

# Tax Policy and Financial Access: Implications for Entrepreneurial Intention and Entrepreneurial Behavior Among Generation Z

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## ABSTRACT

This study develops a framework based on the Theory of Planned Behavior and focuses on perceived behavioral control. The Theory of Planned Behavior is extended in this research by proposing that tax policy and financial access are predictors of Generation Z's entrepreneurial intention and behavior. Based on the researcher's knowledge, tax policy and financial access have never been studied concurrently for their impact on entrepreneurial behavior in Indonesia. The model was tested empirically on 500 entrepreneurial students from four public universities in Indonesia. Questionnaire surveys were administered to respondents identified using the random purposive sampling technique. Primary data were processed according to path analysis procedures using SPSS 25. The Theory of Planned Behavior is supported by the seven hypotheses stated in this study. Tax policies and financial access directly affect entrepreneurial intentions and entrepreneurial behavior. Entrepreneurial intentions can also mediate the impact of tax policy and financial access on entrepreneurial behavior.

**Keywords:** Theory of Planned Behavior; Tax Policy; Financial Access; Entrepreneurial Intention; Entrepreneurial Behavior.

## INTRODUCTION

Entrepreneurship is considered a powerful way to promote job creation [38], economic growth [40], and sustainable development [33]. As a result, governments worldwide have constantly encouraged the rise of interest in entrepreneurship among the young to improve the ratio of entrepreneurship by developing regulations and mentorship programs. Research on entrepreneurial intentions and entrepreneurial behavior is increasingly in demand, but most of these studies are conducted in developed countries, such as Australia [53], USA and Turkey [60], China [23], and Italy [34]. In developing countries like Indonesia, there is still a lack of study on entrepreneurial intention and behavior. The factors that influence entrepreneurial intentions in developed countries may differ from those in developing countries [46].

[6] established the Theory of Planned Behavior, a widely recognized model for forecasting entrepreneurial intentions and behavior. Theory of Planned Behavior is a social psychology theory that discusses how attitudes toward behavior, subjective norms, and perceived behavioral control influence human behavior through behavioral intention. In

this theory, the critical determinant of behavior is an intention, a psychological factor that impacts a person's behavior or actions. Perceived behavioral control, which added to the Theory of Planned Behavior, refers to an individual's perception of the ease or difficulty of performing the desired behavior [6]. Perceived behavioral control varies across circumstances and actions taken, resulting in a person's views of behavioral control changing depending on the situation.

In recent years, several researchers have attempted to expand the concept of the Theory of Planned Behavior model by testing variables that are considered to have a significant impact on entrepreneurial intentions and behavior, such as perceived social support [70], personality traits [49], entrepreneurial self-efficacy [30], entrepreneurship education [16] [52], entrepreneurial commitment [64], entrepreneurship attitude [49], and entrepreneurship policy [44]. The same trend also occurs in Indonesia, where research on entrepreneurial intentions and behavior is more often linked to psychological and personality factors [45], lack of social networks [36], entrepreneurial knowledge [47], and culture [31]. Few studies pay attention to tax policy and financial access as factors that inhibit someone from starting entrepreneurship.

Capital and taxes are currently essential issues of concern for entrepreneurs. A survey conducted by the Adam Smith Institute in 2015 to determine the top ten barriers to fostering entrepreneurial intention in the United Kingdom shows that the tax system is the most significant barrier (40 percent), followed by a lack of bank loans (38 percent), the cost of running a business (36 percent), and the number of competitors (28 percent). A survey related to entrepreneurs' perceptions of the tax system in Ireland conducted by [27] also showed the same results, namely 56 percent of entrepreneurs viewed the Irish tax system as an obstacle to growth, and only 19 percent considered the Irish tax system to support the development of new entrepreneurs and still has significant room for improvement. The fact that financial constraints are the main barrier to entrepreneurship is also shown in the research by [39], which shows that there is no difference in the order of barriers to entrepreneurship between men and women related to financial constraints. They both place financial constraints as the main obstacle in entrepreneurship. Financial, marketing, and legal constraints have a more significant impact on entrepreneurship than social, cultural, and family factors in both groups [39].

We argue that testing the impact of tax policy and financial access on entrepreneurial intention and behavior on specific populations will give additional information. Entrepreneurship is becoming the most pursued career choice among the Z generation, even more than millennials. According to a survey done by [57] on 4,769 students (172 high school students and 4,597 college students) and 326 businesses from throughout the country, Generation Z has more entrepreneurial ambitions than prior generations. According to the findings, 72 percent of high school students and 64 percent of college students desire to start their firm someday. Meanwhile, 61 percent of high school students and 43 percent of college students would want to be entrepreneurs rather than employees after graduating from college. Another study conducted by [26] shows that 62 percent of Generation Z desire to start their own company instead of working for an established company, and 51 percent of Generation Z have shown an interest in developing skills related to how to start a business.

Entrepreneurship is also seen favorably by Generation Z in Indonesia. Generation Z, born between 1995 and 2010, accounted for 29.23 percent of the total population of Indonesia, putting them in second place after Millennials, who made up 33.75 percent. According to the Global Entrepreneurship Monitor (GEM) poll conducted in 2018, 71.90 percent of Indonesians aged 18 to 64 agree that entrepreneurship is a suitable career choice, higher than the global average of 62.41 percent. This percentage has increased significantly since 2016 by

69 percent, and it had grown considerably to 70.01 percent in 2017. Furthermore, 74.85 percent of Indonesians aged 18 to 64 think that successful entrepreneurs in their nation receive high status. However, high interest in entrepreneurship is inversely linked to Total Early-Stage Entrepreneurial Activity (TEA), a percentage of the 18-64 population who are either nascent entrepreneurs or owner-manager of a new business, which only reached 14.09 percent in 2018. In other words, Generation Z in Indonesia has a low potential to become entrepreneurs.

Whether Generation Z is more entrepreneurial than the preceding generation is still debated. [2] state that each generation group has different characteristics shaped by cultural occurrences, demographic trends, and pivotal moments in their lives. [28] believe that Generation Z is an entrepreneurial generation. Generation Z members are very confident, have an optimistic perspective of their future professional life, and tend to have entrepreneurial ambitions [1] because they are highly creative and inventive [42]. Generation Z prefers entrepreneurship, is trustworthy, tolerant, and less motivated by money. Generation Z members, unlike previous generations, are poor listeners and lack the interpersonal qualities (aggression, empathy, emotional intelligence honesty, patience, recognition, respect, reliability, and tolerance) required to communicate and engage with others [15].

This study implements the Theory of Planned Behavior as a conceptual framework by focusing on the perceived behavioral control construct to examine the direct and indirect effects of tax policy and financial access on entrepreneurial intentions and behavior. This study attempts to fill a gap in the literature by examining the belief in the presence or absence of variables that encourage or discourage individuals from becoming entrepreneurs, particularly those linked to tax policy and access to capital in developing countries. This research is expected to provide some contributions. First, this research is expected to expand the Theory of Planned Behavior concept by adding tax policy and financial access to the model as predictors of entrepreneurial intention and behavior. This study adopted the research of [54] [55] [62] and [8] to construct a model that met the research goals. Second, this research is expected to provide a basis for the authorities to make tax policies and funding programs that encourage entrepreneurial intentions and behavior among Indonesian youth.

### Theory of Planned Behavior

Entrepreneurial activity is exceptionally representative of planned behavior; thus, it is intentional behavior [50]. This concept is also stated by [51], that the choice to be an entrepreneur or not is

planned, voluntary, and conscious, thus requiring intentionality. Individuals' estimates of whether they will undertake an activity tend to consider all the factors they are aware of that may affect the performance of their activity [66]. The Theory of Planned Behavior has become a widely recognized model for predicting entrepreneurial behavior. According to [18], the Theory of Planned Behavior has been empirically investigated in over 4,200 articles listed in the Web of Science bibliographic database as of April 2020, making it one of the most frequently applied theories in the social and behavioral sciences. Business and management are among the three major disciplines that often adopt the Theory of Planned Behavior as a conceptual framework based on Thematic Treemap Analysis.

The Theory of Planned Behavior is a psychological concept used to predict specific individual behaviors and what processes govern those actions. This model argues that normative beliefs about behavior, attitudes toward the object, and perceived behavioral control influence behavioral intentions that predict behavior [6]. Behavioral intention is a critical component in this model because it directly predicts behavior and mediates between the three exogenous variables with behavior. The Theory of Planned Behavior was introduced by [5] as a conceptual extension of the Theory of Reasoned Action by incorporating perceived behavioral control variables, which are believed to help predict individual behavior in certain circumstances. The Theory of Reasoned Action developed by [3] provides the idea that human behavior is influenced by the extent to which a person has a favorable or unfavorable evaluation of an attractive behavior (attitude toward the behavior) and beliefs about whether most people approve or disapprove of that behavior (subjective norms). Although several empirical research has shown that attitudes and subjective norms have a high ability to explain individual behavioral intentions, these two factors have not always been found to be strong enough to predict human behavior [9].

The Theory of Reasoned Action is suitable for actions under volitional control. When the behavior is affected by factors that some people have limited control of, its predictive accuracy will decrease; thus, the Theory of Planned Behavior is proposed to explain this kind of behavior [5]. The Theory of Planned Behavior suggests that humans plan all their actions to achieve the expected possible outcomes [64]. Since it does not involve a conscious decision from the actor, the scope of the Theory of Reasoned Action excludes behavior that is impulsive, spontaneous, habitual, the result of cravings, or simply scripted or mindless. [66] also argue that the model developed in the Theory of Reasoned Action still requires further modification and refinement, especially when the model is extended to goal

and choice domains. [4] stated that human behavior is complex and challenging to explain and predict.

Therefore, the Theory of Planned Behavior introduces a variable perceived behavior control, a critical distinction from the Theory of Reasoned Action. Perceived behavioral control is described as an individual's perception of the difficulty of enacting a behavior. Some behaviors are beyond one's volitional control, and by incorporating perceived behavioral control into the model, the Theory of Planned Behavior can explain a broader range of behaviors more accurately. [7] argues that perceived behavioral control consists of two highly correlated variables, namely perceived self-efficacy (individuals' beliefs about their abilities) and perceived control (beliefs that individual behavior is volitional). Both variables form perceived behavioral control, which indirectly predicts behavior through intention and directly predicts behavior. This model is different from the attitude toward the behavior and subjective norms that can only predict behavior through intention. Thus, The Theory of Planned Behavior empirically accounts for more variance in intentions and behavior than The Theory of Reasoned Action.

## Previous Studies

This study will expand the Theory of Planned Behavior by focusing on perceived behavioral control by testing the direct and indirect effects of tax policy and financial access on entrepreneurial intentions and behavior. According to the Adam Smith Institute survey in 2015, tax policy and financial access are major obstacles to starting entrepreneurship. However, these two variables have received little attention from researchers. Based on the Theory of Planned Behavior, even though Generation Z has a positive attitude toward entrepreneurship, believes that entrepreneurship is normatively reasonable as a career choice, and has an entrepreneurship plan (which leads to an intention to become an entrepreneur), entrepreneurial behavior may not be likely, if they do not have enough capital and face tax risk

The availability of opportunities and resources, including money, information, time, and skills, are the constraints that control the behavior to be performed [68], in this case, entrepreneurial behavior. Perceived behavioral control indicates the perceived difficulty or ease in performing the behavior, and it is thought to reflect previous experiences as well as anticipated hurdles and barriers [6]. Power of authority, tax complexity, tax awareness, and tax information may all be restrictions in controlling taxpayer behavior in tax compliance [68]. In developing nations, such as Indonesia, where taxes account for 80 percent of state revenue, high tax rates, hefty fines or tax penalties, and tax policy

complexity are frequent issues. Due to these constraints, entrepreneurs are forced to pay a high tax burden and tax compliance cost, although they require adequate capital to establish or maintain their businesses.

However, there is no consensus on whether tax policy affects entrepreneurial intentions and behavior. Several studies have found that progressivity of taxation [12], average tax rate [43], marginal tax rates [43], marginal tax rates for entrepreneurs [41], marginal tax rates for SMEs [35], and corporate tax rate [19] have a negative impact on entrepreneurship. The high rate of corporate income tax reduces the profits of incorporated companies [13]. In addition, the reduction in business profits due to the high corporate income tax has led to a reduction in dividends paid to shareholders and reduced investment opportunities, which has reduced the motivation of people to become entrepreneurs [14].

Meantime, additional studies suggest that the progressivity of corporate taxation [11], the progressivity of personal income taxes [20], average tax rate [12], marginal tax rate [21], and marginal tax rate for salaried workers [41] have a positive impact on entrepreneurship. One argument is that the high rate of corporate income tax reduces the profits of legitimate companies, so they will try to transfer income by entrepreneurship through unlisted companies or informal startups and make better tax planning [61]. The absence of influence of the maximum tax rate, average tax rate, and marginal tax rate on entrepreneurship further demonstrate the inconsistency of the effect of tax policy on entrepreneurship. [17] states that entrepreneurship is passion, and entrepreneurs start a business because they love it, so ideally, entrepreneurs will not decide to start a business due to tax policy.

Furthermore, differences in the characteristics of each nation's tax policy are believed to cause a lack of agreement on the impact of tax policy on entrepreneurship. In the case of Indonesia, entrepreneurs or MSMEs can choose to be subject to final income tax based on Government Regulation No. 23/2018 at a rate of 0.5% on turnover, be subject to a progressive rate of net income based on Article 17 Paragraph 1 for individual taxpayers, or be subject to a tariff of 22% on net income based on Article 17 Paragraph 2 for corporate taxpayers. The imposition of final income tax is considered to be simpler because it does not require bookkeeping, and the rate is lower. In fact, the government lowered the tax rate by half, from 1% based on Government Regulation No.46/2013 to 0.5%. However, taxes on turnover poses risks for entrepreneurs. When entrepreneurs bear high operating expenses and suffer losses, they still have to pay income tax. Also, losses cannot be compensated from the following tax period's income tax liability. Contrary to article 17, which levies a tax on profits, there is no tax due in

the event of a loss, and there are facilities for tax compensation. Thus, the final income tax, which seems "simple and encouraging" to businesses, is not always advantageous.

[63] pointed out that financial constraints are the main obstacle to entrepreneurship. However, there is also no consensus that entrepreneurial intentions and behavior are influenced by financial access. Due to a history of audited financial statements, better guarantees for obtaining loans, and the possibility to fund some expansions through retained earnings, established companies have greater opportunities in terms of access to finance [22]. In contrast, entrepreneurs from under-represented and disadvantaged groups (e.g., women, teenagers, immigrants, and the jobless) have higher difficulties obtaining funding, typically owing to a lack of collateral and credit history. However, entrepreneurs in the early stages of business, growth phase, shake-out phase, and maturity phase have different needs for the type and amount of financing to maintain and grow their businesses.

The findings of [65] are consistent with previous studies, indicating that persons who receive gifts or inheritances are more likely to start their enterprises. As a result, they conclude that if the government wishes to boost entrepreneurship, it must make financial access simpler and more widespread for potential entrepreneurs who are limited by a lack of funds. [55] research showed a different result: financial access does not affect business intentions and behaviors. [24] discovered that young people between the ages of 21 and 40 have the energy and confidence to take business risks, so they ignore the risk of inadequate capital and financial access. [32] also pointed out that people are more willing to expose themselves to career risks such as entrepreneurship when they are young, so a lack of funding channels will not affect their decision to become entrepreneurs.

The neglect of financial risk is also suspected in young Indonesian entrepreneurs. GEM data that measures entrepreneurship as a good career choice from 2015 to 2022 shows that Indonesia has the highest score (74.38) compared to other Asian countries such as Japan, South Korea, Malaysia, Singapore, and Taiwan only reached 23.99 to 57.13. However, the Organization for Economic Cooperation and Development (OECD), in its report entitled *Financing SMEs and Entrepreneurs 2022*, stated that accessing finance is still challenging for most SMEs in Indonesia. From 2011 to 2020, loan interest rates decreased by 3.8% for SMEs (from 12.28% to 9.36%) but are still very high compared to the average in other countries. The outstanding loans allocated to SMEs declined by 3.2% year on year (y-o-y) in 2020. During the 2018 to 2020 period, SMEs' non-performing loans (NPLs) also increased from 3.35% to 3.95%. Despite the fact that there are

more financial institutions, according to statistics from the World Bank for 2021, both formal (banks and non-banks) and informal (fintech and angel investors), 40% of Indonesian adolescents do not have bank accounts because they believe that financial services are too expensive.

**RESEARCH METHOD**

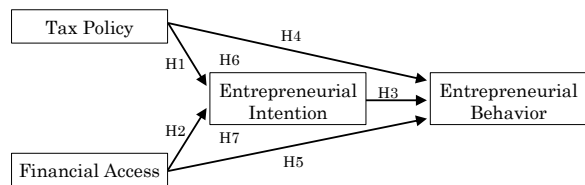
This study is quantitative research with an explanatory approach that uses empirical hypothesis testing to elucidate the relationship between the variables analyzed by collecting numerical data and analyzing it mathematically. Based on the data collecting method, this study is a survey research using a questionnaire as the instrument. The variables and question items in this study were adapted from several prior studies and were measured using a Likert Scale with a range of 1 to 5, with one indicating "strongly disagree," and five indicating "strongly agree." The tax policy factors were adapted from [54] research; however, this study does not include all of the questions and adjusts to the taxation policies in Indonesia when the study was conducted. Meanwhile, 5 question items derived from [55] research were used to measure financial access, 5 question items from [62] were used to test entrepreneurial intention, and 4 question items from the behavioral model [8] were used to measure entrepreneurial behavior.

This study uses the Slovin formula to determine the sample size because the population is large [25]. We computed the optimal sample size using a 5 percent level of precision and 95 percent level of confidence, which is acceptable in social research [67]. The recommended minimum sample size is 385 based on the findings of the Slovin formula calculation. This study applies random purposive sampling to determine the sample since this study aims to look at Generation Z's entrepreneurial intention and behavior. In addition, [56] state that random purposive sampling enhances the credibility of to sample when a potential purposeful sample is too large. The researcher randomly selects subjects from a sampling frame of purposely selected samples.

500 surveys were filled out and met the sampling requirements, namely entrepreneurial students from four state universities in Indonesia, out of the 515 gathered. Students from four public universities in Indonesia were selected as respondents because 1) college students matched the theoretical criteria of Generation Z at the time the research was conducted, and 2) the university had the vision to become an entrepreneurial university. SPSS 25 was used to process primary data under path analysis methods.

The study tested the Theory of Planned Behavior by focusing on perceived behavioral control as a determinant of behavioral intentions

and the behavior itself. Perceived Behavior Control is a belief about the presence or absence of factors that aid and impede individuals to perform a behavior. Therefore, this study proposes the hypothesis that tax policy and financial access have direct and indirect effects on Generation Z's entrepreneurial intentions and behavior in Indonesia. The research model is depicted in Figure 1 as follows.



**Figure 1.** Research Model

Based on the research model in Figure 1, this research is composed of seven hypotheses.

- H1: Tax policy affects on entrepreneurial intentions of Generation Z in Indonesia
- H2: Financial Access affects entrepreneurial intentions of Generation Z in Indonesia
- H3: Entrepreneurial intention affects entrepreneurial behavior of Generation Z in Indonesia
- H4: Tax policy affects entrepreneurial behavior of Generation Z in Indonesia
- H5: Financial Access affects entrepreneurial behavior of Generation Z in Indonesia
- H6: Tax policy affects entrepreneurial behavior through entrepreneurial intentions of Generation Z in Indonesia
- H7: Financial Access affects entrepreneurial behavior through entrepreneurial intentions of Generation Z in Indonesia

**RESULTS AND DISCUSSION**

**Reliability and Validity Test Results**

The reliability and validity tests must be performed because this study uses a questionnaire as a research instrument. [59] suggested a reliability coefficient of 0.7 as appropriate; however, lower thresholds have been employed in the literature. According to [58], a Cronbach Alpha score of 0.60 is acceptable in social science. Based on the Cronbach Statistical Test results in Table 1, it is known that all variables in this study are reliable.

**Table 1.** Reliability Test Results

Variable	Cronbach Alpha Score	Reliability
Tax Policy	0.835	Reliable
Financial Access	0.616	Reliable
Entrepreneurial Intention	0.860	Reliable
Entrepreneurial Behavioral	0.804	Reliable

The validity test used Bivariate Pearson correlation, carried out by correlating each indicator score with the total construct score. Validity test results are determined by comparing the significance value of the test results with a significance level of 5 percent. Based on the test, it is known that the fifth item of financial access is not valid, so it is not used in this study.

**Table 2.** Validity Test Results

Item	Sig Value	Validity
Tax Policy 1	0.020	Valid
Tax Policy 2	0.000	Valid
Tax Policy 3	0.000	Valid
Tax Policy 4	0.002	Valid
Tax Policy 5	0.000	Valid
Tax Policy 6	0.005	Valid
Tax Policy 7	0.000	Valid
Tax Policy 8	0.000	Valid
Tax Policy 9	0.003	Valid
Tax Policy 10	0.001	Valid
Financial Access 1	0.000	Valid
Financial Access 2	0.000	Valid
Financial Access 3	0.003	Valid
Financial Access 4	0.000	Valid
Entrepreneurial Intentions 1	0.000	Valid
Entrepreneurial Intentions 2	0.000	Valid
Entrepreneurial Intentions 3	0.000	Valid
Entrepreneurial Intentions 4	0.000	Valid
Entrepreneurial Intentions 5	0.000	Valid
Entrepreneurial Behavioral 1	0.000	Valid
Entrepreneurial Behavioral 2	0.000	Valid
Entrepreneurial Behavioral 3	0.000	Valid
Entrepreneurial Behavioral 4	0.000	Valid

### Respondent Characteristics

An examination of the demographic profile supplements the results of the hypothesis analysis in this study to determine the differences in each research respondent's background. Of the 525 questionnaires distributed to entrepreneurial students at four state universities in East Java, Indonesia, only 500 were filled out completely and could be processed. There are more female respondents ( $n = 311$ , 62.20 percent) than male respondents. Half of the respondents are between 20-22 years old ( $n = 297$ , 59.40 percent) and have a non-business educational background ( $n = 267$ , 53.40 percent). 39.80 percent of respondents identified as freshmen and sophomores at the diploma and undergraduate degrees. This finding is intriguing since there is a widespread belief that senior students with business credentials mostly show entrepreneurial activity. Based on the data, it is known that respondents are also trying to improve their knowledge and skills in entrepreneurship, 77.20 percent ( $n = 386$ ) of respondents stated that they have participated in entrepreneurship socialization, training,

or seminars and 43 percent ( $n = 215$ ) of respondents also stated that they joined entrepreneurial organizations.

Additionally, the data indicates that most respondents ( $n = 353$ , 70.60 percent) are not from entrepreneurial families, implying that the bulk of respondents' entrepreneurial intention and behavior are self-determined. According to the stages of entrepreneurial activity, most respondents are developing their first business idea (27.60 percent) and releasing their first product (19.80 percent). At this point, the need for financial assistance is very great. Regarding tax risk, which is also investigated in this study, the data shows that most respondents ( $n = 348$ , 69.60 percent) had never taken tax courses or attended tax socialization, training, or seminars ( $n = 407$ , 81.40 percent). More detailed respondent characteristic information is presented in Table 3.

**Table 3.** Respondent Characteristics

	F (N=500)	%
<b>Age</b>		
17-19	193	38.60
20-22	297	59.40
23-25	10	2.00
<b>Gender</b>		
Man	189	37.80
Woman	311	62.20
<b>Academic Year</b>		
<b>Diploma</b>		
Freshman	16	3.20
Sophomore	2	0.40
Junior	3	0.60
Senior	1	0.20
<b>Bachelor</b>		
Freshman	58	11.60
Sophomore	123	24.60
Junior	128	25.60
Senior	164	32.80
<b>Post Graduate</b>		
Sophomore	5	1.00
<b>Educational Background</b>		
Business	233	46.60
Non Business	267	53.40
<b>Taking Entrepreneurship Course</b>		
Once	319	63.80
Never	181	36.20
<b>Participate in Entrepreneurship Training</b>		
Once	386	77.20
Never	114	22.80
<b>Join an Entrepreneurial Organization</b>		
Join	215	43.00
Not Joined	285	57.00
<b>Parents Are Entrepreneurs</b>		
Entrepreneur	147	29.40
Non Entrepreneur	353	70.60
<b>Entrepreneurial Activity Stages</b>		
Thinking of the first business idea	138	27.60
Formulating a business plan	51	10.20
Identify market opportunities	40	8.00
Looking for potential business partners	33	6.60
Buying equipment	20	4.00
Carry out product development	31	6.20

	F (N=500)	%
Discuss with potential customers	14	2.80
Applying for funding at a financial institution	12	2.40
Determine when the business is run	11	2.20
Product launch	99	19.80
Other	51	10.20
<b>Taking Taxation Course</b>		
Once	152	30.40
Never	348	69.60
<b>Participate in Tax Training / Seminar</b>		
Once	93	18.60
Never	407	81.40

**Hypothesis Test Result**

This study examines the effect of financial access and tax policy directly on entrepreneurial behavior and indirectly through entrepreneurial intentions. The test results show that both tax policy ( $\beta = 0.254, p < 0.01$ ) and financial access ( $\beta = 0.084, p < 0.10$ ) can predict the entrepreneurial intention of Generation Z. Based on the Theory of Planned Behavior, perceived behavioral control, which in this study is measured by variables of financial access and financial policy, can predict entrepreneurial behavior directly and indirectly through entrepreneurial intentions. It is known that the test results are able to prove the direct effect of tax policy ( $\beta = 0.190, p < 0.01$ ) and financial access on entrepreneurial behavior ( $\beta = 0.081, p < 0.10$ ). Table 4 shows that the direct effect of tax policy on entrepreneurial behavior decreased after the entrepreneurial intention variable was included in the analysis ( $\beta = 0.136, p < 0.01$ ). The effect of tax policy on entrepreneurial behavior mediated by entrepreneurial intentions is also shown by the results of the Sobel test, which has a Z-value of 4.064 and is significant at the 0.01 level. Furthermore, the entrepreneurial intention was also proven to mediate the effect of financial access on entrepreneurial behavior ( $\beta = 0.045, p < 0.10$ ). This is also reinforced by the results of the Sobel test, which shows the Z-value: 1.8813 and is significant at the 0.1 level. Thus, the overall hypothesis proposed in this study is supported.

**Table 4.** Hypothesis Test Result

Relationship	Direct Effect ( $\beta$ )	Sig.	Indirect Effect ( $\beta$ )	Total Effect
TP - EI	.254	.000***		
FA - EI	.084	.057*		
EI - EB	.535	.000***		
TP - EB	0.190	.000***	(.254x.535) 0.136***	0.326
FA - EB	0.081	.071*	(.084x.535) 0.045*	0.126

\*\*\* :  $p < 0.01$   
 \*\* :  $p < 0.05$   
 \* :  $p < 0.10$

**Discussion**

This study focuses on perceived behavioral control variables which are beliefs about the availability of support and resources or barriers to carrying out an entrepreneurial behavior. Tax policy and financial access, considered the most significant inhibiting factors in entrepreneurship, are tested for their direct and indirect effects on entrepreneurial behavior. Statistical tests indicate that the seven hypotheses tested in this research are acceptable, or in other words, this research supports the Theory of Planned Behavior introduced by [6]. Tax policy and financial access have been proven to be able to influence the choice to be an entrepreneur or not where the choice has the characteristics of being planned, voluntary, and conscious [51].

According to descriptive statistical analysis, most respondents do not come from business-owning families, and their entrepreneurial activities are still in the early stages. This condition exposes them to great potential for failure, primarily if the right policies from the authorities do not support it. Entrepreneurs at the initial level need adequate capital to develop their business, but few financial institutions are ready to grant finance because novice entrepreneurs are thought to have a poor track record. The scenario is made worse because the government levies a tax on startup income, restricting investment opportunities and profitability. Unlike previous generations, Generation Z is more concerned about career security. Therefore generation Z, which is more concerned with job stability than prior generations, places a greater emphasis on tax policy and financial availability before starting a business.

In this research, tax policy is shown a direct impact on entrepreneurial intention and entrepreneurial behavior. Thus, this research supports previous research which has proven that corporate taxes [11], personal income tax progression [20], average tax rates [12], marginal tax rates [21], and marginal tax rates for salaried workers [41] have a positive impact on entrepreneurship. However, this study provides a more comprehensive explanation because it uses tax policy as a predictor variable. Tax policies address not only tax rates but also policies for fulfilling tax obligations, tax objects, tax incentives, and sanctions.

[69] states that tax complexity in Indonesia decreased from 0.48 (2016) to 0.39 (2020) but was still the highest during the period compared to Singapore (0.23), South Korea (0.31), Taiwan (0.33), Japan (0.34), Malaysia (0.35), and Thailand (0.36). Likewise, Indonesia is included in the top 20 Asian countries with the longest time fulfilling tax obligations regarding tax preparation time. Thus,

generation Z, who desire to be entrepreneurs, will be burdened with high tax administration costs. The burden is even more remarkable because of the high tax rate in Indonesia (individual tax rates 30 percent and corporate rates 25 percent). As a result, Generation Z will prefer income sources with low tax risk by choosing entrepreneurship through companies that are not incorporated or informal entrepreneurship. Tax authorities have difficulty monitoring and regulating individuals or entities in the informal sector, and so classify them as hard-to-tax groups [48]; they try to become taxpayers who are difficult to tax [10].

This study can also prove that financial access directly affects entrepreneurial intentions and entrepreneurial behavior. In General, generation Z is a risk-averse generation [28], so before they decide to start a business, they will make sure that funding is available and easy to obtain. Access to finance is a critical component of innovation creation, new venture growth, and business viability. Lack of finance usually prevents new businesses from increasing their productivity, covering working capital needs [29], meeting market demands, and investing in innovative projects [37]. In many cases, young individuals do not have enough opportunities to save and accumulate the margin money needed for business. The initial capital they often get from relatives or friends. The quantity of money that can be collected is frequently insufficient to cover the costs of their business activities. At the same time, bankers view young people who have just started a business as unsafe and potentially risk. Difficulties accessing financial resources can kill the entrepreneurial spirit or eventually eliminate business opportunities for young entrepreneurs due to excessive delays in arranging funding to start a business. However, this study found that the more complex the financial access constraints are, the more generation Z is interested in business and acts entrepreneurially. According to the respondents' background study, most respondents (19.80 percent) have launched their products. That is, they aim to reach the highest levels of Entrepreneurial Activity in order to earn the trust of investors or lenders.

The critical variable in the Theory of Planned Behavior, namely entrepreneurial intention, has also been shown to influence entrepreneurial behavior. This study strengthens the argument that intention is the most proximal behavioral mediator because it is the construct most likely to predict voluntary behavior. Intentions explain more variation in behavior than attitudes, norms, and self-efficacy. Furthermore, individuals are more likely to engage in certain behaviors when they understand the behavioral procedures. The result of the

descriptive analysis shows the manifestation of entrepreneurial intentions into behavior, where the majority of respondents (27.60%) have been thinking of the first business idea, 10.20% formulating a business plan, and even 19.80% have launched their products.

## CONCLUSION

As factors that some people have limited control over, tax policies and financial access have influenced Generation Z's entrepreneurial intentions and behavior in Indonesia. Entrepreneurial intentions have also proven to be Generation Z's primary key to entrepreneurial behavior. Thus, the results of this study strengthen the Theory of Planned Behavior. This study has several limitations that should be considered when interpreting the findings. First, this study takes respondents who belong to Generation Z and own a business from four public universities in East Java, Indonesia. The characteristics of Generation Z in developing and developed countries may differ. Therefore, future research can analyze Generation Z entrepreneurs from other countries with different cultural backgrounds and experiences. Second, this study uses cross-sectional data. Although these data types are used extensively in business research and management, they represent a single point in time and make it difficult to determine the cause and effect or impact of changes over time. Further research is suggested to use longitudinal data to examine the effect of tax policy and financial access on entrepreneurial intentions and behavior.

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