully examine whether digital literacy interventions alter motivational orientations, or whether the two constructs operate through parallel pathways.

Moderating Role of Government Regulation

The moderation analysis yields theoretically significant asymmetric results. Government regulation significantly strengthens the effect of digital literacy on entrepreneurial decisions (interaction $\beta = 0.198$, $p < 0.05$), supporting H4. This result is interpretable through Institutional Theory: regulatory provisions that are domain-congruent with digital competencies — such as streamlined online business registration, digital MSME financing, and digital infrastructure investment — create an institutional complement to individual digital capabilities. The moderating effect implies that the policy return on digital literacy investment is contingent on the regulatory environment: digital literacy training programs that are not accompanied by enabling regulations will yield suboptimal entrepreneurship outcomes.

Notably, government regulation does not significantly moderate the effects of social media use (H5 rejected) or motivation (H6 rejected). These null moderation results are theoretically informative rather than null-finding failures. Social media platforms are inherently transnational and regulation-agnostic: their entrepreneurial influence operates through recommendation algorithms, viral content ecosystems, and global digital trends that are structurally insensitive to domestic regulatory conditions. Indonesian youth entrepreneurship inspiration on TikTok, YouTube, and Instagram is driven by algorithmic content

curation — surfacing international entrepreneurial success stories, trending business models, and peer-generated content — rather than by local licensing environments or government program awareness. This constitutes a 'platform bypass' dynamic (Nambisan, 2017): the algorithm, not the bureaucracy, governs what young people see and aspire to. Domestic regulatory reform, however well-designed, cannot meaningfully intervene in this algorithmically mediated motivational pathway. Similarly, intrinsic entrepreneurial motivation appears to be driven primarily by internal psychological factors — autonomy needs, passion, and identity — that are not contingently dependent on the regulatory environment. This is conceptually consistent with SDT's proposition that intrinsic motivation is most stable when it originates from internalized values rather than external structures.

This differentiated moderation pattern constitutes the study's most important theoretical contribution: it demonstrates that government regulation functions selectively as a boundary condition, amplifying the effects of domain-specific competencies (digital literacy) while leaving motivational and network-based pathways largely unaffected. This refines prior theoretical claims (North, 1990) that institutions uniformly shape individual behavior, and points toward a more conditional model of institutional moderation.

Methodological Limitations and Potential Biases

Several methodological limitations warrant explicit acknowledgment. First, the cross-sectional design precludes causal inference: while the theoretical model posits directional relationships from digital literacy, social media use, and motivation to entrepreneurial decisions, the data are correlational. Longitudinal designs or quasi-experimental approaches would be necessary to establish causal priority. Second, all constructs were measured through self-report instruments, introducing the risk of common method variance (CMV) — a systematic bias whereby correlations among constructs are artificially inflated because they share a common measurement method (Podsakoff et al., 2003). The use of Harman's single-factor test is recommended in future replications to assess the magnitude of CMV.

Third, self-report measures of entrepreneurial motivation and digital literacy are subject to social desirability bias: respondents may overstate their entrepreneurial intentions or digital competencies to present themselves favorably, a concern that is heightened in samples of university students exposed to pro-entrepreneurship educational environments. This bias may inflate observed effect sizes relative to those that would be obtained using behavioral or objective measures. Fourth, the purposive sampling strategy, while appropriate for the research objectives, limits the representativeness of findings: the sample is systematically skewed toward highly digital and educationally privileged young Indonesians, which may not accurately represent the broader Indonesian youth population, particularly those in rural areas or with limited digital access.

Fifth, the measurement of government regulation through respondent perception rather than objective regulatory indices introduces potential response bias: respondents with greater government program exposure may systematically rate regulatory support more favorably, confounding the measurement of the moderating variable. Future research would benefit from combining perceptual measures with objective institutional indices (e.g., World Bank Ease of Doing Business scores disaggregated to the provincial level) to construct more robust moderation tests.

Sixth, and critically, this study is subject to an infrastructure gap limitation. The majority of respondents (85.4%) were enrolled in or graduated from public universities, which are predominantly located in major urban centers such as Jakarta, Surabaya, Bandung, and Medan. These respondents benefit from reliable internet connectivity, adequate digital device access, and proximity to government program information. The findings may therefore not generalize to youth in Indonesia's 3T regions (Terdepan, Terluar, dan Tertinggal — Frontier, Outermost, and Underdeveloped areas), where digital infrastructure

deficits, limited social media access, and lower government program penetration create fundamentally different preconditions for entrepreneurial decision-making. In 3T regions, the effects of digital literacy and social media use on entrepreneurial decisions are likely to be attenuated by infrastructural constraints, and the moderating role of government regulation may manifest differently — or more strongly — given the greater dependence on government-provided connectivity and program access. Future research should deliberately oversample from 3T regions and compare effect sizes across the urban-rural infrastructure divide to establish the boundary conditions of the current model.

CONCLUSION

Summary of Findings

This study provides an integrative examination of the determinants of entrepreneurial decisions among Indonesian youth, combining individual-level competencies and motivations with institutional-level regulatory factors within a theoretically unified model. Four principal conclusions emerge. First, digital literacy, social media use, and entrepreneurial motivation each independently and significantly predict entrepreneurial decisions, with motivation emerging as the strongest predictor — consistent with SDT and the TPB-based entrepreneurial intention literature. Second, government regulation exerts a significant direct effect on entrepreneurial decisions, and — crucially — significantly moderates the relationship between digital literacy and entrepreneurial decisions, but not the relationships involving social media use or motivation. Third, this asymmetric moderation pattern offers a theoretical refinement to Institutional Theory: formal regulatory environments function as selective boundary conditions, amplifying domain-congruent competencies while leaving motivational and network-based pathways largely unaffected. Fourth, the Indonesian context — a large, mobile-first emerging economy with rapidly evolving digital regulations — provides a theoretically distinctive empirical setting that extends the external validity of findings from developed-economy and non-digital contexts.

Theoretical Contributions

This study makes three theoretical contributions. First, it advances the integration of TPB, SDT, and Institutional Theory by specifying how each framework operates at a different level of analysis — cognitive control, motivational orientation, and institutional environment — and how these levels interact in producing entrepreneurial decisions. This multi-level integration addresses a persistent fragmentation in the entrepreneurship intention literature (cf. Schlaegel & Koenig, 2014). Second, it provides the first empirical evidence that government regulation moderates the digital literacy-entrepreneurial decision relationship in the Indonesian context, extending Institutional Theory to the domain of digitally-mediated individual behavior. Third, the null moderation findings for social media use and motivation constitute theoretically important boundary conditions that qualify the generalizability of institutional moderation effects.

Policy Implications

The finding that government regulation amplifies the positive effect of digital literacy — but not of motivation or social media use — has direct and actionable policy implications. Policymakers should prioritize the co-design of digital literacy programs and enabling regulations: digital competency training without regulatory simplification yields suboptimal returns on entrepreneurship investment. Specifically, programs such as Prakerja should be expanded to integrate DigComp-aligned digital literacy modules with streamlined access to MSME digital business licensing and financing. The relatively low and heterogeneous mean of the Government Regulation variable ($M = 3.21$, $SD = 0.74$) indicates that regulatory reform has significant headroom for improvement: even moderate improvements in perceived regulatory quality could substantially amplify the entrepreneurial returns to digital literacy investment.

For universities, the centrality of intrinsic motivation as the strongest predictor of entrepreneurial decisions suggests that entrepreneurship education should prioritize autonomy-supportive pedagogies over purely instrumental approaches. Curriculum designs that foster passion, identity exploration, and the development of a personal entrepreneurial vision are likely to be more effective than those centered on financial return calculations.

Directions for Future Research

Future research should address the methodological limitations of this study through longitudinal designs that track the evolution of entrepreneurial intentions and decisions over time, particularly in response to regulatory changes. Mixed-methods approaches that combine survey data with in-depth interviews would illuminate the mechanisms through which government regulation strengthens the digital literacy-entrepreneurial decision pathway. Studies employing objective institutional measures alongside perceptual data would enable more precise moderation testing. Geographic variation within Indonesia — particularly the contrast between high-connectivity urban centers (Jakarta, Surabaya) and lower-connectivity regional areas — represents a natural quasi-experimental setting for examining how regulatory and digital infrastructure conditions moderate entrepreneurial decisions. Finally, future work should examine mediating variables — particularly entrepreneurial self-efficacy and opportunity recognition — that may account for the mechanisms linking digital literacy and social media use to entrepreneurial decisions.

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