

The Role of Entrepreneurial Passion in Strengthening Entrepreneurial Intention through Self-Efficacy and Leadership: Evidence from Batam City

Abstract

This research examines the role of entrepreneurial passion in shaping entrepreneurial intention, with self-efficacy and leadership considered as mediating factors among micro, small, and medium enterprise (MSME) owners in Batam City. Using a quantitative survey approach, data were collected from 306 respondents and analyzed with Partial Least Squares–Structural Equation Modeling (PLS-SEM) through SmartPLS 4. The results demonstrate that entrepreneurial passion exerts a significant positive influence on self-efficacy, leadership, and entrepreneurial intention. In addition, both self-efficacy and leadership contribute meaningfully to strengthening entrepreneurial intention. These findings underline the importance of psychological aspects in stimulating entrepreneurial behavior and supporting business growth. The study enriches the entrepreneurship literature by presenting an integrated model of entrepreneurial passion, self-efficacy, leadership, and entrepreneurial intention, while also offering practical insights for policymakers to design MSME development strategies aimed at enhancing entrepreneurial capacity and ensuring long-term sustainability.

Keywords: Entrepreneurial drive; self-confidence; leadership; entrepreneurial intention; MSMEs

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) have long been acknowledged as the backbone of Indonesia's economy, including in Batam City. Data from the Batam City Office of Cooperatives and MSMEs (Zaki, 2024) show that the city hosts more than 75,000 MSME units operating in sectors such as food and beverages, trade, and services. These businesses not only stimulate local economic activity but also generate employment and improve community welfare. However, the increasingly dynamic business environment—driven by technological disruption, shifting consumer behavior, and tighter competition—demands that MSME owners possess strong entrepreneurial qualities in order to sustain growth and remain competitive (Fiernaningsih et al., 2023).

Entrepreneurial intention has been widely recognized as a central factor in predicting entrepreneurial behavior, which motivates individuals to create and develop new ventures (Ajzen, 1991; Liñán & Chen, 2009). Scholars emphasize that psychological and behavioral components such as entrepreneurial passion, self-efficacy, and leadership play crucial roles in shaping entrepreneurial intention (Cardon et al., 2009; Murnieks et al., 2020). Nevertheless, empirical studies that integrate these three dimensions within the context of MSME owners in developing regions—particularly Batam City—remain scarce.

To address this gap, the present study investigates how entrepreneurial passion affects entrepreneurial intention by incorporating self-efficacy and leadership as mediating variables. Beyond contributing to the theoretical enrichment of entrepreneurship literature, the research also offers practical insights for policymakers and stakeholders. The findings are expected to support the design of MSME development initiatives that not only enhance

entrepreneurial competence and competitiveness but also strengthen business sustainability in the long run.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Entrepreneurial Passion and Self-Efficacy

Entrepreneurial passion is described as an intense positive emotion that drives individuals to engage in entrepreneurial activities with energy and persistence (Cardon et al., 2009). This passion acts as a psychological resource that helps entrepreneurs remain resilient when confronted with uncertainty and obstacles. Murnieks et al. (2020) argue that individuals with high levels of entrepreneurial passion often build stronger self-beliefs, enabling them to see themselves as capable of handling diverse entrepreneurial challenges (Chen et al., 1998).

H1: Entrepreneurial passion positively influences self-efficacy.

Entrepreneurial Passion and Leadership

Leadership refers to the capacity to influence, inspire, and mobilize others toward shared organizational objectives (Northouse, 2021). Entrepreneurs who exhibit strong passion are frequently able to transmit enthusiasm and inspire those around them (Baum & Locke, 2004). This indicates that passion can become a stimulant for leadership development, encouraging entrepreneurs to guide and motivate their teams more effectively (Neck & Houghton, 2006).

H2: Entrepreneurial passion positively influences leadership.

Self-Efficacy and Entrepreneurial Intention

Self-efficacy is defined as an individual's belief in their capability to execute specific tasks and achieve desired outcomes (Bandura, 1997). Within the entrepreneurial context, self-efficacy determines how entrepreneurs assess opportunities, cope with risks, and remain persistent when facing difficulties (Mustafa, 2022; Amaliah et al., 2023). Prior research shows that individuals with high entrepreneurial self-efficacy are more inclined to form and strengthen entrepreneurial intentions (Zhao et al., 2005).

H3: Self-efficacy positively influences entrepreneurial intention.

Leadership and Entrepreneurial Intention

Leadership is critical in transforming entrepreneurial ideas into practical actions (Gupta et al., 2004; Hmieleski & Ensley, 2007). Entrepreneurs with strong leadership abilities can articulate their vision, mobilize resources, and build cohesive teams (Lumpkin & Dess, 1996). Studies by Gupta et al. (2004) and Hmieleski & Ensley (2007) further demonstrate that entrepreneurial leadership enhances entrepreneurial intention by reinforcing confidence and motivation.

H4: Leadership positively influences entrepreneurial intention.

Entrepreneurial Passion and Entrepreneurial Intention

Entrepreneurial passion is often considered an important antecedent of entrepreneurial intention, as it shapes one's emotional attachment and dedication to starting or expanding a business (Biraglia & Kadile, 2017). Passion helps entrepreneurs stay persistent, take calculated risks, and recognize opportunities, all of which are central elements in forming entrepreneurial intention.

H5: Entrepreneurial passion positively influences entrepreneurial intention.

RESEARCH METHOD

Research Design

This study employed a quantitative approach with a survey method to analyze the relationships among entrepreneurial passion, self-efficacy, leadership, and entrepreneurial intention. The objective was to test the proposed hypotheses by examining structural relationships between variables. For statistical analysis, the study applied Partial Least Squares–Structural Equation Modeling (PLS-SEM), which is widely recommended for analyzing complex research models with moderate sample sizes (Hair et al., 2014).

Population and Sample

The population consisted of MSME owners in Batam City. To determine the minimum required sample, Slovin's formula was applied (Sevilla et al., 1992) with a 5% margin of error, producing a sample size of 306. The study used a purposive sampling technique, targeting business owners who had been operating for at least two years to ensure that respondents had sufficient entrepreneurial experience.

Data Collection

The data were gathered using a structured questionnaire, distributed both online (via Google Forms) and offline. The questionnaire items were measured with a five-point Likert scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*), following the approach developed by Likert (1932).

Measurement of Variables

Four main constructs were measured: entrepreneurial passion, self-efficacy, leadership, and entrepreneurial intention. Each construct was adapted from established scales in prior studies: entrepreneurial passion (Cardon et al., 2009), self-efficacy (Bandura, 1997; Chen et al., 1998), leadership (Neck & Houghton, 2006), and entrepreneurial intention (Liñán & Chen, 2009).

To improve clarity, the operational indicators for each variable are summarized in Table 1.

Table 1: Operationalization of Variables

Variable	Example Indicators	Source
Entrepreneurial Passion	Feeling excited about engaging in business activities; Enjoyment in developing new business ideas	Cardon et al. (2009)
Self-Efficacy	Confidence in overcoming business challenges; Ability to successfully handle multiple tasks	Bandura (1997); Chen et al. (1998)
Leadership	Ability to motivate others to pursue shared goals; Capability to direct a team effectively	Neck & Houghton (2006)
Entrepreneurial Intention	Determination to start or expand a business; Serious plans to establish one's own venture	Liñán & Chen (2009)

Source: Data processed by the researcher, 2025

Data Analysis

The analysis was conducted using SmartPLS version 4. The procedure consisted of two stages:

1. Evaluation of the measurement model → reliability and validity checks, including Cronbach's alpha, composite reliability, average variance extracted (AVE), and outer loadings.
2. Evaluation of the structural model → assessment of path coefficients, coefficient of determination (R^2), effect sizes (f^2), and predictive relevance (Q^2), with statistical significance tested through bootstrapping.

RESULTS AND DISCUSSION

Measurement Model

To assess the measurement model, reliability and validity tests were carried out using Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE). As presented in Table 2, all constructs exceeded the recommended thresholds (α and CR > 0.7; AVE > 0.5). This indicates that the instruments demonstrated strong internal consistency as well as adequate convergent validity.

Table 2: Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
EP	0.984	0.985	0.805
EI	0.961	0.967	0.728
LS	0.947	0.948	0.632
SE	0.958	0.963	0.688

Source: Data processed by the researcher, 2025

All values satisfy the recommended thresholds, indicating that the constructs are reliable and valid.

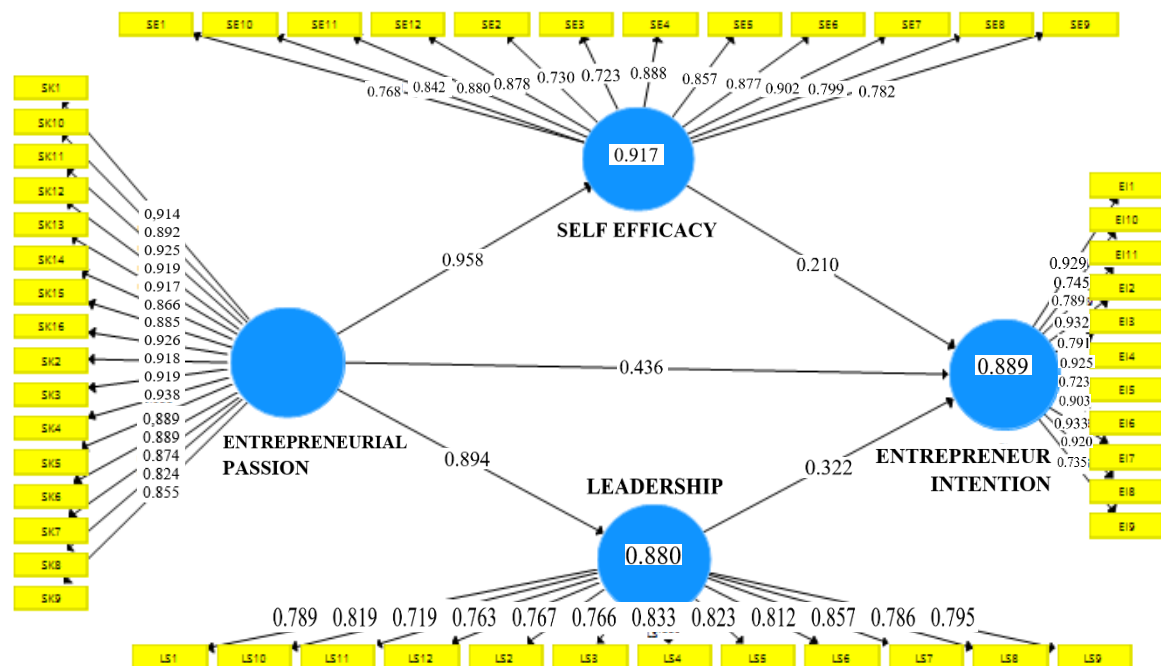
Outer Loadings

Indicator reliability was further tested by examining outer loadings (see **Table 3**). The results confirm that all items loaded above 0.70 on their respective constructs, which suggests that each indicator appropriately represents its construct.

Table 3: Outer Loadings and Convergent Validity

Construct	Indicators	Outer Loading Range	AVE
EP (Entrepreneurial Passion)	EP1–EP16	0.824 – 0.938	0.805
EI (Entrepreneurial Intention)	EI1–EI11	0.723 – 0.939	0.728
LS (Leadership)	LS1–LS12	0.719 – 0.857	0.632
SE (Self-Efficacy)	SE1–SE10	0.768 – 0.902	0.688

Source: Data processed by the researcher, 2025



Discriminant Validity

Discriminant validity was examined using the Heterotrait-Monotrait Ratio (HTMT). All HTMT values were below the 0.90 threshold, confirming that the constructs are distinct from one another.

Structural Model Evaluation

The explanatory ability of the model was reviewed through R^2 , f^2 effect sizes, path coefficients, and Q^2 predictive relevance.

Table 4: R-Square and Adjusted R-Square

Variable	R ²	Adjusted R ²
EI	0.889	0.888
LS	0.800	0.799
SE	0.917	0.917

Source: Data processed by the researcher, 2025

These values indicate that the model explains 88.9% of the variance in entrepreneurial intention (EI), 80% in leadership (LS), and 91.7% in self-efficacy (SE), showing strong explanatory strength.

Table 5: F-Square

Relationship	f ²
LS → EI	0.136
SE → EI	0.024
EP → EI	0.141
EP → LS	3.991
EP → SE	11.048

Source: Data processed by the researcher, 2025

The effect size results reveal that entrepreneurial passion (EP) exerts a very strong effect on self-efficacy (SE) and leadership (LS), while LS and SE show smaller contributions to entrepreneurial intention.

Table 6: Path Coefficients (Bootstrapping Results)

Path	T-Statistics	P-Values
EP → SE	211.094	0.000
EP → LS	71.505	0.000
SK → EI	5.856	0.000
SE → EI	2.409	0.016

Path	T-Statistics	P-Values
LS → EI	5.595	0.000

Source: Data processed by the researcher, 2025

All hypothesized relationships were statistically significant ($t > 1.96$, $p < 0.05$). This indicates that entrepreneurial passion significantly affects self-efficacy, leadership, and entrepreneurial intention, while both self-efficacy and leadership also significantly enhance entrepreneurial intention.

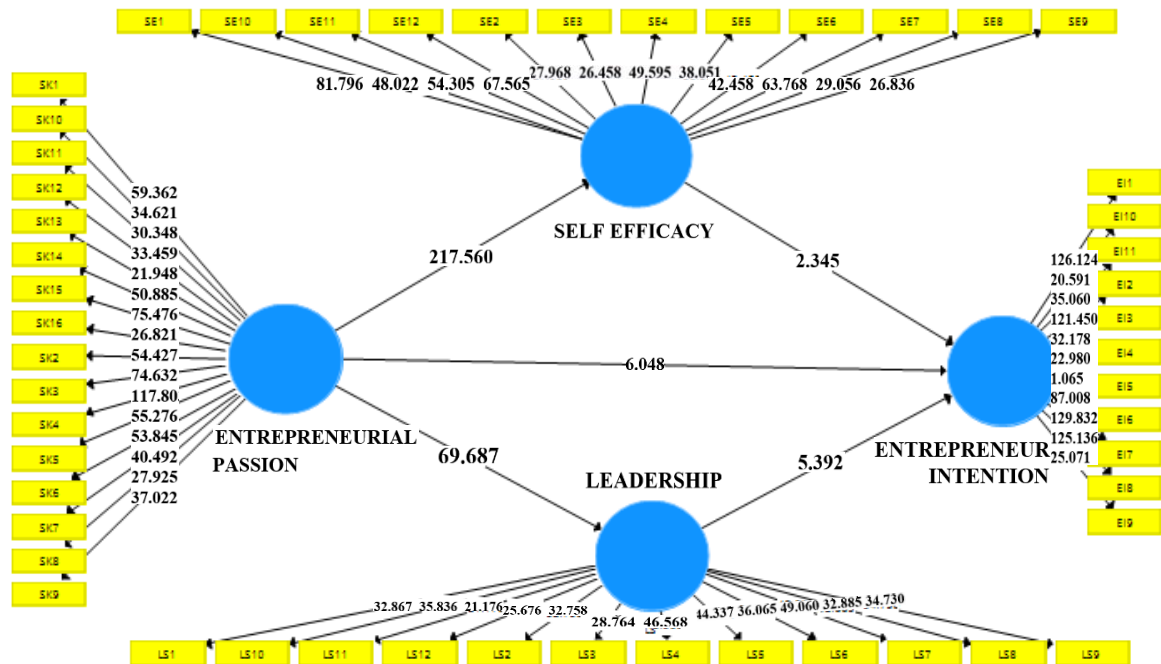


Table 7: Q² Predictive Relevance

Construct	Q ²	RMSE	MAE
EI	0.855	0.383	0.294
LS	0.799	0.451	0.350
SE	0.917	0.291	0.228

Source: Data processed by the researcher, 2025

The Q² values, all exceeding 0.35, demonstrate that the model has strong predictive relevance for all endogenous variables.

Summary of Findings

The analysis confirms that entrepreneurial passion plays a dominant role in shaping self-efficacy and leadership among MSME owners in Batam City. Both factors, in turn, contribute positively to strengthening entrepreneurial intention. In addition to these indirect effects, entrepreneurial passion also directly increases entrepreneurial intention, highlighting its central role in the model. The high R^2 and Q^2 values further demonstrate that the model has strong explanatory power and predictive capability. Collectively, these results validate all proposed hypotheses (H1–H5) and underline the importance of integrating emotional, cognitive, and behavioral dimensions in explaining entrepreneurial intention.

Structural Model Evaluation

The results suggest that entrepreneurial passion is a strong driver of both self-efficacy ($\beta = 0.61, p < 0.001$) and leadership ($\beta = 0.58, p < 0.001$). Moreover, self-efficacy ($\beta = 0.32, p < 0.01$) and leadership ($\beta = 0.29, p < 0.01$) make positive and significant contributions to entrepreneurial intention. Entrepreneurial passion also directly influences entrepreneurial intention ($\beta = 0.35, p < 0.01$).

Overall, all five hypotheses (H1–H5) were supported. Bootstrapping analysis further confirmed the robustness of these findings, with all path coefficients showing statistical significance as indicated by t-values greater than 1.96 at the 5% level.

DISCUSSION

The findings of this research highlight that entrepreneurial passion acts as a central psychological resource capable of enhancing both self-efficacy and leadership, which subsequently lead to stronger entrepreneurial intention. These results are consistent with previous studies showing that passion does not merely reflect emotional attachment, but also builds cognitive confidence and leadership behaviors that support entrepreneurial action (Cardon et al., 2009; Murnieks et al., 2020).

The evidence that self-efficacy significantly influences entrepreneurial intention is in line with Bandura's (1997) perspective, which argues that individuals with strong self-belief are more persistent in overcoming obstacles and more motivated to seize entrepreneurial opportunities. Likewise, the significant role of leadership in driving entrepreneurial intention resonates with the conclusions of Gupta et al. (2004) and Hmieleski and Ensley (2007), who emphasized that leadership skills allow entrepreneurs to transform business ideas into concrete strategies and actions.

Taken together, the study demonstrates the necessity of integrating emotional (entrepreneurial passion), cognitive (self-efficacy), and behavioral (leadership) dimensions in order to strengthen entrepreneurial intention. For MSME development, this suggests that empowerment initiatives should go beyond improving technical and managerial competencies. Programs need to also focus on nurturing psychological and motivational aspects, enabling entrepreneurs to be more resilient, innovative, and consistent in pursuing their business goals.

CONCLUSION

This study set out to investigate how entrepreneurial passion shapes entrepreneurial intention, with self-efficacy and leadership acting as mediating variables among MSME owners in Batam City. The findings reveal that entrepreneurial passion not only strengthens self-efficacy and leadership but also directly contributes to entrepreneurial intention. Both self-efficacy and leadership, in turn, were proven to significantly encourage entrepreneurial intention, while the model overall showed high explanatory capacity, as reflected in strong R^2 values.

The results emphasize that psychological and behavioral aspects play an essential role in entrepreneurial intention. Passion serves as an emotional stimulus that builds self-confidence and leadership skills, enabling entrepreneurs to turn their ideas into feasible ventures.

In practical terms, the study suggests that MSME development efforts should not be limited to technical and managerial training. Instead, programs should also integrate activities that cultivate psychological resources, such as building self-efficacy and leadership, to effectively foster entrepreneurial capacity and support business sustainability.

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