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Investment Strategy, Business Capital and Income Against Recession Risk Through Government Regulations in the Context of Achieving SDG'S No. 9

Supardi[1], Sriyono[2], Oyong Lisa[3]
[1,2]Muhammadiyah University of Sidoarjo, Indonesia
[3]Gajayana University of Malang, Indonesia

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ABSTRACT

Objective: *This study examines the relationship between investment methodology, working capital, and income in the context of recessionary uncertainty. It specifically explores the role of government regulations in advancing Sustainable Development Goal (SDG) No. 9, focusing on industrial innovation, infrastructure, and resilience.* ***Method:*** *The investigation employs an explanatory and scientific approach, integrating theoretical and empirical analysis to assess the interactions between investment strategies, working capital, income, and government regulations during economic downturns. Data are analyzed to evaluate the mediating effects of government regulation on these variables.* ***Results:*** *The findings indicate that investment strategies targeting critical infrastructure foster durable economic expansion, enhancing resilience during recessions. Flexible working capital management mitigates market instability risks. The results reveal that investment strategies and income significantly influence government regulation, while enterprise capital does not. Additionally, investment strategies and venture capital impact recession risks indirectly through government regulation, which also mediates the influence of income on recession risk.* ***Novelty:*** *This study uniquely highlights the mediating role of government regulation in linking income and recession risk, as well as its impact on investment strategies and venture capital. By aligning these insights with SDG No. 9, it contributes to the broader understanding of how economic policies and private sector strategies can collaboratively enhance resilience during economic downturns.*

INTRODUCTION

The problem statement that the researcher proposes is aimed at exploring Investment Strategies, Working Capital and Income with Recession Risk, in addition to the influence of government regulations on the achievement of Sustainable Development Goal (SDG) Number 9. The context provides insight into the economic challenges posed by recession [1], [2] and Sustainable Responsible Investment (SRI) plays a critical role in driving a resilient economy by integrating environmental, social and governance (ESG) factors into investment decisions. The growing interest in SRI is due to the financial crisis, natural disasters and social concerns, which have prompted investors to seek assets that are in line with their moral principles and contribute to the betterment of society [3].

The transition to sustainable energy sources is a key aspect of this, aiming to phase out fossil fuels and reduce environmental impact, especially in developing countries [4]. Moreover, embracing sustainable and responsible mining practices not only increases financial and social returns but also contributes to achieving global sustainable development goals, benefiting investors and local communities [5]. Overall, SRI is critical

to building a resilient economy that prioritizes sustainability, social justice and inclusivity. Additionally, the impact of the COVID-19 pandemic on SDG progress highlights the need for effective government intervention [6]. Understanding the complexity of investment decisions during a recession, influenced by corporate strategy and managerial discretion, is critical to reducing recession risk [7]. Study can help determine the impact of government regulations on investment, working capital, and revenue strategies, ultimately leading to economic resilience and achieving SDG 9.

To achieve SDG No. 9 (Industry, Innovation and Infrastructure) amidst the risk of recession, specific objectives can be outlined [8], [9], [10], [11], [12]. Among them are: the establishment of low-interest or subsidy credit programs to increase accessibility of business capital for smes; the promotion of sustainable investment strategies towards environmentally friendly sectors like renewable energy; increasing household income through skills training in industry related areas; strengthening the regulatory framework through fiscal incentives; encouraging private sector investment in infrastructure through ppps; increasing the capacity of government institutions for policy formulation; and encouraging technology transfer through international cooperation. SDG 9 aims to minimize the impact of the recession, foster innovation, and promote inclusive economic growth.

Various academic investigations have explored the impact of government regulations on private sector investment strategies and economic progress [13]. Empirical studies have assessed the effectiveness of government-backed venture capital initiatives for SMEs, which aim to increase capital accessibility and promote the realization of SDG No. 9 [14]. Research also focuses on mitigating the effects of an economic downturn on household income, especially in developing countries, by emphasizing the industrial, innovation and infrastructure sectors [15]. Evaluative analysis has explored models of collaboration between the public and private sectors in infrastructure development, highlighting the importance of public-private partnerships to achieve SDG No. 9 and economic growth [16]. By integrating these research efforts, policymakers can develop stronger strategies within government regulatory frameworks to reduce the risk of recession and promote sustainable economic progress. This research analyzes the impact of Investment Strategy, Business Capital and Income on Recession Risk through Government Regulations in the Context of Achieving SDG's No. 9, as follows:

A. Investment Strategy

An investment strategy is a carefully created plan aimed at achieving specific financial goals. Various theories support investment strategies, including Modern Portfolio Theory (MPT), Efficient Market Hypothesis (EMH), Capital Markets Theory, Rational Choice Theory, Behavioral Finance, Arbitrage Pricing Theory (APT), Market Cycle Theory, Option Pricing Models, and the Principle of Value Money Time. MPT emphasizes diversification to optimize returns while managing risk. EMH argues that asset prices reflect all available information, making it challenging for investors to consistently outperform the market [17]. Capital Market Theory extends MPT and leads

to the Capital Asset Pricing Model (CAPM) for evaluating asset returns relative to market risk [18]. Rational Choice Theory assumes investors make logical decisions to maximize profits, while Behavioral Finance recognizes emotional biases in decision making [19]. APT suggests anticipating asset returns based on macroeconomic factors [20]. Market cycle theory is a theory of market phases, which can help investors adjust their strategies. Option pricing models and time value of money can help make financial decisions.

B. Venture capital

Working capital, a critical component in business operations, includes financial assets that are essential for daily activities such as procuring raw materials and paying employees. Classical theory of capital, as advocated by economists such as Adam Smith, views capital as essential to economic progress. Modern capital theory expands this concept to include financial and intellectual assets. Capital growth theory is to use profits to drive organizational growth. Capital access theory outlines various factors that impact a company's ability to access capital, including macroeconomic conditions and the quality of management. Agency theory is a conflict of interest theory that uses debt and equity incentives to solve the conflict of interest between owners and managers. Business cycle theory focuses on the impact of economic cycles on working capital accessibility, making it more accessible during expansion periods and difficult during recessions [21], [22], [23], [24], [25].

C. Income

Accounting for revenue recognition is a crucial method of demonstrating the financial performance of an entity [26]. Income is a variety of things from resources to political measures [27]. A discounted cash flow approach is a good way to estimate the value of a business, which includes distributable profits, revenue growth, discount rates [28]. Recognizing revenue involves considering the substance of the transaction over its legal form, addressing issues such as principal-agent relationships and consignment agreements [26] . The revenue calculation process can be optimized through innovative methods such as using distributed computing platforms to efficiently handle large data sets and increase the efficiency of revenue calculations [29]. Combining all these theories and practices, you can get a complete understanding of how to make money and get recognition in a commercial context.

D. Recession Risk

Recession is a key economic topic, it is intertwined with a variety of theories and factors. Economic fluctuation is categorized by business cycle theory, which includes stages like expansion, peak, recession, and trough [30]. Aggregate demand theory and aggregate supply model sudden decrease in aggregate demand can cause recession [31]. Rational Expectations Theory highlights how anticipation of a recession can influence economic decisions [32]. Real Business Cycle Theory suggests that adverse productivity shocks can lead to recessions [33]. Financial Theory emphasizes the role of the financial sector in causing recessions through credit crises and systemic risk [32]. Keynesian principles advocate government spending to combat recessions. The Quantity Theory of

Money and Inflation Expectations Theory explain the impact of changes in the money supply and inflation expectations on the probability of a recession.

E. Government Regulations

Government regulations include policies aimed at supervising economic and social aspects to maintain community welfare, ensure economic stability, and promote sustainable development. Key principles guiding government regulation include addressing market failures such as externalities and information asymmetry [34], pursuing economic prosperity through income redistribution and the provision of public goods [35], examines the impact of regulation on economic activity through the theories of Public Interest and Regulatory Taking [36], considers the influence of vested interests and lobbying on regulatory decisions [37], with a focus on environmental social welfare through health, safety and regulation [38], encouraging economic growth through pro-business regulation while avoiding bureaucratic obstacles, and understanding regulation as an institutional framework that shapes economic and social interactions. These principles collectively guide the purpose and implementation of government regulations.

Investment strategies, accessibility of business capital, revenue channels and government regulations are critical to increasing economic resilience and achieving SDG 9 [3], [39], [40], [41]. Existing research gaps highlight the need for longitudinal studies of investment strategies during recessions, empirical research on SME resilience through business capital, comprehensive analyzes of the role of income in promoting industrialization, and studies of government regulations supporting investment and working capital strategies [42]. Integrative research is needed to explore synergies between these factors to effectively reduce recession risks and support resilient infrastructure development and inclusive industrialization. Addressing these gaps through comprehensive studies can lead to more effective strategies for achieving sustainable development goals, emphasizing the importance of a holistic approach in economic resilience and achieving the SDGs.

The identified research gap focuses on how government regulations can support resilient investment strategies, business capital and revenues to reduce the risk of recession, critical to achieving SDG goal No. 9, namely strong infrastructure, inclusive industrialization and innovation [43], [44], [45], [46], [47]. Existing studies lack specific research on how regulation can encourage recession-resistant investment strategies and the relationship between government regulation and the resilience of business capital during economic downturns. Further research should explore the direct relationship between policies supporting SDG No. 9 and mitigating the risk of recession, emphasizing inclusive industrialization, continuous innovation and effective government regulation. The researcher's problem formulation is as follows: 1) Can long-term investment strategies mitigate the impact of Recession Risk? 2) Does Business Capital have an effect on Recession Risk? 3) Does Income have an effect on Recession Risk? 4) Do investment strategies, business capital and income through government regulations have an effect on recession risk?

Investment, Business Capital and Income Strategy against Recession Risk through Government Regulations in the Context of Achieving SDG's No. 9 is the key to inclusive and sustainable sustainable development. Through resilient infrastructure, inclusive industrialization and continued innovation, we can create an economy that is stronger and more resilient to the risk of recession. The government's role in creating supportive regulations is crucial to achieving this goal. Thus, collaboration between government, the private sector and society is essential to ensure sustainable and inclusive progress. This research puts forward a hypothesis that can be tested empirically using the following conceptual framework as shown in Figure 1.

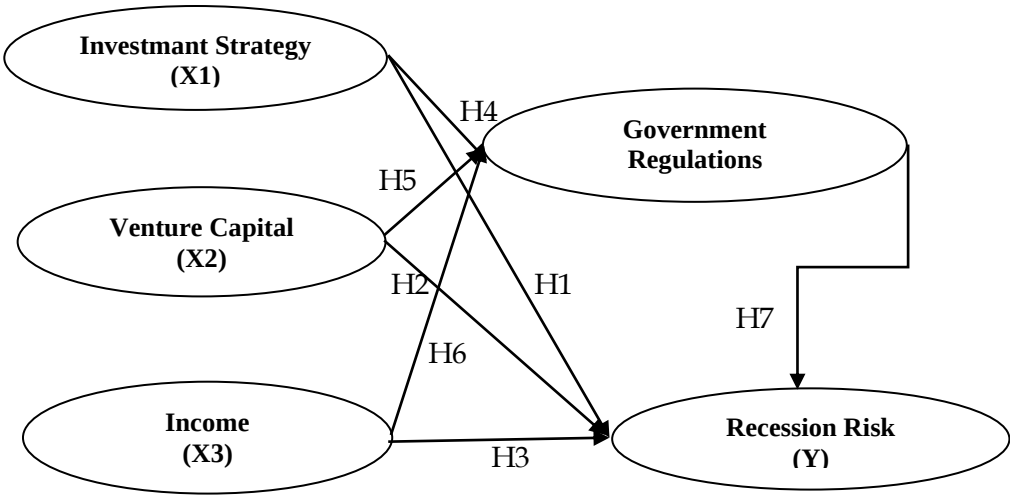

Figure 1. Hypothesis and conceptual framework.

Thus, this research proposes a hypothesis to be tested empirically as follows: H1. Investment strategy has a significant effect on Recession Risk. H2. Business Capital has a significant effect on Recession Risk. H3. Income has a significant effect on Recession Risk. H4. Investment strategies through government regulations have a significant effect on recession risk. H5. Business Capital through Government Regulations has a significant effect on Recession Risk. H6. Income through Government Regulation has a significant effect on Recession Risk. H7. Government regulations have a significant effect on Recession Risk.

RESEARCH METHOD

This research is quantitative research. The variables in this research consist of 3 independent variables, namely Investment Strategy, Business Capital, Income. The dependent variable in this research is Recession Risk. Definition of Operational Variables Strategy to increase Government Regulation to Mitigate Recession Risk as an Intervening Variable as shown in Table 1.

Table 1. Variable operational definition.

Variables	Indicators	Literature
Investment Strategy	1. Gross Domestic Product (GDP) Growth 2. Inflation Rate 3. Interest Rates	This strategy involves managing the trade-off between risk and return, often by combining different types of investments such as stocks and bonds to create an optimal portfolio [48]
Venture capital	1. Initial Capital (Initial Capital) 2. Working Capital (Working Capital) 3. Own Capital Ratio (Equity Ratio) 4. Gross Profit Margin (Gross Profit Margin)	Strategies of Business Capital, Manpower, and Innovation to Increase Turnover at Surya Mart Through Strengthening Muhammadiyah Leadership [49]
Income	1. Total Income (Total Revenue) 2. Net Income (Net Revenue) 3. Revenue Growth (Revenue Growth) 4. Revenue per Unit (Revenue per Unit)	Assistance in increasing the income of MSMEs affected by Covid-19 through improving financial management and digital marketing [50]
Government Regulations	1. Compliance Rate 2. Number of Regulatory Violations 3. Compliance Costs 4. Fines and Sanctions (Fines and Penalties)	Government regulations play an important role in shaping the economic and social landscape, with varying perspectives on their effectiveness and impact. While some argue that markets and their institutions provide superior security and innovation to government intervention [35]
Recession Risk	1. Unemployment Rate (Unemployment Rate) 2. Consumer Confidence Index (Consumer Confidence Index) 3. Manufacturing Index (Manufacturing Index)	Studies show that recessions can cause major hardship, such as rising unemployment rates and shifting financial markets [30]

A. Research Design

The research design used is an associative design, namely analyzing the relationship between one variable and another variable or how one variable influences another variable. In this case, the causal associative design method integrates causal relationships between variables to optimize interventions efficiently [51]. This research is an analytical survey research with a cross sectional design, used to determine the

influence of Investment Strategy, Business Capital and Income on Recession Risk through Government Regulations in the Context of Achieving SDG's No. 9 in Indonesian industrial companies.

Researchers use case studies with a quantitative approach, while the unit of analysis in this research is the influence of Investment Strategy, Business Capital and Income on Recession Risk through Government Regulations in the Context of Achieving SDG's No. 9 in Indonesian industrial companies. It is a process that prepares financial projections for the next year and projected income in volume. The control process is the process of comparing the conditions that have been achieved with the projected income at the beginning of the period.

B. Population and Sample

The population in this research is 15 industrial companies in Indonesia from 2019 to 2023 that are experiencing funding obstacles in project implementation. The sample is part of the population, considering that the population is small, the sampling method used is the census method, namely taking a sample of 15 companies with a research period of 5 years from 2019 to 2023. Data collection was carried out in a time series. Time series is data that is arranged chronologically according to time on a certain variable and is cross-sectional in nature, namely data collected at a certain time, called poll data with a combined model. This research used 15 industrial companies for 5 years (series) from 2019 to 2023, with combined model data obtained from 75 industrial companies.

C. Research Design

The data analysis technique used in this research is a structural equation modeling approach based on Partial Least Square (PLS). PLS is a powerful analysis method because it is not based on many assumptions

RESULTS AND DISCUSSION

Structural Equation Modeling with Partial Least Squares is the research methodology used to evaluate this research (SEM-PLS). Version 3.0 of SmartPLS is the PLS program used in this research, the SEM-PLS output is presented in Figure 2.

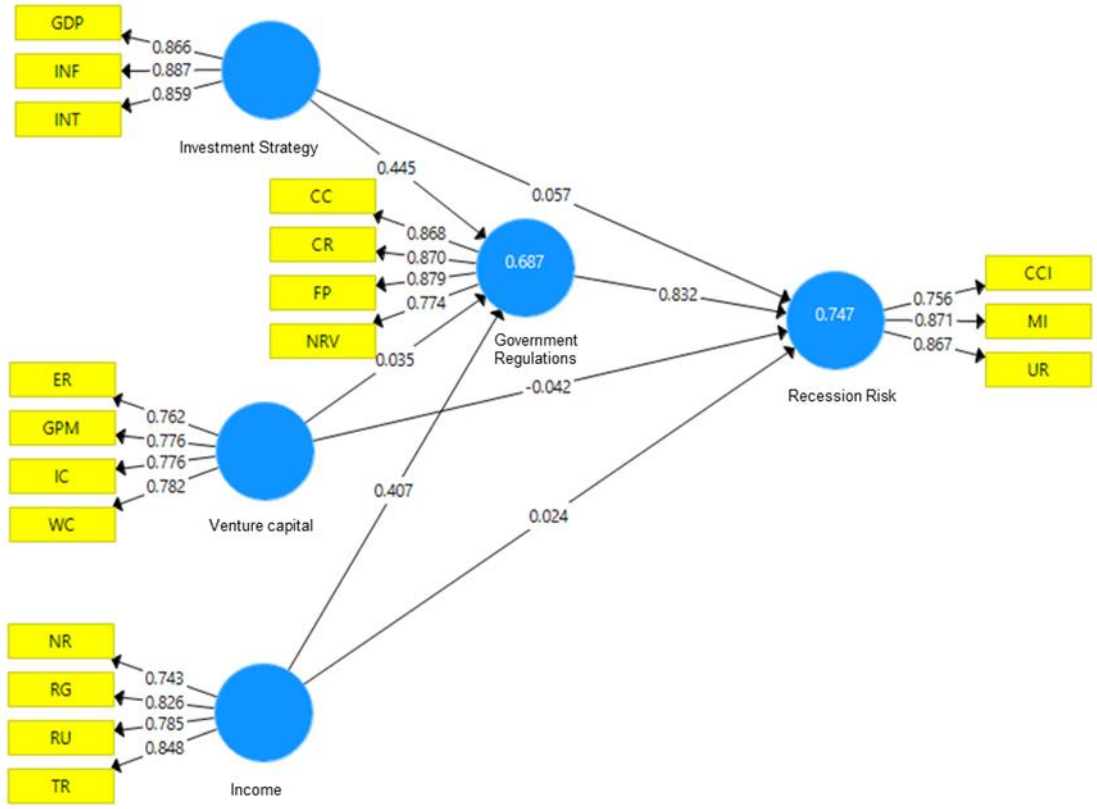

Figure 2. PLS SEM results.

The reliability of the structural indicators that make up the reliability of the composite is tested. If the value is more than 0.60, the composite dependency finding is considered good. Cronbach's alpha was also higher than 0.70.

Table 2. Composite reliability results.

Construct	Composite Reliability	Cronbach's Alpha
Investment Strategy	0.904	0.842
Venture capital	0.857	0.778
Income	0.878	0.813
Government Regulations	0.911	0.871
Recession Risk	0.871	0.777

Source: Data processed, 2024.

Based on Table 3, it shows that investment strategy, business capital, income, government regulations and recession risk have a reliability coefficient exceeding 0.60 and Cronbach's Alpha exceeding 0.70. This indicates that the overall study measurement model has a high level of reliability.

A. Hypothesis Testing Results

In the context of SEM PLS analysis, hypothesis testing results often focus on the statistical significance of the path coefficients between variables in the model. If the p-

value is smaller than 0.05 (significance = 5%) or the t-statistic value exceeds the t-table, then the hypothesis can be accepted (2,000). The bootstrap approach can be used to obtain t-statistics for PLS analysis.

Table 3. Hypothesis testing results.

Variable	Path Coefficient	T-Statistics	P-Value	Results
Investment Strategy→Recession Risk	0.057	0.398	0.691	Not significant
Venture capital→Recession Risk	-0.042	0.271	0.787	Not significant
Income→Recession Risk	0.024	0.169	0.866	Not significant
Investment Strategy→Government regulations	0.445	4,282	0,000	Significant
Venture capital→Government regulations	0.035	0.206	0.837	Not significant
Income→Government regulations	0.407	2,589	0.010	Significant
Government regulations→Recession Risk	0.832	6,959	0,000	Significant
Investment Strategy→Government regulations→Recession Risk	0.370	4,305	0,000	Mediation
Venture capital→Government regulations→Recession Risk	0.019	0.193	0.020	Mediation
Income→Government regulations→Recession Risk	0.339	2,326	0.847	Not Mediation

Source: Processed data, 2024.

Based on table 3, it can be explained that investment strategy, business capital and income do not have a significant effect on the risk of recession. Investment strategies and income influence government regulations. Business capital has no effect on government regulations. Investment strategies and business capital influence the risk of recession through government regulations. Income has no effect on the risk of recession through government regulations.

B. The Influence of Investment Strategy on Recession Risk

Investment strategy has no effect on recession risk. Investment strategies, although important to the financial success of individuals and companies, generally do not have a significant impact on the risk of recession on a macroeconomic scale. This argument is supported by various studies and economic analyzes showing that macroeconomic factors, such as monetary and fiscal policies, external shocks, and structural changes in the economy, play a much more dominant role in determining the risk of recession. Study

by Claessens and Kose [52] and Stock and Watson [53] asserts that macroeconomic indicators are more accurate in predicting recessions than market investment patterns. The scale and scope of individual investment strategies or even groups of investors are generally not large enough to influence the macroeconomic trends leading to a recession. Investors tend to react to economic conditions rather than create them, with their investment decisions more often a response to signs of recession rather than its primary cause. In the context of achieving SDG No. 9 and efforts to reduce the risk of recession, focus on government regulation, effective business capital management, and strengthening macroeconomic factors will probably provide more significant results in promoting sustainable economic development and reducing vulnerability to recession.

C. The Influence of Business Capital on Recession Risk

Business capital has no effect on the risk of recession. Business capital, which is a financial resource used to start or develop a business, actually has a significant role in economic dynamics. However, its influence on recession risk can be said to be indirect and limited when compared to other macroeconomic factors. Recessions are generally caused by broader macroeconomic factors, such as monetary policy, external shocks, or structural changes in the economy. Study by Reinhart & Rogoff [54] suggests that financial crises and recessions are more often triggered by systemic factors rather than specific venture capital dynamics. Additionally, venture capital tends to focus on specific sectors or companies, while recessions affect the economy broadly. Research by Kaplan and Strömberg illustrates that although venture capital can encourage innovation and growth in certain industries, its impact on macroeconomic stability is relatively limited [55]. Innovation supported by venture capital can increase overall economic productivity, which in turn can increase the economy's resilience to recessions [56]. In the context of achieving SDG No. 9 (Industry, Innovation and Infrastructure), business capital continues to play an important role in encouraging innovation and infrastructure development. However, to reduce the risk of recession, the primary focus must remain on sound macroeconomic policies, effective financial regulation and economic diversification.

D. The Effect of Income on Recession Risk

Income has no effect on the risk of recession. The finding that income has no effect on the risk of recession has indeed caused debate in the economic literature. Some studies support these results, while others suggest a more complex relationship. Studies by Gertler and Gilchrist support the idea that financial and credit factors have more influence on recession risk than aggregate income levels [57]. They found that shocks in the financial sector had a more significant impact on macroeconomic fluctuations. In line with this, Stock and Watson's research on economic indicators shows that financial and monetary variables are more accurate in predicting recessions than income indicators [58]. On the other hand, some studies show a more complex relationship between income and recession risk. Income inequality can increase an economy's vulnerability to

recession, suggesting that it is not just the level of aggregate income, but also its distribution that matters.

E. The Influence of Investment Strategy on Government Regulation

Investment strategies influence government regulations. Investment strategies have the potential to influence government regulation through a variety of mechanisms, creating a dynamic relationship between market players and policy makers. A theory of economic regulation that shows that interest groups, including large investors, can influence the formation of regulations in their interests. This indicates that aggressive or innovative investment strategies can encourage the government to revise or create new regulations. Kroszner and strahan's research revealed how changes in the banking industry's structure and investment strategies influenced the deregulation of the financial sector in the united states [59]. However, the influence of investment strategies on government regulations is not always direct or positive. Research conducted by Rajan and Zingales shows that incumbent firms with established investment strategies often oppose regulatory changes that could increase competition, illustrating how investment strategies can contribute to resistance to regulatory reform . Acharya et al. research shows that financial innovation and complex investment strategies can uncover flaws in current regulatory systems, leading governments to adopt more rigorous supervisory measures [60]. The extent to which investment strategies can influence government regulation is subject to the economic, political, and social conditions. A better understanding of these dynamics is crucial to optimize the balance between financial innovation, investor protection, and system stability within the regulatory framework.

F. The Influence of Business Capital on Government Regulations

Business Capital has no effect on government regulations. This study supports the opinion put forward by Djankov et al. that countries with more venture capital do not necessarily have more favorable regulation for business, indicating that venture capital may not directly influence regulation. But they also show that countries with more institutions tend to have more efficient regulation, indicating that institutional influences may be responsible for venture capital regulation [61]. Peltzman's research shows that political and social factors have a greater impact on government regulation than economic factors, such as venture capital. This theory explains that the amount of venture capital in an industry may not have a direct impact on the development of regulation.

G. The Effect of Income on Government Regulation

Income influences Government Regulations. increased revenues could encourage more pro-market regulatory reforms. The results of this study support Djankov et al. revealed that countries with higher per capita income tend to have more efficient and less burdensome business regulations [61]. Research conducted by La Porta et al. found that countries with higher incomes tend to have stronger legal and regulatory institutions, particularly in terms of enforcing contracts and protecting property rights [62]. The data shows that the quality of the regulatory system is positively correlated with income. Acemoglu et al. argue that regulation is a positive feedback loop between income and

regulation [56]. Regulators can be swayed by high-revenue industries, resulting in regulations that are advantageous for the industry but not for society as a whole. Countries that are more receptive to international trade, which is often linked to higher incomes, typically have more extensive public sectors and more comprehensive regulations to manage external risks. A global economic integration could help to develop a more comprehensive regulatory system.

H. The Effect of Government Regulation on Recession Risk

Government regulations influence Recession Risk. Government regulations have a complex and significant role in influencing the risk of economic recession. According to stiglitz studies show that proper regulation can lower the risk of recession by preventing excessive risk behavior in the financial sector. Study highlights the importance of prudential regulation in ensuring financial stability, which is crucial in preventing economic shocks from causing a recession [63]. Their historical analysis of financial crises shows that asset bubbles and financial crises can be created through the failure of regulatory authorities or insufficient regulation, often before the recession. The results highlight the importance of regulation in managing systemic risk and preventing recession [54]. Excessive regulation of economic growth and innovation can hinder its growth, leading to an increased risk of recession in an economy. Lack of proper regulation or regulation can lead to financial institutions taking excessive risks, which can increase the risk of a recession by exposing the financial system and economy to shocks.

I. The Influence of Investment Strategy on Recession Risk Through Government Regulation

Investment strategies influence the risk of recession through government regulations. Financial innovations and complex investment strategies can generate hidden risks that may escape the reach of existing regulations. Could lead to more stringent or comprehensive regulatory measures, which could have an impact on investment dynamics and the possibility of a recession. Reinhart and rogoff found that aggressive investment tactics, especially in the financial industry, can facilitate the emergence of asset bubbles that could lead to financial crises and recessions [54]. Governments usually enforce new or stricter regulations to limit risky investment behavior. Basel iii was a global regulatory response to the 2008 financial crisis, aimed to improve the banking sector's resilience against economic shocks, indirectly influencing the investment strategies of banks and other financial institutions. Investing in stocks and bonds that are not cyclical can help reduce the risk of recession. Regulation is a mediator between investment strategy and macroeconomic stability. Changes in regulations can be influenced by the investment strategies of market players, which can have a significant impact on macroeconomic stability and the risk of recession. Regulation is about the balance between innovation and growth, and the stability of financial and economic systems. Hence, policymakers must carefully consider the dynamic interactions between investment strategies, regulatory responses, and their implications for recession risk in

developing effective policy frameworks. A better understanding of this connection can help develop more adaptable and predictive regulatory methods for managing recession risks in an era of heightened global economic uncertainty.

J. The Influence of Business Capital on Recession Risk Through Government Regulation

Business capital does not affect the risk of recession through government regulations. Business capital does not directly determine how much risk of recession a business faces. Other factors such as operational efficiency, risk management, and government policies also play a role in reducing or increasing the risk of recession for a business. Based on financial accelerator theory, which states that fluctuations in the value of company assets can strengthen the business cycle. However, it does not explicitly link venture capital to recession risk through government regulation, which could be seen as supporting this assertion. Research by Cooley and Quadrini on firm dynamics in the aggregate economy finds no direct relationship between venture capital and the risk of recession mediated by government regulation, providing additional support for this argument [64]. Therefore, business capital can influence recession risk in several ways. The amount of capital a business has can determine how resilient the business is to economic pressures that may arise during a recession. Businesses with large enough capital tend to be better able to survive and diversify their business to reduce the impact of a recession.

K. The Effect of Income on Recession Risk Through Government Regulation

Income influences the risk of recession through government regulations. Countries with higher per capita incomes tend to have more complex financial systems, which require more sophisticated regulations to manage systemic risks. When regulations fail to keep pace with the growing complexity of the financial system, the risk of recession can increase. This implies an indirect relationship between income, regulatory evolution and recession risk. The study conducted by Acemoglu et al. [56] revealed that countries with stronger institutions, including effective regulation, tend to experience lower economic volatility and less risk of recession. They argue that higher revenues enable the development of better institutions, including more sophisticated regulatory frameworks. This shows that income can influence recession risk through improving the quality of government regulation. Another perspective was put forward by Stiglitz, who argued that rising revenues in the financial sector could encourage lobbying for deregulation, which in turn could increase the risk of recession [63].

There is a good chance of a recession if income and regulatory changes are positive. Brunnermeier and sannikov, high returns low volatility, high risk economic actors take too much risk, making the system more susceptible to shocks. Revenues, regulation, recession risk is complex, and regulation that doesn't anticipate this behavior may not be effective in preventing systemic risk [65]. Consequently, in order to effectively manage the risks of a recession, policymakers must take account of the intricate interactions between income levels and distribution, the changes in the financial system, and the

regulatory frameworks. To achieve sustainable economic growth while minimizing the risk of recession, it may be necessary to adopt a more flexible and inclusive approach to designing regulations that consider income dynamics and changes in economic structure.

CONCLUSION

Fundamental Finding : The findings reveal that investment strategies, business capital, and income directly have no significant effect on recession risk, yet income and investment strategies influence government regulations, which, in turn, impact recession risk. Business capital remains ineffective in influencing government regulations or recession risk, either directly or indirectly. **Implication :** These results underscore the importance of adaptive government regulations in mitigating recession risks. Policymakers must ensure that regulations align with evolving investment strategies and revenue patterns while fostering economic stability. Flexible regulatory frameworks can effectively bridge economic dynamics and recession risk. **Limitation :** This study is limited by its focus on macro-level variables without delving into sector-specific or microeconomic factors. Additionally, the role of global economic influences and cultural nuances in shaping recession risks and regulatory outcomes remains unexplored. **Future Research :** Future research should explore sector-specific impacts and incorporate global economic variables to enrich the understanding of recession dynamics. Further studies could also examine the role of emerging financial technologies and their interaction with government regulations in influencing recession risks.

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***Supardi (Corresponding Author)**
Muhammadiyah University of Sidoarjo, Indonesia

Email: supardi@umsida.ac.id

Sriyono
Muhammadiyah University of Sidoarjo, Indonesia
Email: sriyono@umsida.ac.id

Oyong Lisa
Gajayana University of Malang, Indonesia
Email: oyonglisa12@unigamalang.ac.id