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Financial Literacy and Entrepreneurial Intention: Attitude Mediation and Tara Bandu's Indigenous Institutional Role in Timor-Leste

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ABSTRACT: This study examines the direct and indirect associations between financial literacy and entrepreneurial intention through attitude and tests Tara Bandu as an indigenous institutional boundary condition in Timor-Leste. A sequential exploratory mixed-methods design combined qualitative evidence from five key informants with PLS-SEM analysis of 180 Economics and Business graduates. Financial literacy was positively associated with attitude ($\beta = 0.567$, $p < 0.001$) and entrepreneurial intention ($\beta = 0.256$, $p < 0.001$), while attitude was positively associated with entrepreneurial intention ($\beta = 0.472$, $p < 0.001$). The indirect effect through attitude was significant ($\beta = 0.268$, $p < 0.001$), supporting partial mediation. The Tara Bandu $\times$ Financial Literacy interaction was positive and significant ($\beta = 0.363$, $p < 0.001$; $f^2 = 0.273$), whereas Tara Bandu's main effect was nonsignificant. The model explained 55.5% of the variance in entrepreneurial intention and showed positive predictive relevance. However, redundancy analysis of the formative Tara Bandu constructs yielded $\beta = 0.225$ ($R^2 = 0.051$), below the 0.70 convergent-validity criterion. Accordingly, interpret the moderation finding as preliminary pending measurement refinement and replication.

1. INTRODUCTION

Timor-Leste, one of the youngest nations in Southeast Asia, continues to face structural challenges related to economic diversification, private-sector development, and employment creation (World Bank, 2019, 2020; Asian Development Bank, 2021). The 2022 Population and Housing Census recorded 1,341,737 usual residents (Timor-Leste National Institute of Statistics, 2023), while official SERVE statistics reported 5,466 business registrations during 2022 (SERVE, I.P., 2022). These figures underscore the importance of strengthening private-sector development and entrepreneurial opportunities. However, business-registration data should not be interpreted as a population-based entrepreneurship rate because registrations are administrative records rather than a direct measure of the proportion of individuals engaged in entrepreneurial activity. Against

this structural background, identifying the factors associated with entrepreneurial intention among economics and business graduates is particularly relevant to efforts to expand employment and enterprise creation beyond the public and petroleum-related sectors.

Entrepreneurial intention reflects an individual's commitment and readiness to establish a business in the future (Ajzen, 1991; Liñán & Fayolle, 2015). The Theory of Planned Behavior (TPB) explains intention through attitude, subjective norms, and perceived behavioral control. This study does not claim to provide a full test of all TPB components. Instead, it uses attitude as the central evaluative mechanism and extends the TPB perspective by introducing financial literacy as a distal capability and Tara Bandu as an indigenous institutional boundary condition. This positioning is consistent with recent entrepreneurship research showing that entrepreneurial intention is shaped by both individual resources and institutional conditions, while personal attitudes also play an important role in intention formation (Ključnikov et al., 2026).

Financial literacy is conceptualized as a financial capability that can influence entrepreneurial intention through more than one mechanism. It may improve the ability to evaluate financing, budgeting, debt, investment, and risk, while also shaping whether entrepreneurship is judged feasible and worthwhile. Recent evidence likewise links financial capability and financial literacy to entrepreneurial intention and TPB-related mechanisms (Molina-García et al., 2021; Guo et al., 2024; Nguyen et al., 2024). The key issue is therefore not only whether financial literacy matters, but how financial capability is translated into entrepreneurial intention and under what contextual conditions that translation is stronger.

This distinction defines the first research gap addressed here. Existing studies provide evidence that financial literacy can be related to entrepreneurial intention, but less is known about the psychological pathway through attitude and the indigenous institutional conditions under which financial capability becomes more consequential. The study therefore moves from a simple antecedent model toward a conditional process model: financial literacy is expected to have a direct association with intention and an indirect association through attitude, while Tara Bandu is expected to change the strength of the financial-literacy–intention relationship.

Attitude is the central psychological pathway. It captures whether entrepreneurship is evaluated as desirable, beneficial, and personally worthwhile. Financial literacy may strengthen intention directly by increasing confidence in financial decision-making, while also operating indirectly when better financial understanding supports a more favorable evaluation of entrepreneurship. Thus, attitude is treated as the proximal evaluative mechanism within the selected TPB extension rather than as a complete representation of TPB.

The study also considers Tara Bandu as an indigenous cultural and institutional condition. Rooted in customary authority, collective norms, and social regulation, Tara Bandu may shape whether the application of financial knowledge to entrepreneurship is regarded as legitimate, responsible, and socially supported. Its role is therefore theorized as contextual rather than necessarily additive.

This framework treats Tara Bandu as a boundary condition. The empirical test asks whether the relationship between financial literacy and entrepreneurial intention changes according to the strength of Tara Bandu-related customary support. A significant interaction accompanied by a nonsignificant main effect would imply that Tara Bandu is more relevant to the conversion of capability into intention than to intention in isolation.

Unlike studies relying primarily on generic cross-national cultural dimensions such as individualism–collectivism (Hofstede, 2001), this study examines Tara Bandu as a customary institution rooted in Timor-Leste's local governance and ancestral norms. Tara Bandu regulates social, economic, and environmental life through locally legitimate rules, prohibitions, sanctions, rituals, and collective monitoring (Babo-Soares, 2004; Cummins, 2010; Belun & The Asia Foundation, 2013; Silva, 2014). Such institutions can shape trust, solidarity, conflict resolution, resource stewardship, social order, and the perceived legitimacy of economic conduct. Indigenous institutions remain underrepresented in entrepreneurship research, particularly when they are modeled as contextual boundary conditions rather than generic cultural traits (Padilla-Meléndez et al., 2022; De Gruyter et al., 2025).

To ground the Tara Bandu construct in local meanings before quantitative testing, the study incorporated a qualitative phase based on semi-structured interviews with purposively selected key informants across urban, coastal, inland, customary, governmental, and community-enterprise contexts. The interview protocol explored the meaning and values of Tara Bandu, social and environmental harmony, economic activities, entrepreneurial readiness, commitment, social responsibility, and

entrepreneurial intention. Interview duration ranged from 40 to 60 minutes. Source materials were primarily in Tetum or local-language contexts and were translated into academic Indonesian using meaning-based translation, while culturally specific terms were retained or contextually explained.

Qualitative credibility was strengthened through cross-site comparison and triangulation of interview narratives, interviewer notes, written Tara Bandu regulations, translation audit trails, and documentary evidence. The five-case analysis used open coding, focused coding, cross-case synthesis, co-coding, and analytical memoing. Recurring themes included responsibility, adherence to customary rules, social harmony and security, environmental stewardship, cooperation, trust, and sustainability. These locally grounded themes informed the content domain used to develop the five Tara Bandu indicators for subsequent quantitative testing.

Based on these gaps, this study examines entrepreneurial intention among Economics and Business graduates in Timor-Leste through an integrated financial, attitudinal, and indigenous-institutional model. It tests whether financial literacy is associated with entrepreneurial intention directly and indirectly through attitude, and whether Tara Bandu moderates the financial-literacy–intention relationship. Three contributions are emphasized. First, the study extends the TPB perspective by positioning financial literacy as a distal capability that enters the intention process through evaluative attitude. Second, it conceptualizes Tara Bandu as an indigenous institutional boundary condition rather than simply as a cultural background variable. Third, it provides context-specific evidence from Timor-Leste and uses a sequential exploratory design to ground the Tara Bandu indicators in local meanings before quantitative testing.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 Financial Literacy and Entrepreneurial Intention

Entrepreneurial intention is commonly explained through the Theory of Planned Behavior, in which attitude, subjective norms, and perceived behavioral control shape intention (Ajzen, 1991). Because this study focuses on attitude as the selected evaluative component, the model should be understood as a theoretically bounded extension of TPB rather than a complete TPB test. Financial literacy can strengthen perceived financial capability by improving the ability to estimate costs, assess returns, plan cash flow, and anticipate financial risks, thereby making entrepreneurship more manageable. Empirical studies generally report a positive relationship between financial literacy and entrepreneurial intention, although the strength of the relationship varies across institutional and social contexts (Molina-García et al., 2021; Guo et al., 2024). Accordingly:

H1. Financial literacy positively affects entrepreneurial intention.

2.2 Financial Literacy and Attitude

Financial literacy may shape entrepreneurial attitude by enabling individuals to evaluate entrepreneurial costs, benefits, financing requirements, and risks more systematically (Kaiser & Menkhoff, 2020; Lusardi & Messy, 2023). Greater knowledge does not automatically create optimism; it may also make risks more salient. A favorable attitude is more plausible when financially literate individuals conclude that risks can be managed through planning and informed financial decisions. This provides a mechanism through which financial capability can affect intention beyond a direct resource effect. Accordingly:

H2. Financial literacy has a positive effect on attitude.

2.3 Attitude and Entrepreneurial Intention

As the selected proximal TPB construct, attitude captures whether entrepreneurship is viewed as beneficial, meaningful, and personally attractive. Entrepreneurial-intention research consistently identifies attitude as an important predictor of intention (Krueger et al., 2000; Kautonen et al., 2015). The present model therefore expects attitude to transmit part of the influence of financial literacy to entrepreneurial intention while allowing a remaining direct association.

H3. Attitude has a positive effect on entrepreneurial intention.

2.4 Mediating Role of Attitude

Financial literacy may influence intention indirectly by shaping how individuals evaluate entrepreneurship before intention is formed. Stronger financial understanding can support a more informed assessment of feasibility, risk, and expected benefits, which may produce a more favorable entrepreneurial attitude; attitude then contributes to intention. Because the direct financial-

literacy path is retained, the hypothesized mediation is partial rather than full. The hypothesis concerns an indirect association, and the cross-sectional design does not establish temporal causality.

H4. Attitude mediates the effect of financial literacy on entrepreneurial intention.

2.5 Moderating Role of Tara Bandu Culture

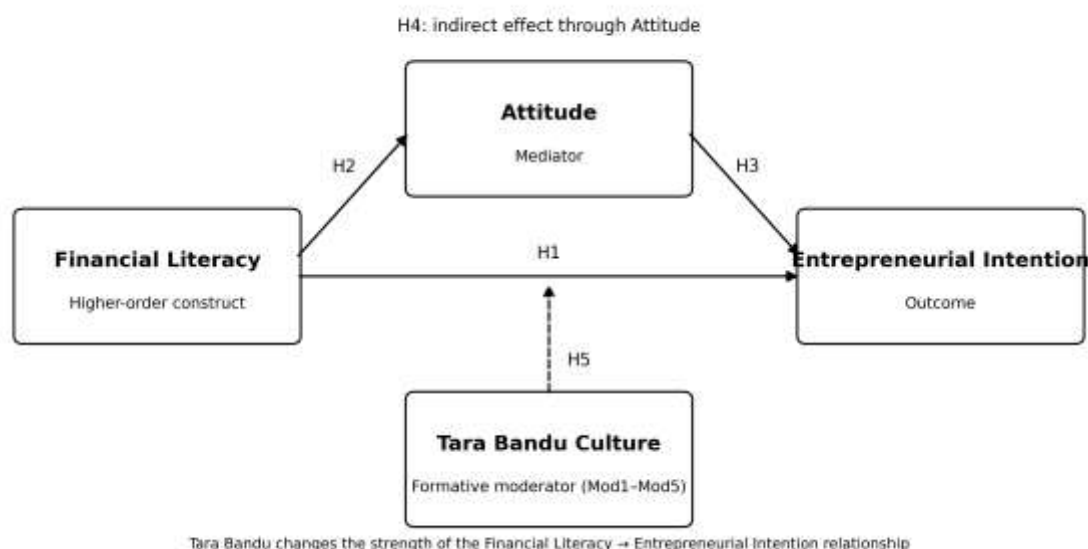
Tara Bandu may shape whether using financial knowledge for entrepreneurship is regarded as legitimate and socially supported. From institutional and embeddedness perspectives, customary rules can influence trust, cooperation, conflict resolution, community accountability, and the social acceptability of economic conduct (Silva, 2014; Padilla-Meléndez et al., 2022). These mechanisms suggest a boundary-condition argument: financial literacy may be more strongly translated into entrepreneurial intention when individuals operate in a customary environment that provides normative certainty and social support. This does not require Tara Bandu to have a significant direct effect on intention. Accordingly:

H5. Tara Bandu culture moderates the effect of financial literacy on entrepreneurial intention.

2.6 Research Gap and Theoretical Contribution

The theoretical model makes a deliberately bounded contribution. First, it extends TPB by treating financial literacy as a distal capability that may influence intention directly and through attitude, while explicitly acknowledging that subjective norms and perceived behavioral control are outside the present empirical model. Second, it reframes Tara Bandu as an indigenous institutional boundary condition: its theoretical value lies in explaining when financial capability becomes more consequential, not necessarily in predicting intention as an additive antecedent. Third, the sequential exploratory design links locally grounded qualitative evidence to the quantitative measurement of Tara Bandu. This combination addresses a contextualization gap in entrepreneurship research by connecting financial capability, entrepreneurial evaluation, and an indigenous institution within one conditional process model. Figure 1 summarizes the hypothesized relationships.

Figure 1. Final Conceptual Model And Hypothesized Relationships



3. MATERIALS AND METHODS

3.1 Study Area and Research Design

This study used a sequential exploratory mixed-methods design (Creswell & Plano Clark, 2018) among graduates of Economics and Business programs at seven higher-education institutions in Timor-Leste. The qualitative phase involved five purposively selected key informants with direct knowledge of Tara Bandu implementation and customary leadership or community practice. The informants were JT from Manleuana (45 minutes), CR from Zulo/Zumalai (40 minutes), EJM from Comoro (45 minutes),

SPRS from Fohoren (45 minutes), and MG from Aimutin (60 minutes). Semi-structured interviews explored Tara Bandu values, customary rules and sanctions, social harmony, environmental stewardship, economic activities, entrepreneurial readiness, social responsibility, and entrepreneurial intention. Informants were selected for their direct experience of customary implementation, so this purposive group supplied contextual accounts for item development rather than a statistically representative sample of Tara Bandu practice.

The qualitative analysis proceeded through familiarization, identification of recurring meaning units, thematic categorization, and cross-case comparison. Recurring themes included responsibility, adherence to customary rules, social harmony and security, environmental protection, cooperation, collective trust, and sustainability. These themes were transformed into candidate questionnaire content while keeping Tara Bandu conceptually distinct from entrepreneurial attitude and intention. Coding compared accounts across the five cases and linked recurrent categories to candidate indicator domains; these categories describe themes identified in this small purposive set and should not be read as estimates of their prevalence in Timor-Leste.

The interviews lasted 40–60 minutes, with an average duration of approximately 47 minutes. They were conducted primarily in Tetum or local Tetum contexts and were prepared in formal Indonesian using meaning-based translation while retaining or contextually explaining culturally specific terms. Four interviews were audio-recorded, while the SPRS interview was documented through contemporaneous written notes.

Audio and transcript materials were stored on a password-protected research device and handled confidentially. Recorded interviews were transcribed and checked against the source material before analysis. The non-recorded SPRS interview was documented directly in Microsoft Word during the interview and incorporated into the same analytic procedure as the recorded cases.

Interview transcripts and source notes were converted into narrative analytic text without altering substantive meaning. The five-case analysis used open coding, focused coding, cross-case synthesis, co-coding, and analytical memoing. Focused coding grouped initial codes into customary governance, social capital, security, sustainability, and local opportunity. Credibility was strengthened through cross-case comparison and triangulation with interview materials, customary-rule documents, the codebook, thematic map, analytical memos, and the audit trail. The codebook and analytic memos documented how source accounts were grouped into themes and then mapped to indicators. The study did not estimate inter-coder agreement, and the five interviews cannot establish thematic saturation across all customary settings.

The development of the Tara Bandu scale followed a traceable chain from interview evidence to code families, cross-case themes, and five candidate indicators. TB1 (understanding of customary rules) was linked to GOV-01, GOV-02, and RSK-02; TB2 (collective values) to SOC-01, SOC-04, and SOC-05; TB3 (social support) to SOC-02, ENA-03, and ENA-04; TB4 (customary conflict resolution) to GOV-03, GOV-05, and ENA-01; and TB5 (support from customary institutions) to GOV-01, GOV-05, and INT-02. Entrepreneurial readiness and confidence were treated as contextual or downstream consequences rather than defining content of Tara Bandu. The items were reviewed by a Tara Bandu expert and five community figures for relevance, clarity, cultural appropriateness, and comprehensibility. All five items were retained. A pilot with 30 Economics and Business graduates produced item–total correlations of 0.714–1.000 and Cronbach's alpha of 0.901. These procedures support content relevance and conceptual traceability, but they do not substitute for formal quantitative validation of the formative construct.

3.2 Population and Sample

The target population comprised 1,477 Economics and Business graduates at seven higher-education institutions in Timor-Leste in 2024. The sampling frame consisted of institution-specific graduate lists: UNTL (530), UNPAZ (304), UNITAL (150), DIT (145), UNDIL (126), IOB (120), and CRISTAL Institute (102). Sample adequacy was evaluated using prospective power considerations for a PLS-SEM model containing higher-order constructs, mediation, and moderation. The institutional graduate lists defined the sampling frame for this graduate population, not for all young adults or prospective entrepreneurs in Timor-Leste.

A conservative prospective power analysis indicated a minimum requirement of 103 respondents. The final sample of 180 exceeded this requirement and therefore provided an adequate basis for estimating the specified model. The power calculation is used as a sample-adequacy justification rather than as evidence that the model is causally identified.

Proportionate allocation was calculated for each institution using $n_h = (N_h/N) \times 180$, where N_h represents the number of graduates in each institutional stratum and $N = 1,477$ represents the total population. The resulting allocation targets, after integer rounding while preserving a total sample of 180, were UNTL 65, UNPAZ 37, UNITAL 18, DIT 18, UNDIL 15, IOB 15, and CRISTAL 12. Graduates were selected without replacement from numbered institutional lists using a random-number procedure, and the 30 respondents who participated in the pilot test were excluded from the main-study sampling frame.

The realized sample was UNTL 65, UNPAZ 37, UNITAL 15, DIT 18, UNDIL 15, IOB 18, and CRISTAL 12. UNITAL was three respondents below its target and IOB three above it because of differential response and traceability. The final allocation is therefore described as approximately proportionate rather than perfectly proportionate. A chi-square goodness-of-fit comparison with the proportional expectations showed no statistically significant departure, $\chi^2(6) = 1.40$, $p = 0.966$. The difference between the planned and achieved allocations reflects the reported response and contact process; the goodness-of-fit result describes the institutional distribution of respondents and does not rule out nonresponse bias within institutions.

The achieved sample therefore satisfied the prospective sample-size requirement while remaining broadly consistent with the intended institutional allocation. The final PLS-SEM model was estimated using the retained constructs and is evaluated below through measurement, structural, predictive, and moderation diagnostics.

Table 1. Sampling Frame, Proportional Allocation, And Realized Sample ($N = 180$)

University	Population (N_h)	Population share (%)	Proportional target	Realized n	Realized share (%)
UNTL	530	35.88	64.58 → 65	65	36.11
UNPAZ	304	20.58	37.05 → 37	37	20.56
UNITAL	150	10.16	18.28 → 18	15	8.33
DIT	145	9.82	17.67 → 18	18	10.00
UNDIL	126	8.53	15.35 → 15	15	8.33
IOB	120	8.12	14.63 → 15	18	10.00
CRISTAL Institute	102	6.91	12.43 → 12	12	6.67
Total	1,477	100.00	180	180	100.00

Source: Ministério do Ensino Superior, Ciência e Cultura, published in the *Jornal da República* (2024); primary data processed by the authors.

3.3 Data Collection and Research Instruments

Primary data were collected in 2024 in Timor-Leste. The quantitative phase used a structured self-administered questionnaire administered to Economics and Business graduates from seven higher-education institutions: UNTL, UNPAZ, UNITAL, DIT, UNDIL, IOB, and CRISTAL Institute. The qualitative phase comprised semi-structured interviews with five key informants in Manleuana, Zulo/Zumalai, Comoro, Fohoren, and Aimutin. The questionnaire used a seven-point Likert scale. Financial Literacy was specified as a reflective higher-order construct with four lower-order dimensions: financial management ability, financial product understanding, risk-management understanding, and long-term financial planning. Attitude was specified as a reflective-reflective higher-order construct with affective, cognitive, and conative dimensions. Entrepreneurial Intention was measured reflectively using five adapted indicators. Tara Bandu Culture was modeled formatively through five indicators derived from the qualitative codebook: understanding of customary rules, collective values, social support, customary conflict resolution, and support from customary institutions. The questionnaire also contained a global single-item Tara Bandu criterion (TBGlobal), which was used exclusively as the criterion measure in the redundancy analysis and was not included as an indicator in the five-item formative composite.

The questionnaire underwent expert and community pre-testing. One expert with relevant experience in customary law, local wisdom, and entrepreneurship reviewed relevance and wording, and five community figures (coded CF1–CF5) assessed clarity, cultural appropriateness, and comprehensibility. No formal Aiken's V or CVI coefficient was calculated. This is therefore reported as qualitative content validation rather than formal quantitative content-validity evidence.

3.4 Data Analysis Technique

Before the main data collection, the questionnaire was pilot-tested on 30 Economics and Business graduates. For the five-item Tara Bandu scale, Pearson item correlations ranged from .714 to 1.000, and Cronbach's alpha was .901. All five items were retained at the pilot stage. Pilot respondents were excluded from the main study.

Common method bias was addressed procedurally through anonymity, confidentiality, clear wording, and item ordering intended to reduce response-consistency cues. Inner VIF values for predictors of Entrepreneurial Intention ranged approximately from 1.058 to 1.497, indicating no critical structural collinearity. These VIF values are reported only as collinearity diagnostics and are not presented as proof that common method bias is absent. Because financial literacy, attitude, Tara Bandu, and intention were measured in the same self-report survey, shared response tendencies remain possible. No statistical result reported here establishes their absence.

PLS-SEM was conducted in SmartPLS 4 using standardized results. Hypothesis testing used 5,000 bootstrap samples, two-tailed tests, and a 5% significance level. Reflective measurement was assessed using reliability, composite reliability, AVE, and HTMT. The formative Tara Bandu construct was assessed using outer weights, bootstrap significance, outer loadings, and VIF. In addition, formative convergent validity was evaluated through a separate redundancy analysis in which the formative Tara Bandu composite predicted the global single-item criterion (TBGlobal). Consistent with PLS-SEM guidance, a redundancy-analysis path coefficient of at least 0.70 was treated as evidence of adequate convergent validity (Hair et al., 2022). The supplied redundancy-analysis output did not include bootstrap *t*- or *p*-values, so this specific assessment was based on the magnitude of the standardized path coefficient and its explained variance. Structural assessment included path coefficients, 95% bootstrap confidence intervals, R^2 , adjusted R^2 , f^2 , VIF, and SRMR. Mediation was evaluated using the specific indirect effect, and moderation through the Tara Bandu $\times$ Financial Literacy interaction. In addition to blindfolding with omission distance 7, predictive assessment was extended using PLSpredict and CVPAT. PLSpredict was used to examine out-of-sample prediction through Q^2 predict, RMSE, and MAE, while CVPAT compared predictive loss against the indicator-average and linear-model benchmarks. These predictive analyses are reported as complementary evidence and are not treated as proof of causal validity. The interpretation distinguishes the reliability and convergent-validity checks for reflective constructs from the weight, collinearity, and redundancy checks for formative Tara Bandu. Statistical significance of the interaction is assessed separately from the validity of the moderator measure.

Financial Literacy and Attitude were treated as hierarchical component models with reflective lower-order dimensions. HTMT among the three substantively distinct main constructs was acceptable, whereas elevated HOC–LOC and some LOC–LOC values were interpreted as evidence of dimensional overlap within the hierarchical structure rather than as comparisons of independent theoretical constructs (Sarstedt et al., 2019; Hair et al., 2022). This distinction is important, but the elevated values are retained as a limitation and do not justify claiming perfect discriminant validity of every lower-order dimension.

4. RESULTS

4.1 Respondent Characteristics

The 180 respondents represented seven higher-education institutions. Most respondents were affiliated with Economics programs (84.44%), 64.44% were women, and the largest age group was 26–30 years (48.33%).

Table 2. Respondent Characteristics

Characteristic	Distribution	Largest group
Institution	UNTL 36.11%; UNPAZ 20.56%; DIT 10.00%; IOB 10.00%; UNITAL 8.33%; UNDIL 8.33%; CRISTAL 6.67%	UNTL (36.11%)
Program	Economics 84.44%; Business & Management 15.56%	Economics (84.44%)

Gender	Women 64.44%; Men 35.56%	Women (64.44%)
Age	21–25: 32.78%; 26–30: 48.33%; 31–35: 9.44%; 36–40: 6.67%; >41: 2.78%	26–30 years (48.33%)

4.2 Qualitative Grounding of Tara Bandu Culture

Across the five qualitative cases, recurring domains included normative certainty, compliance with customary rules, responsibility, solidarity, participation, social trust, customary mediation, security, environmental stewardship, and institutional legitimacy. These domains informed five indicators covering understanding of customary rules, collective values, social support, customary conflict resolution, and support from customary institutions. Expert review and community pre-testing supported the relevance and comprehensibility of the five-item scale.

4.3 Measurement Model

The reflective portions of the measurement model showed strong internal consistency and convergent validity. Financial Literacy had Cronbach's $\alpha = 0.965$, $\rho_A = 0.965$, composite reliability = 0.969, and AVE = 0.724; Attitude had $\alpha = 0.946$, $\rho_A = 0.946$, composite reliability = 0.955, and AVE = 0.725; and Entrepreneurial Intention had $\alpha = 0.931$, $\rho_A = 0.933$, composite reliability = 0.948, and AVE = 0.784. Lower-order dimensions also exceeded conventional reliability and AVE thresholds. The very high reliability of Financial Literacy and Attitude should be interpreted cautiously because values near 0.95 can indicate item redundancy or a narrow measurement domain.

Table 3. Reliability And Convergent Validity Of Reflective Constructs

Construct	Cronbach's α	ρ_A	ρ_C	AVE
Financial Literacy (HOC)	0.965	0.965	0.969	0.724
Dimension X1	0.842	0.842	0.904	0.759
Dimension X2	0.879	0.879	0.925	0.805
Dimension X3	0.869	0.869	0.920	0.792
Dimension X4	0.890	0.890	0.932	0.820
Attitude (HOC)	0.946	0.946	0.955	0.725
Dimension Med1	0.877	0.878	0.924	0.803
Dimension Med2	0.807	0.808	0.912	0.838
Dimension Med3	0.862	0.862	0.916	0.784
Entrepreneurial Intention	0.931	0.933	0.948	0.784

4.4 Formative Measurement of Tara Bandu Culture

Tara Bandu Culture was specified formatively because the five indicators represent distinct components that jointly define the customary institutional context. In the main structural model, outer weights were not statistically significant at the 5% level, while outer loadings ranged from 0.546 to 0.896 and VIF values from 1.568 to 1.737. The low VIF values indicate that multicollinearity among the formative indicators is not problematic. Because convergent validity of a formative construct should be assessed against an alternative global measure rather than inferred from outer loadings alone, a separate redundancy analysis was conducted using TBGlobal as the criterion. Indicator retention in the main model remains grounded primarily in qualitative content coverage and low collinearity, while the nonsignificant weights indicate that the relative contribution of the five

indicators remains uncertain. The expert and community reviews support the relevance of the item content, but pilot internal-consistency statistics and low VIF do not demonstrate convergent validity of a formative composite.

Table 4. Formative Measurement Assessment Of Tara Bandu Culture

Indicator	Outer weight	p-value	Outer loading	VIF	Assessment
Mod1: Understanding customary rules	−0.115	0.767	0.546	1.676	Retained
Mod2: Collective values	0.408	0.320	0.803	1.686	Retained
Mod3: Social support	0.260	0.504	0.666	1.568	Retained
Mod4: Customary conflict resolution	0.031	0.938	0.614	1.605	Retained with caution
Mod5: Support from customary institutions	0.605	0.134	0.896	1.737	Retained

Mod5 showed the largest outer weight (0.605) and loading (0.896), whereas Mod4 showed the smallest weight (0.031) and loading (0.614). Mod1 also deserves attention because its weight was negative (−0.115) and nonsignificant, with a loading of 0.546. These results do not support deleting an indicator solely to improve statistical significance because formative indicators represent non-interchangeable content domains. They nevertheless indicate measurement uncertainty and make an explicit assessment of convergent validity necessary; this is addressed by the redundancy analysis reported below.

4.5 Redundancy Analysis of Formative Convergent Validity

The redundancy analysis estimated a separate PLS model in which the formative Tara Bandu composite predicted the global single-item Tara Bandu criterion (TBGlobal). The standardized path coefficient was $\beta = 0.225$. The model explained 5.1% of the variance in TBGlobal ($R^2 = 0.051$; adjusted $R^2 = 0.045$), with $f^2 = 0.054$. Because the path coefficient is substantially below the recommended 0.70 criterion, the redundancy analysis does not establish convergent validity for the current formative Tara Bandu specification.

Table 5. Redundancy Analysis Of Formative Convergent Validity For Tara Bandu Culture

Relationship	Path coefficient (β)	R^2 (adjusted R^2)	f^2	Assessment
Tara Bandu formative composite → TBGlobal	0.225	0.051 (0.045)	0.054	Convergent validity not established (< 0.70)

The low redundancy coefficient does not, by itself, identify a specific indicator that should be removed. Rather, it indicates weak correspondence between the five-indicator formative composite and the global criterion. This may reflect limitations in the formative indicator specification, limitations in the content coverage of the global item, or both. The Tara Bandu measurement model should therefore be treated as provisional, and the subsequent moderation result should be interpreted with this measurement limitation explicitly in view. Consequently, even a statistically significant interaction involving this composite should be treated as conditional evidence under the current measurement specification.

4.6 Structural Model, Mediation, and Moderation

The structural model showed positive and statistically significant relationships from Financial Literacy to Entrepreneurial Intention ($\beta = 0.256$, $t = 3.739$, $p < 0.001$), from Financial Literacy to Attitude ($\beta = 0.567$, $t = 12.514$, $p < 0.001$), and from Attitude to Entrepreneurial Intention ($\beta = 0.472$, $t = 6.977$, $p < 0.001$). The specific indirect effect through Attitude was also significant ($\beta = 0.268$, $t = 6.176$, $p < 0.001$), while the direct effect remained significant, supporting partial mediation. The Tara

Bandu $\times$ Financial Literacy interaction was positive and significant ($\beta = 0.363$, $t = 3.803$, $p < 0.001$), whereas the Tara Bandu main effect was not significant ($\beta = 0.052$, $t = 0.879$, $p = 0.379$).

Table 6. Structural Model, Mediation, And Moderation Results

Hypothesis/path	β	t	P-value	95% bootstrap CI	Decision
H1: Financial Literacy $\rightarrow$ Entrepreneurial Intention	0.256	3.739	<0.001	[0.130, 0.400]	Supported
H2: Financial Literacy $\rightarrow$ Attitude	0.567	12.514	<0.001	[0.471, 0.653]	Supported
H3: Attitude $\rightarrow$ Entrepreneurial Intention	0.472	6.977	<0.001	[0.312, 0.577]	Supported
H4: Financial Literacy $\rightarrow$ Attitude $\rightarrow$ Entrepreneurial Intention	0.268	6.176	<0.001	[0.172, 0.341]	Supported; partial mediation
H5: Tara Bandu $\times$ Financial Literacy $\rightarrow$ Entrepreneurial Intention	0.363	3.803	<0.001	[0.031, 0.408]	Supported
Tara Bandu $\rightarrow$ Entrepreneurial Intention (main effect)	0.052	0.879	0.379	[-0.018, 0.216]	Not significant

The model explained 32.2% of the variance in Attitude ($R^2 = 0.322$; adjusted $R^2 = 0.318$) and 55.5% in Entrepreneurial Intention ($R^2 = 0.555$; adjusted $R^2 = 0.545$). Effect sizes were $f^2 = 0.475$ for Financial Literacy $\rightarrow$ Attitude, 0.335 for Attitude $\rightarrow$ Entrepreneurial Intention, 0.099 for Financial Literacy $\rightarrow$ Entrepreneurial Intention, 0.006 for Tara Bandu $\rightarrow$ Entrepreneurial Intention, and 0.273 for the interaction. Blindfolding indicated positive predictive relevance for Attitude ($Q^2 = 0.231$) and Entrepreneurial Intention ($Q^2 = 0.424$). SRMR was 0.057 for the estimated model and 0.055 for the saturated model. HTMT among Financial Literacy, Attitude, and Entrepreneurial Intention was 0.593, 0.565, and 0.638, respectively. Higher values occurred within the hierarchical measurement structure, with a maximum of 1.068, indicating substantial dimensional overlap that should be interpreted cautiously.

4.7 Simple-Slope Analysis of the Moderation

The interaction coefficient was decomposed at three standardized moderator levels using $\beta X | M = \beta_1 + \beta_3 M$. With $\beta_1 = 0.2560$ and $\beta_3 = 0.3628$, the estimated slopes are -0.1068 at low Tara Bandu (-1 SD), 0.2560 at the mean, and 0.6188 at high Tara Bandu ($+1$ SD). The pattern shows a progressive strengthening of the Financial Literacy–Entrepreneurial Intention relationship. Because separate bootstrap tests for the three simple slopes were not included in the supplied output, the table and figure are interpreted as a decomposition of the interaction rather than as separate significance tests.

Figure 2. Simple-Slope / Interaction Plot Based On The Estimated Smartpls Coefficients

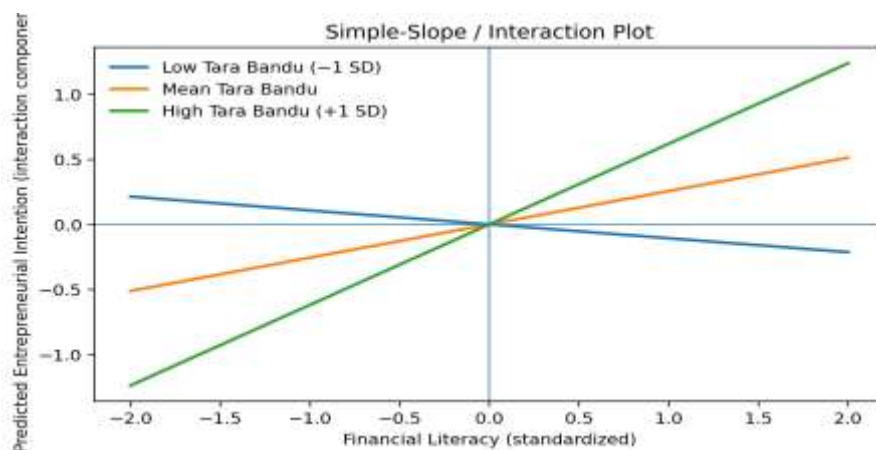


Table 7. Simple-Slope Decomposition Of The Tara Bandu Interaction

Tara Bandu level	Estimated slope (Financial Literacy → Entrepreneurial Intention)	Interpretation
Low (−1 SD)	−0.1068	Negative/weak slope
Mean	0.2560	Positive slope
High (+1 SD)	0.6188	Strong positive slope

4.8 Predictive Assessment and Interaction Pattern

The additional predictive analyses strengthen the assessment of the model beyond in-sample explanatory power. PLSpredict produced positive Q^2_{predict} values for Attitude (0.316) and Entrepreneurial Intention (0.364), indicating predictive relevance for both endogenous constructs. For Entrepreneurial Intention, the PLS-SEM prediction error was RMSE = 0.811 and MAE = 0.632. At the multivariate-indicator level, the output also showed positive Q^2_{predict} values across the reported Attitude and Financial Literacy dimensions.

CVPAT provided complementary evidence. For Entrepreneurial Intention, the average loss difference between PLS-SEM and the indicator-average benchmark was -0.315 ($t = 3.316$, $p = 0.001$), and the difference relative to the linear-model benchmark was -0.162 ($t = 3.496$, $p < 0.001$). Negative differences indicate lower predictive loss for PLS-SEM. However, the overall PLS-SEM-versus-linear-model comparison was positive (0.053, $p = 0.004$), so the results should not be generalized as showing that PLS-SEM outperforms the linear benchmark for every predicted outcome. The defensible conclusion is that predictive performance is strong for the focal Entrepreneurial Intention construct and favorable for the endogenous constructs examined.

Table 8. Predictive Assessment Of The Endogenous Constructs

Assessment	Outcome	Statistic	Interpretation
PLSpredict	Attitude	$Q^2_{\text{predict}} = 0.316$; RMSE = 0.841; MAE = 0.681	Positive predictive capability
PLSpredict	Entrepreneurial Intention	$Q^2_{\text{predict}} = 0.364$; RMSE = 0.811; MAE = 0.632	Positive predictive capability
CVPAT vs. Indicator Average	Entrepreneurial Intention	$\Delta \text{loss} = -0.315$; $t = 3.316$; $p = 0.001$	PLS-SEM lower predictive loss
CVPAT vs. Linear Model	Entrepreneurial Intention	$\Delta \text{loss} = -0.162$; $t = 3.496$; $p < 0.001$	PLS-SEM lower predictive loss

5. DISCUSSION

5.1 Financial Literacy and Entrepreneurial Intention

The positive direct relationship between Financial Literacy and Entrepreneurial Intention ($\beta = 0.256$, $p < 0.001$) indicates that financial capability retains an independent association with intention after accounting for Attitude and the interaction with Tara Bandu. The result is consistent with evidence that financial literacy can support entrepreneurial decision-making and intention (Guo et al., 2024; Molina-García et al., 2021). The finding extends this literature to an under-researched Timor-Leste setting, but the cross-sectional design means that the result should be interpreted as an association rather than a causal effect.

5.2 The Mediating Role of Attitude

The significant indirect effect through Attitude ($\beta = 0.268$, $p < 0.001$), together with the significant direct effect ($\beta = 0.256$, $p < 0.001$), supports partial mediation. The result suggests two related routes: financial capability may be relevant to intention directly, while it may also shape intention by influencing how attractive, feasible, or worthwhile entrepreneurship is evaluated. This is compatible with TPB logic, but the study does not test subjective norms or perceived behavioral control. The contribution is therefore an extension of the selected TPB pathway rather than a complete test of the TPB model.

5.3 The Moderating Role of Tara Bandu Culture

The positive Tara Bandu $\times$ Financial Literacy interaction ($\beta = 0.363$, $p < 0.001$; $f^2 = 0.273$) is the central contextual finding. It indicates that the association between financial literacy and entrepreneurial intention becomes more positive as the level of Tara Bandu increases. Based on the estimated coefficients, the simple-slope values are approximately -0.107 at low Tara Bandu (-1 SD), 0.256 at the mean, and 0.619 at high Tara Bandu ($+1$ SD). These values describe the direction and magnitude of the interaction pattern; the available SmartPLS output did not provide separate bootstrap p -values for each simple slope, so inferential significance is not claimed at each moderator level. The qualitative evidence offers a plausible explanation: customary rules can provide normative certainty, trust, collective support, conflict-resolution mechanisms, and social legitimacy for responsible economic activity. The interaction effect is therefore consistent with Tara Bandu functioning as an indigenous institutional boundary condition rather than as a uniformly positive antecedent of entrepreneurial intention. These contrasts are based on the fitted model for the sampled graduates; they do not establish that changing Tara Bandu would cause financial literacy to affect intention differently.

Tara Bandu did not show a significant direct association with Entrepreneurial Intention ($\beta = 0.052$, $p = 0.379$). The combined structural pattern is theoretically informative: Tara Bandu appears to function more as a boundary condition than as an additive antecedent. In other words, customary support may change how financial capability is translated into intention without independently raising intention for all respondents. This interpretation, however, must be considered alongside the formative measurement evidence. The nonsignificant outer weights, especially the negative Mod1 weight, mean that the significant interaction cannot be treated as evidence that the Tara Bandu measurement model is already well validated. A nonsignificant main effect in an interaction model is conditional on the chosen scaling and reference value of Financial Literacy; it does not show that Tara Bandu has no relationship with intention at every level of financial literacy.

The redundancy analysis reinforces this caution. The path from the formative Tara Bandu composite to the global criterion was only $\beta = 0.225$ ($R^2 = 0.051$), well below the 0.70 benchmark for convergent validity. Thus, the qualitative grounding and low VIF values support content differentiation and the absence of critical collinearity, but they do not compensate for weak convergence with the global criterion. The moderation result should therefore be regarded as evidence obtained with the present operationalization of Tara Bandu rather than as definitive validation of Tara Bandu as a formative moderator. Replication with refined indicators and a carefully validated global criterion is required before strong substantive generalization.

The predictive diagnostics provide additional support for the usefulness of the model for the focal outcome. Positive Q^2_{predict} for Entrepreneurial Intention and lower PLS-SEM predictive loss relative to both the indicator-average and linear-model benchmarks indicate that the model has predictive value beyond an in-sample explanation of variance. At the same time, the positive overall CVPAT difference against the linear model cautions against a blanket claim of universal predictive superiority. This distinction is important for a conservative interpretation of PLS-SEM performance.

5.4 Theoretical and Practical Implications

The study makes three theoretical contributions. First, it extends the TPB perspective by positioning financial literacy as a distal capability that can operate through attitude while retaining a direct path to intention. Second, it conceptualizes Tara Bandu as an indigenous institutional boundary condition rather than simply a cultural trait. This reframes customary institutions as mechanisms that may condition the conversion of individual capability into entrepreneurial intention. Third, it demonstrates how sequential exploratory mixed methods can connect locally grounded institutional meanings with a quantitative entrepreneurship model. Practically, entrepreneurship education in Timor-Leste can combine financial capability training with attitude-oriented entrepreneurial learning, while community and policy initiatives can engage customary institutions where they support trust, responsibility, cooperation, and legitimate conflict resolution without unnecessarily constraining innovation.

Nevertheless, because redundancy-based convergent validity of the formative Tara Bandu construct was not established, the indigenous-institutional contribution should be interpreted as theoretically suggestive but empirically provisional.

6. LIMITATIONS AND FUTURE RESEARCH

The cross-sectional design does not establish causal or temporal ordering, and the quantitative measures are self-reported. The sample was limited to 180 Economics and Business graduates from seven higher-education institutions in Timor-Leste. Findings should therefore not be generalized to all young people or entrepreneurs in Timor-Leste. The qualitative phase involved five key informants and was designed to ground the Tara Bandu construct rather than represent the full diversity of customary practice across the country. Institutional coverage does not eliminate possible differences between respondents and nonrespondents within each institution, and the five interview sites cannot capture the full variation of Tara Bandu traditions.

Two measurement issues require particular caution. First, the five formative Tara Bandu indicators had nonsignificant outer weights despite moderate-to-high outer loadings and low VIF. Mod1 had a negative, nonsignificant weight. More importantly, the redundancy analysis yielded a path coefficient of only $\beta = 0.225$ ($R^2 = 0.051$; adjusted $R^2 = 0.045$), below the recommended 0.70 benchmark, so convergent validity of the current formative specification was not established. Because redundancy validity also depends on the quality and content coverage of the global criterion, this result may reflect limitations in the formative composite, the global item, or both. Second, several HTMT values within the hierarchical structures exceeded 1, although HTMT among the three main substantive constructs remained below conventional thresholds. These measurement issues do not erase the observed structural coefficients, but they materially limit the confidence with which the Tara Bandu moderation result can be generalized. Future research should refine the Tara Bandu indicator domain and the global criterion, conduct formal quantitative content validation, repeat redundancy analysis with bootstrap confidence intervals and independent samples, consider alternative HCM specifications such as a disjoint two-stage approach, assess item redundancy, conduct inferential simple-slope tests, and replicate the model longitudinally or with multi-source data. Further studies should also obtain outcome information from sources other than the respondent where feasible, report recruitment and nonresponse in greater detail, and test whether the conditional pattern persists outside Economics and Business graduate populations.

7. CONCLUSION

Financial literacy was positively associated with entrepreneurial intention both directly and indirectly through Attitude among the sampled Economics and Business graduates in Timor-Leste. The significant direct path ($\beta = 0.256$) and specific indirect effect ($\beta = 0.268$) support partial mediation. Tara Bandu strengthened the Financial Literacy–Entrepreneurial Intention association through a positive interaction ($\beta = 0.363$; $f^2 = 0.273$), although its direct association with intention was not significant. The model explained 55.5% of the variance in entrepreneurial intention, while PLSpredict yielded $Q^2_{\text{predict}} = 0.364$ for entrepreneurial intention, and CVPAT indicated lower predictive loss than both the indicator-average and linear-model benchmarks for entrepreneurial intention. At the same time, redundancy analysis of the formative Tara Bandu construct yielded $\beta = 0.225$ with $R^2 = 0.051$, well below the 0.70 criterion for convergent validity. Consequently, the moderation finding should be interpreted as preliminary evidence from the current Tara Bandu operationalization rather than as definitive validation of the formative construct. The results support a context-sensitive view of entrepreneurial intention, but stronger conclusions about Tara Bandu require refinement of the measurement model, renewed redundancy validation, and replication. All structural findings should also be interpreted as cross-sectional associations rather than causal effects.

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Declarations

Conflicts of Interest Declaration: The authors declare that they have no conflicts of interest related to the research, authorship, or publication of this manuscript.

Declaration of Generative AI and AI-Assisted Technologies: During manuscript preparation, Grammarly was used for language and grammar checking. The authors reviewed and approved the final manuscript.

Ethical Considerations and Informed Consent: Before data collection, all participants were informed about the purpose, procedures, and voluntary nature of the study. Informed consent was obtained from all participants before their participation. Participants were informed of their right to withdraw from the study at any time without penalty or adverse consequences. To protect participants' privacy, no personally identifying information was collected, and all responses were treated as anonymous and confidential. The data were used solely for academic and research purposes and were handled in accordance with applicable ethical standards.

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