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The Influence of Self-Efficacy, Sharia Financial Literacy and Social Influence on Entrepreneurial Decisions (Case Study of PUSKIIBI UMSU)

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Abstract

Entrepreneurial decisions are influenced by various internal and external factors, such as self-confidence, understanding of financial management, and social support. This study aims to analyze the influence of self-efficacy, Islamic financial literacy, and social influence on the entrepreneurial decisions of students at the Center for Entrepreneurship, Innovation, and Business Incubator (PUSKIIBI) at the University of Muhammadiyah North Sumatra. This study used a quantitative approach with an explanatory research method. The study population was 50 active student members of PUSKIIBI UMSU using a total sampling technique. Data were collected through questionnaires and analyzed using Partial Least Squares–Structural Equation Modeling (SEM-PLS). The results showed that Islamic financial literacy and self-efficacy had a positive and significant effect on entrepreneurial decisions, with Islamic financial literacy as the most dominant variable. Conversely, social influence did not have a significant effect on entrepreneurial decision. The research model was able to explain 62.3% of the variation in entrepreneurial decision. This study confirms that strengthening students' internal factors is more effective in encouraging entrepreneurial decisions. In an incubation ecosystem, internal readiness both cognitive (Sharia financial literacy) and psychological (self-efficacy) proves far more decisive in translating entrepreneurial intent into actual decisions than external social pressure or peer influence.

Keywords Self-Efficacy; Islamic Financial Literacy; Social Influence; Entrepreneurial Decision

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1. INTRODUCTION

Entrepreneurship is a crucial pillar of national economic development, contributing to job creation, increased productivity, and fostering innovation across various sectors (Andirwan et al., 2023). According to Schumpeter's theory, entrepreneurship is a crucial factor in determining a region's economic progress, as it is able to introduce innovation and new ideas into the production process (Tsakila et al., 2024). The entrepreneurship rate in Indonesia has only reached around 3.47% of the total population (Fachrina & Zuhrinal, 2022). This figure is often cited as the basis for concerns that the level

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of community participation in entrepreneurial activities remains low. Generally, this low figure is often attributed to the perceived suboptimal role of higher education in fostering an entrepreneurial spirit among the younger generation (Surya et al., 2024). However, this view requires a more critical examination. Barriers to entrepreneurship are not only rooted in knowledge or learning experience but are also influenced by structural factors, such as limited capital, market access, bureaucracy, and suboptimal policy support (Hazizah & Nasution, 2022). Therefore, education should not be understood as the sole cause of the low number of entrepreneurs, but rather as a strategic instrument that plays a role in strengthening psychological readiness, managerial skills, and individual adaptability to overcome these structural barriers (Pahlevi, 2024). This strategic role positions universities as a crucial actor in preparing human resources that are not only oriented towards job search but also have the capacity to create jobs independently (Andriyani & Nawawi, 2022).

Universities play a crucial role in developing student entrepreneurship ecosystems through various business development and incubation programs. In recent years, many universities have begun developing entrepreneurship centers as a means of developing students so they become job seekers and independent job creators. However, the existence of entrepreneurship programs at universities does not necessarily automatically encourage students to make the decision to become entrepreneurs.

The University of Muhammadiyah North Sumatra (UMSU) is one university actively developing student entrepreneurship through various programs such as the Student Entrepreneurship Program (PMW), the Student Entrepreneurship Creativity Program (PKMK), and the establishment of the Center for Entrepreneurship Innovation and Business Incubator (PUSKIIBI). UMSU's PUSKIIBI serves as a center for student business development and mentoring, providing training, business development, and a structured, practice-based entrepreneurial environment.

UMSU's PUSKIIBI was chosen as the research location not solely because of the entrepreneurship program, but also because the characteristics of the institution and respondents matched the research focus. PUSKIIBI members are students who have been directly involved in business activities and are actively involved in the business incubation process, allowing research to examine entrepreneurial decisions as actual behavior (entrepreneurial decisions), not simply entrepreneurial intentions. Furthermore, PUSKIIBI UMSU is also an actively developing business incubator and has received national recognition at the 2025 International Conference on Sustainable Innovation and Environment (ICSIE) and the AAIBI-AIBI Summit in the "Developing Incubator" category. These achievements demonstrate that PUSKIIBI has an active and relevant entrepreneurship development system that can be used as a context for research on student entrepreneurial decisions (Al-Swidi et al., 2014). Furthermore, the institutional culture of UMSU, which is rooted in integrative Islamic values under the Muhammadiyah framework, provides a uniquely relevant ecosystem for examining how Sharia financial literacy is transformed into real business action making PUSKIIBI UMSU the most contextually appropriate locus for testing Islamic value-based entrepreneurship determinants.

In contrast to most studies that stop at the entrepreneurial intention stage (Friede et al., 2015), This study positions the entrepreneurial decision as the post-intention phase, the stage when intentions have gone through a process of evaluating risk and resource availability, and are then actualized into concrete actions. Therefore, this study focuses on examining the determinants of the actual decision phase, providing an empirical perspective on the post-intention context within the TPB framework (Syarfi & Asandimitra, 2020).

In this study, the three main variables examined are self-efficacy, Islamic financial literacy, and social influence. Self-efficacy plays a role in shaping an individual's belief in their ability to start and manage a business. Sharia financial literacy provides an understanding of rational financial management in accordance with Sharia principles. Meanwhile, social influence reflects the influence of the social environment, such as family, friends, and campus entrepreneurial culture, including the environment established through PUSKIIBI UMSU, in encouraging students to engage in entrepreneurial activities.

Conceptually, this research expands the application of the Theory of Planned Behavior by positioning Islamic financial literacy as a value-based attitude and testing its relevance in the actual decision phase. These findings indicate that the determinants of the TPB can experience a shift in dominance when individuals enter the post-intention phase. Therefore, this research model adapts some of the Theory of Planned Behavior (TPB) constructs relevant to the context of entrepreneurial decisions among students in a Sharia-based business incubator. An integrative theoretical bridge between these two paradigms is constructed as follows: Maqāṣid al-Sharīʿah particularly the principle of ḥifẓ al-māl (protection and preservation of wealth) serves as an ethical modifier of the TPB's 'Attitude toward Behavior' and 'Perceived Behavioral Control' constructs. Within Islamic entrepreneurship, a decision is not driven solely by utility maximization; it is simultaneously shaped by imperatives of economic justice and Sharia compliance. Accordingly, this study treats Sharia financial literacy not as a mere technical skill but as a value-based cognitive attitude that governs how students perceive, evaluate, and act upon entrepreneurial opportunities harmonizing rational economic logic with transcendental ethical principles.

2. METHODS

This research is a quantitative study using an explanatory research approach. According to (Machali, 2021), explanatory research aims to explain the relationships and influences between the variables studied. This approach was chosen because the research focuses on hypothesis testing to determine the extent to which self-efficacy, Islamic financial literacy, and social influence, as independent variables, influence entrepreneurial decisions, as the dependent variable. This research was conducted at the Center for Islamic Business Studies and Incubator (PUSKIIBI) at the University of Muhammadiyah North Sumatra. The research period was December 2025.

The population in this study was all students registered as active members of PUSKIIBI UMSU, totaling 50 students. Given the relatively small and fully accessible population, the sampling technique used was total sampling, where all members of the population were included as respondents. The relationships between the variables are explained in the following conceptual framework:

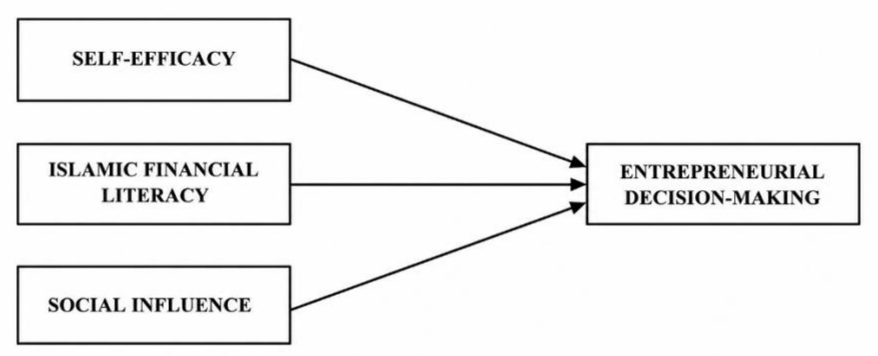

Figure 1. Conceptual Framework

Based on the theoretical study, the hypotheses proposed in this study are:

H1: Self-efficacy influences entrepreneurial decisions

H2: Sharia financial literacy influences entrepreneurial decisions

H3: Social influence influences entrepreneurial decisions

This study uses two types of data: primary and secondary data. Primary data were obtained directly from respondents through the distribution of structured questionnaires to members of the PUSKIIBI (Information and Communication Center) of the University of Muhammadiyah North Sumatra (UMSU) (Rustika, 2016). Meanwhile, secondary data were obtained from various library sources, such as textbooks, scientific journals, research reports, and official documents relevant to the research topic, particularly those related to self-efficacy, Islamic financial literacy, social influence, and entrepreneurial decisions (Rahmani, 2022). The research instrument was a questionnaire with a five-point Likert scale. The collected data were analyzed using descriptive and inferential statistical analysis. Hypothesis testing was conducted using the Partial Least Squares – Structural Equation Modeling (SEM-PLS) method. SEM PLS (Partial Least Squares Structural Equation Modeling) is a variance-based or component-based multivariate statistical analysis method. This method is designed as a powerful alternative to covariance-based structural equation modeling (CB-SEM), especially for testing complex causal relationships with smaller sample sizes. The use of PLS-SEM in this study aims not only to test the structural relationships between variables but also to validate latent constructs measured through several reflective indicators. Variables such as self-efficacy, social influence, and Islamic financial literacy are multidimensional psychological and behavioral constructs that cannot be directly measured through a single observational indicator. Therefore, the SEM-PLS approach is considered more appropriate than conventional linear regression because it can simultaneously test the measurement model (outer model) and the structural model (inner model) (Hardani, 2020).

1) Ten times the largest number of formative indicators used to measure a construct, or
2) Ten times the largest number of structural paths that address a particular construct in a structural model.

In this model, there are three paths to the endogenous construct, so the minimum sample size required is 30 respondents. With 50 respondents, this study has met this criterion: Additionally, a post-hoc statistical power analysis was conducted using the Inverse Square Root Method. Given the smallest path coefficient in the model ($\beta = 0.110$ for Social Influence), the required minimum sample for detecting this effect at $\alpha = 0.05$ with power = 0.80 is approximately 33 respondents. With N = 50, this study exceeds the minimum requirement, and the risk of Type II error failing to detect a truly existing effect is thereby adequately controlled. The non-significance of Social Influence is therefore a substantive finding rather than a statistical artifact of sample size.

Table 1. Operational Variable Table

Variables	Indicator	Skala
Self-Efficacy (X1)	Magnitude (Level of difficulty of the task), Generality (Breadth of the behavioral field), Strength (Degree of belief or expectation)	Likert 1-5
Sharia Financial Literacy (X2)	Knowledge, Ability, Confidence	Likert 1-5
Social Influence (X3)	References, Family, Roles and Status	Likert 1-5
Entrepreneurial Decision (Y)	Will and ability, Strong determination and hard work, Opportunity and chance.	Likert 1-5

Source: Author's Processed 2026

Given that all variables were measured using questionnaires at the same time from the same respondents, this study conducted a Common Method Bias (CMB) test. The results of the Common Method Bias (CMB) test in this study were conducted using the Full Collinearity Assessment approach using the Variance Inflation Factor (VIF) value.

Table 2. CMB Test Results

Variables	VIF
Sharia Financial Literacy -> Entrepreneurial Decision	1,360
Self-Efficacy -> Entrepreneurial Decision	2,431
Social Influence -> Entrepreneurial Decision	2,087

Source: Author's Processed 2026

Based on the results of the analysis using SmartPLS, all VIF values between constructs are below the threshold of 3.3, so it can be concluded that there is no indication of common method bias in this research model.

3. FINDINGS AND DISCUSSION

3.1 Respondent Identity

Based on PUSKIIBI data from the University of Muhammadiyah North Sumatra, the number of respondents in this study was 50 students who had become entrepreneurs, consisting of 19 male respondents (38%) and 31 female respondents (62%).

Judging from the types of businesses they operate, respondents operate in various sectors, including food and beverage, services and trade, the creative industry, digital business, cultivation, and manufacturing and applied technology. This diversity of business sectors demonstrates that the entrepreneurial activities of PUSKIIBI UMSU students are developing across various business sectors.

The respondents in this study were students who had already run businesses and were members of the PUSKIIBI UMSU entrepreneurship incubator. This situation indicates that the respondents are in an ecosystem that provides coaching, mentoring, and access to entrepreneurial information. This characteristic is relevant to the research objective, which focuses on examining the factors influencing entrepreneurial decisions in the context of student business incubators.

3.2 Statistical Test Analysis Results

Inferential testing applies statistical techniques to generalize results from a sample to the population. This study used SmartPLS 4 with a variance-based Partial Least Squares (PLS) and Structural Equation Modeling (SEM) approach. PLS analyzes correlations between variables, while SEM tests causal relationships. Model testing is conducted in two stages: 1) the Outer Model, which aims to evaluate the validity and reliability of indicators; and 2) the Inner Model, which focuses on analyzing the strength and significance of relationships between latent variables.

3.2.1 Outer Model

The outer model is used to evaluate the relationship between latent variables (variables that cannot be directly observed) and their measurement indicators to ensure that the research instrument has adequate validity and reliability. In testing the outer model, three main types of tests must be conducted: Convergent Validity, Discriminant Validity, and Construct Reliability. By conducting these three tests, researchers can ensure that the measurement model used accurately and consistently represents the concept being studied.

a. Convergent Validity

Convergent validity is measured through factor loading values, which describe the correlation between indicators and variables. An indicator is considered valid if it has a value above 0.70 or at least 0.60. Indicators with values below this standard limit should be excluded from the analysis.

Table 3. Results of External Loadings from the Convergent Validity Test

Instrument	Self-Efficacy	Sharia Financial Literacy	Social Influence	Entrepreneurial Decision	Information
SE1	0,880				Valid
SE2	0,878				Valid
SE3	0,808				Valid
SE4	0,922				Valid
SE5	0,909				Valid
LKS1		0,831			Valid
LKS2		0,834			Valid
LKS3		0,807			Valid
LKS4		0,868			Valid
LKS5		0,876			Valid
LKS6		0,901			Valid
LKS7		0,914			Valid
SI1			0,869		Valid
SI2			0,746		Valid
SI4			0,767		Valid
SI5			0,870		Valid
SI6			0,886		Valid
KB1				0,755	Valid
KB2				0,889	Valid
KB3				0,872	Valid
KB4				0,852	Valid
KB5				0,877	Valid
KB7				0,859	Valid
KB8				0,866	Valid
KB9				0,881	Valid

Source: results processed by researchers, 2026

In this phase, all indicators for self-efficacy, Sharia Financial Literacy, and social influence showed a Loading Factor value > 0.6. Thus, these indicators were declared valid and supported the construct validity of the measurement model.

b. Average Variance Extracted (AVE)

A variable is declared valid if its AVE value is greater than 0.50, which indicates that the construct explains more than 50% of the variance in its indicators, thus fulfilling the requirements for convergent validity.

Table 4. AVE Results from Convergent Validity Test

Variables	Average Variance Extracted (AVE)	Information
Self-Efficacy	0,735	Valid
Sharia Financial Literacy	0,744	Valid
Social Influence	0,775	Valid
Entrepreneurial Decision	0,688	Valid

Source: results processed by researchers, 2026

Based on the data testing results above, all variables in this study have an AVE (Average Variance Extracted) value above 0.50, thus meeting the requirements for convergent validity. The "Social Influence" variable shows the highest AVE value of 0.775, which indicates an excellent level of internal consistency. Meanwhile, the "Entrepreneurial Decision" variable obtained the lowest AVE value of 0.688, but this value is still in the acceptable category. Thus, overall, the model used in this study meets the criteria for convergent validity.

c. Discriminant Validity

Discriminant validity ensures that each construct in the model measures a distinct and non-overlapping aspect. One method used to assess discriminant validity is the Fornell-Larcker criterion. If the square root of the AVE (Average Variance Extracted) of a construct is greater than the correlation between the other constructs, then discriminant validity can be declared fulfilled.

Table 5. Cross Loading Results from the Results of the Discriminant Validity Test

Instrument	Self-Efficacy	Sharia Financial Literacy	Social Influence	Entrepreneurial Decision	Information
SE1	0,880	0,569	0,559	0,631	Valid
SE2	0,878	0,392	0,521	0,604	Valid
SE3	0,808	0,425	0,807	0,577	Valid
SE4	0,922	0,401	0,668	0,611	Valid
SE5	0,909	0,469	0,633	0,664	Valid
LKS1	0,395	0,831	0,227	0,516	Valid
LKS2	0,341	0,834	0,368	0,458	Valid
LKS3	0,523	0,807	0,454	0,511	Valid
LKS4	0,522	0,868	0,357	0,607	Valid
LKS5	0,458	0,876	0,261	0,611	Valid
LKS6	0,406	0,901	0,284	0,649	Valid
LKS7	0,452	0,914	0,360	0,609	Valid
SI1	0,569	0,270	0,869	0,434	Valid
SI2	0,650	0,310	0,746	0,463	Valid
SI4	0,438	0,072	0,767	0,285	Valid
SI5	0,679	0,480	0,870	0,594	Valid
SI6	0,586	0,303	0,886	0,463	Valid
KB1	0,447	0,640	0,359	0,755	Valid
KB2	0,474	0,636	0,392	0,889	Valid
KB3	0,558	0,577	0,397	0,872	Valid
KB4	0,642	0,641	0,572	0,852	Valid

KB5	0,723	0,509	0,523	0,877	Valid
KB7	0,640	0,444	0,591	0,859	Valid
KB8	0,644	0,544	0,474	0,866	Valid
KB9	0,656	0,556	0,521	0,881	Valid

Source: results processed by researchers, 2026

Based on the results of the cross-loading analysis, all indicators showed the highest loading values on the intended variables, as indicated by the highest loading values in bold. Furthermore, no indicators were found to have higher cross-loading values on other variables, so each indicator can be said to accurately represent its respective construct. Although indicator SE3 showed a relatively high cross-loading value on the social influence construct, its loading value on the self-efficacy construct remained higher and met the criteria for discriminant validity. Conceptually, this can be explained because in the context of entrepreneurship, an individual's self-confidence often develops through social interactions and environmental observations. Therefore, the relatively close empirical relationship between the two constructs is still theoretically acceptable and does not indicate substantial conceptual overlap. Therefore, it can be concluded that discriminant validity has been met based on the cross-loading criteria, which indicates that each construct in the model is unique and can be clearly distinguished from the others.

Table 6. Fornell-Larcker Square Root of AVE

Variables	Self-Efficacy	Sharia Financial Literacy	Social Influence	Entrepreneurial Decision	Information
Self-Efficacy	**0,880**	0,514		0,703	Valid
Sharia Financial Literacy		**0,863**		0,663	Valid
Social Influence	0,722	0,378	**0,829**	0,563	Valid
Entrepreneurial Decision				**0,857**	Valid

Source: results processed by researchers, 2026

The analysis results show that all diagonal values (AVE) are higher than the correlation values between variables (off-diagonal), indicating that each construct has good discriminant validity. The highest correlation was found between self-efficacy and social influence at 0.722, indicating a fairly strong relationship between the two variables. Conversely, the lowest correlation was found between Sharia Financial Literacy and social influence at 0.378, indicating a weaker but still positive relationship. Overall, these results strengthen the conclusion that the constructs in this study can be clearly distinguished and have adequate discriminant validity.

d. Heterotrait-Monotrait Ratio (HTMT)

The Heterotrait-Monotrait Ratio (HTMT) is used as an alternative approach to testing discriminant validity. HTMT is calculated by comparing the average correlation between indicators from different constructs (heterotrait-heteromethod) with the geometric mean of the correlation between indicators within the same construct (monotrait-heteromethod).

Table 7. Heterotrait-Monotrait Ratio

Variables	Heterotrait-monotrait ratio (HTMT)
Sharia Financial Literacy <-> Entrepreneurial Decision	0,695
Self-Efficacy <-> Entrepreneurial Decision	0,744
Self-Efficacy <-> Sharia Financial Literacy	0,548
Social Influence <-> Entrepreneurial Decision	0,584
Social Influence <-> Sharia Financial Literacy	0,388
Social Influence <-> Self-Efficacy	0,782

Source: results processed by researchers, 2026

All HTMT values between constructs are below the recommended threshold. HTMT is used to evaluate whether constructs in a model are truly different from each other. A good HTMT value is below 0.90, although some literature suggests a stricter threshold, namely 0.85, for conservative models.

e. Construct Reliability

Construct reliability testing is performed by calculating the Composite Reliability (CR) value, which aims to assess the consistency of indicators in measuring a construct. A construct is said to have good reliability if the CR value is greater than 0.70.

Table 8. Composite Reliability Test Results

Variables	Composite Reliability	Information
Self-Efficacy	0,950	Reliable
Sharia Financial Literacy	0,949	Reliable
Social Influence	0,929	Reliable
Entrepreneurial Decision	0,912	Reliable

Source: results processed by researchers, 2026

The results of the research data analysis showed a composite reliability above 0.80, indicating a very good level of reliability. This confirms that the measurement model used has very strong reliability and is reliable for further analysis.

3.2.2 Inner Model

The internal model is part of the structural model in PLS-SEM that describes the relationships between latent constructs. This model shows the direction and strength of the influence between latent variables within the conceptual framework being studied. The internal model is assessed using several indicators, such as the R^2 value (coefficient of determination), the f^2 value (effect size), and hypothesis testing in SmartPLS.

a. R-Square (R^2)

In Partial Least Squares - Structural Equation Modeling (PLS-SEM), R^2, or the coefficient of determination, is used to measure the extent to which independent variables can explain variation in the dependent variable. R^2 values range from 0 to 1, with higher values indicating stronger predictive ability of the model. For example, an R^2 value of 0.456 means that 45.66% of the variance in the endogenous construct can be explained by the exogenous construct in the model.

Table 9. R-Square Test Results

Dependent Variable	R-Square	R-Square adjusted
Entrepreneurial Decision	0,623	0,598

Source: results processed by researchers, 2026

The R^2 value in this study is considered strong. The results show that all variables in the model can explain approximately 62.3% of the variation in variable Y, which is influenced by variable X.

b. Hypothesis Testing

Significance testing in PLS-SEM is carried out using the bootstrapping method to evaluate whether the relationship between latent variables is statistically significant.

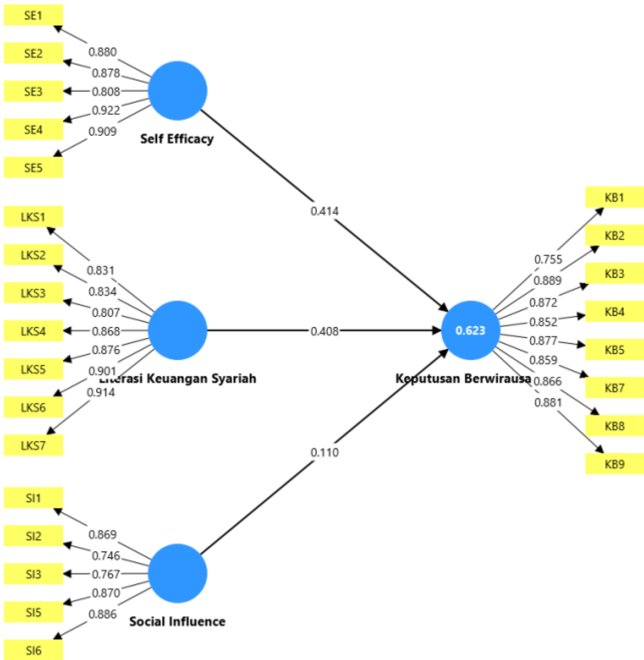

Figure 2. Bootstrapping Research Model

The relationship between variables is considered statistically significant if the T statistic value > 1.96 and the P value < 0.05 (5%), and the beta coefficient is positive, which indicates a consistent direction of the relationship.

Table 10. Bootstrapping Results of Significant Test Path Coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Sharia Financial Literacy -> Entrepreneurial Decision	0.408	0.399	0.104	3.919	0.000
Self-Efficacy -> Entrepreneurial Decision	0.414	0.406	0.131	3.161	0.002

Social Influence -> Entrepreneurial Decision	0.110	0.133	0.116	0.948	0.343

Source: results processed by researchers, 2026

Based on the analysis results, there are two variables that have a positive and significant influence on Entrepreneurial Decision, namely Sharia Financial Literacy and self-efficacy. Meanwhile, social influence does not show a significant influence, resulting in the finding that H1 and H2 are accepted and H3 is rejected. This indicates that Sharia Financial Literacy and self-efficacy play a significant role in driving Entrepreneurial Decision, while social influence is not the main determinant.

c. Effect Size

The effect size (f^2) describes the magnitude of a variable's influence. A value less than 0.02 indicates a very small effect, between 0.02 and 0.15 indicates a moderate effect, and a value above 0.35 indicates a large effect (Krstya Damayanti and Anisa Rosdiana, 2025). The higher the value, the stronger the influence of the variable.

Table 11. Effect Size Test Results

	Entrepreneurial Decision	**Sharia Financial Literacy**	**Self-Efficacy**	**Social Influence**
Entrepreneurial Decision				
Sharia Financial Literacy	0.325			
Self-Efficacy	0.187			
Social Influence	0.015			

Source: results processed by researchers, 2026

The data analysis above shows that Sharia Financial Literacy has the most dominant influence on Entrepreneurial Decision f^2 of 0.325, which indicates a moderate influence according to Cohen's criteria. Meanwhile, self-efficacy also shows a moderate influence with an f^2 value of 0.187, which is included in the moderate influence category because its value is between 0.02 and 0.15. In contrast, social influence shows a very minimal contribution to the research model with an f^2 value of only 0.015. Overall, these findings indicate that Sharia Financial Literacy is the strongest predictor factor in explaining Entrepreneurial Decision followed by self-efficacy with a moderate influence, while social influence has an almost insignificant impact in this research model.

3.3 Discussion

3.3.1 The Influence of Sharia Financial Literacy on Entrepreneurial Decisions

The results of the hypothesis testing indicate that Sharia Financial Literacy has a positive and significant effect on Entrepreneurial Decisions among students enrolled in the PUSKIIBI UMSU business incubator. This is indicated by a path coefficient of 0.408, a T-statistic of 3.919 (> 1.96), and a p-value of 0.000 (< 0.05), thus H_1 is accepted. Furthermore, the effect size (f^2) of 0.325 indicates that Sharia

Financial Literacy has a moderate to strong influence and is the strongest predictor in this research model compared to other variables.

These results are consistent with research by (Pida & Imsar, 2022), which found that Sharia Financial Literacy significantly influences investment and entrepreneurial decisions among Muslims in Malaysia. Similarly, (M. Dewi et al., 2025); (Hasibuan et al., 2023) and (Anzani et al., 2024) concluded that students with higher levels of Sharia Financial Literacy tend to exhibit wiser financial behavior and a stronger entrepreneurial orientation. Research by (Imsar et al., 2024); (N. A. Dewi & Anggaini, 2025) and (Harahap & Soemitra, 2022) also supports these findings by showing that financial literacy is positively correlated with entrepreneurial attitudes and behaviors among Indonesian students. In the context of business incubators such as PUSKIIBI UMSU, students receive more intensive exposure to Sharia financial materials through training, mentoring, and access to business information, which directly strengthens their cognitive capacity in making entrepreneurial decisions.

3.3.2 The Influence of Self-Efficacy on Entrepreneurial Decisions

The results of the second hypothesis test indicate that self-efficacy has a positive and significant effect on the Entrepreneurial Decision of PUSKIIBI UMSU students. The path coefficient of 0.414, the T-statistic value of 3.161 (> 1.96), and the p-value of 0.002 (< 0.05) confirm that H_2 is accepted. The effect size (f^2) of 0.187 indicates that self-efficacy has a moderate influence on Entrepreneurial Decision, and is the second strongest predictor in the model after Sharia Financial Literacy.

This finding is supported by Bandura's (1997) Social Cognitive Theory, which defines self-efficacy as an individual's belief in their capacity to establish, manage, and grow a business. Individuals with high self-efficacy are more risk-tolerant, persistent under failure, and motivated to pursue entrepreneurial opportunities (Imsar, 2021). Within the TPB framework, self-efficacy corresponds to perceived behavioral control and directly shapes behavioral intentions (Billah et al., 2020).

Furthermore, (Yiming et al., 2024)l (Billah et al., 2020) and (Hazizah & Nasution, 2022) explains that self-efficacy is one of the main components of Psychological Capital (PsyCap) which has a significant impact on individual behavior and performance in both organizational and entrepreneurial contexts. Within the framework of the Theory of Planned Behavior proposed by Ajzen (1991), self-efficacy, which is identical to perceived behavioral control, plays a direct role in determining behavioral intentions, including entrepreneurial intentions (Billah et al., 2020). Thus, the stronger students' confidence in their entrepreneurial abilities, the greater their likelihood of making the concrete decision to start a business (Siti Salma Sitio et al., 2023).

3.3.3 The Influence of Social Influence on Entrepreneurial Decisions

In contrast to the previous two variables, the results of the third hypothesis test indicate that social influence does not have a significant effect on the Entrepreneurial Decision of PUSKIIBI UMSU students. The path coefficient value of 0.110 with a T-statistic of only 0.948 (<1.96) and a p-value of 0.343 (>0.05) results in H_3 being rejected. The very small effect size (f^2) of 0.015 further confirms that the contribution of social influence in explaining variations in Entrepreneurial Decision is very minimal in the context of this study.

However, the lack of social influence in this study can be explained from several perspectives. First, the respondents' characteristics as students participating in a business incubator placed them in a structured entrepreneurial ecosystem, where entrepreneurial motivation is driven more by internal factors (intrinsic motivation) such as self-confidence and knowledge, rather than pressure or influence from the external social environment. Within the incubator environment, expectations for entrepreneurship have become a shared norm, so social pressure is no longer perceived as a significant differentiating factor a phenomenon that can be explained by the concept of the "ceiling effect" in normative influence.

Second, the current generation of students, generally belonging to Generation Z, is known to have a more individualistic and independent orientation in career decision-making. Various studies have shown that Generation Z tends to be more influenced by internal factors such as passion, personal values, and abilities, rather than social pressure from the surrounding environment (Febriandika et al., 2023). Third, there may be a mediator not measured in this study: social influence may not directly influence entrepreneurial decisions, but rather may be mediated by intervening variables such as subjective norms, perceived social support, or social capital.

These results align with several studies that have found a limited role for social influence in certain contexts. (Pamikatsih et al., 2025) fand (Kusdiyanto & Ishbah, 2024)ound that family and peer influence are not always significant predictors of entrepreneurial intention when the entrepreneurship education environment provides adequate stimulation. Research (Agustin et al., 2023) also concluded that among students actively participating in entrepreneurship programs, cognitive factors and personal capacity are more dominant than social pressure in determining entrepreneurial decisions. This finding has important implications: business incubator programs that focus on strengthening individual capacity in terms of both financial knowledge and self-confidence are more effective in encouraging entrepreneurial decisions than relying solely on social environmental influences.

Theoretically, social influence corresponds to Ajzen's (1991) subjective norm in the TPB the perceived social pressure from significant others such as family, friends, and entrepreneurial role models, which can positively influence behavioral intentions toward entrepreneurship (Ramdhani & Rasto, 2021).

4 CONCLUSION

Based on the analysis, Sharia Financial Literacy and self-efficacy have a positive and significant influence on Entrepreneurial Decisions. Sharia Financial Literacy is the most dominant factor ($f^2 = 0.325$), followed by self-efficacy ($f^2 = 0.187$), while social influence does not significantly influence Entrepreneurial Decisions ($T = 0.948$, $p = 0.343$). The research model explains 62.3% of the variation in Entrepreneurial Decisions ($R^2 = 0.623$), indicating strong predictive power.

These results imply that strengthening Sharia Financial Literacy through entrepreneurship education, training, and mentoring, alongside developing student self-efficacy through practice-based learning and ongoing business incubation, are the most effective strategies to encourage entrepreneurial decisions. Given that Social Influence proved non-significant, PUSKIIBI UMSU management is advised to reposition its accompaniment strategy: reduce mass motivational campaigns and redirect resources toward focused Sharia financial risk management workshops (financial literacy) and structured private mentoring sessions (self-efficacy) grounded in the empirical effect size hierarchy (f^2: Sharia FL = 0.325, Self-Efficacy = 0.187, Social Influence = 0.015).

This study has several limitations. First, the respondents were students who had joined a business incubator and were already running businesses, thus creating the potential for self-selection bias and limited generalizability to students who have not yet started a business. Second, the possible homogeneity of self-efficacy levels in the sample could create a restricted range, affecting the variation in influence between variables. Third, the cross-sectional research design is not capable of capturing the dynamics of the transition from intention to actual decision longitudinally. Future research is recommended to expand the scope of variables by incorporating other contextual factors such as economic conditions, access to capital, or policy support. Furthermore, using a longitudinal or mixed methods approach could provide a more comprehensive understanding of the dynamics of the post-intention phase in values-based entrepreneurship.

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