

# A Review of the Success of Micro, Small, and Medium Enterprises: Exploring through Entrepreneurial Knowledge, Self Efficacy, and Entrepreneurial Characteristics

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## Keywords:

*Entrepreneurial knowledge, Self efficacy, Entrepreneurial characteristics, Business success, Micro, small, and medium enterprises*

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## ABSTRACT

*This study aims to analyze the relationship between entrepreneurial knowledge, self-efficacy, entrepreneurial characteristics, and the success of micro, small, and medium enterprises through a systematic literature review approach. This study evaluated literature from various scientific databases, such as Scopus, Web of Science, and Google Scholar, published between 2021 and 2024. The search was conducted using related keywords to identify relevant research with an empirical focus on the variables under study. This analysis also used VosViewer software. The findings of thematic analysis and meta-synthesis show the relationship between entrepreneurial knowledge, self-efficacy, entrepreneurial characteristics and the success of micro, small and medium enterprises. Effective entrepreneurial knowledge, which emphasizes the development of knowledge and self-efficacy, as well as the formation of appropriate entrepreneurial characteristics, can improve business performance and success. This research makes a theoretical contribution by establishing an overarching conceptual framework and offers practical insights for institutions seeking to build strategies to improve the success of micro, small and medium enterprises.*

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## 1. INTRODUCTION

Micro, small and medium enterprises currently play an important role and contribute significantly to economic growth in Indonesia. MSMEs provide the largest proportion of

employment, absorbing as many as 4.6 million workers [1]. From January to June 2024, there were 2.4 million projects with a total investment of 127 trillion, which means that MSMEs contributed the most in terms of investment to boost the Indonesian economy.

This can be seen by the activities of MSME actors, basically high potential if developed and managed optimally can form a strong business component.

Based on the performance report of the Ministry of Cooperatives and Small and Medium Enterprises in 2023, there was a massive increase from 2016 to 2019 from 61.65 million units to 65.46 million active MSME units. The position of MSMEs has always been the backbone of the Indonesian economy. The conclusion is that the role of MSMEs is able to make a major contribution to the growth of gross domestic product, expansion of employment opportunities, absorption of labor, and the provision of safety networks, especially for low-income people.

Business success is driven by several factors including entrepreneurial knowledge, self-efficacy, and entrepreneurial characteristics [2]. Business success is the optimal work of a business actor in running his business which is reflected in several factors including an increase in profits, an increase in sales figures, and an increase in the amount of production [3].

Recent phenomena show that entrepreneurs who are able to adapt to technology and market trends have a greater chance of success. Good entrepreneurial knowledge contributes significantly to business success, especially in identifying new opportunities [4]. Entrepreneurial knowledge plays an important role in shaping individual entrepreneurial attitudes and intentions. Entrepreneurial knowledge has a strong positive effect on individuals' attitudes towards entrepreneurship, subjective norms, and self-efficacy [5]. The knowledge gained through entrepreneurship education helps individuals overcome challenges in the entrepreneurial process and increases their confidence in starting a business.

Self efficacy is also a key factor, where entrepreneurs who believe in their abilities tend to be more innovative and risk-taking. High self-efficacy is positively associated with business performance, especially in the face of unexpected challenges [6]. In addition, entrepreneurial characteristics such as

creativity and perseverance are increasingly important in the context of intense competition. Entrepreneurial self-efficacy also plays a significant role in business performance. That entrepreneurial self-efficacy affects both the financial and non-financial performance of small and medium enterprises owned by graduates. [7]. Self efficacy in identifying and commercializing new business opportunities and creating products according to market demand contributes to improved business performance.

Entrepreneurial characteristics such as creativity, perseverance and adaptability are important factors in business success. Entrepreneurs with these characteristics are better able to face challenges and create innovative solutions. [8]. In a competitive business environment, these characteristics become key determinants in achieving long-term success. The personality characteristics of startup founders, including a preference for variety and novelty, and a high level of activity, contribute significantly to the company's success [9]. In addition, the diversity of personalities in the founding team also increases the chances of startup success.

Recent phenomena show that the combination of entrepreneurial knowledge, self-efficacy and personal characteristics of entrepreneurs plays a crucial role in determining business success. Effective entrepreneurial knowledge, which emphasizes the development of knowledge and confidence, and the formation of appropriate entrepreneurial characteristics, can improve business performance and success. By understanding the interaction between these three variables, it is hoped that this research can provide deeper insights into the factors that influence entrepreneurial success, as well as provide recommendations for the development of more effective entrepreneurship training and education programs.

## **2. LITERATURE REVIEW**

### **2.1 Entrepreneurial knowledge**

Entrepreneurial Knowledge is the entrepreneur's ability to set business

strategies, take measured risks, and analyze business opportunities [10]. Entrepreneurial Knowledge is an understanding of business actors that emphasizes the points of adjusting to global developments, digital marketing, and product or service development [11]. Entrepreneurial Knowledge is a business actor's understanding of market research, product/service development, analyzing market dynamics, and building business networks to optimize available opportunities [12].

## **2.2 Self Efficacy**

Self Efficacy is a person's belief that tends to be high, optimistic, and work harder to achieve goals [13]. Self-efficacy plays an important role in one's own belief in one's abilities and tends to exert more effort and persist in overcoming challenges [14]. Self Efficacy is a positive self-confidence in all the advantages possessed by an individual to achieve the desired target [15].

## **2.3 Entrepreneurial characteristics**

Entrepreneurial characteristics are the ability of business actors to analyze threats, take advantage of opportunities, and manage risks [16]. Entrepreneurial characteristics are characteristics possessed by an actor such as courage and confidence in decision making, ability to innovate, courage to commit to the desired target [17]. Entrepreneurial characteristics are characteristics of entrepreneurs who are identical to being able to innovate to take advantage of profitable opportunities, creative in business management, and oriented to maximum results [18].

## **2.4 Business success**

The success of micro, small, and medium enterprises is measured by how well they are able to manage and develop their business over a short period of time, create quality product/service value for customers, and adjust to market dynamics [19]. The success of micro, small, and medium enterprises is the relationship between three related

components, namely the achievement of business goals in innovation and marketing, continuous business development, and stable profits [20]. The success of micro, small and medium enterprises is not only seen from material benefits, but also from sustainable business growth, business operational resilience that is not affected by social conditions, and contributions to the surrounding environment and society [21].

## **3. METHOD**

This research uses a systematic literature review approach to analyze the relationship between entrepreneurial knowledge, self-efficacy, entrepreneurial characteristics and the success of micro, small, and medium enterprises. According to [22] data sources are classified into 2 sources, namely primary and secondary data. This research uses secondary data based on literature. The literature search was conducted through scientific databases such as Scopus, Web of Science, and Google Scholar, using the main keywords: entrepreneurial knowledge, self-efficacy, entrepreneurial characteristics and success of micro, small and medium enterprises. The selected research includes quantitative and qualitative research relevant in the context of banking, with a final publication of 5 years between 2021 and 2025. The literature met the inclusion criteria of having an empirical focus on the variables discussed and providing significant data to support the theoretical analysis.

After selection, the collected data was analyzed using a thematic approach to identify patterns, gaps and relationships between key variables. The research also utilized meta-synthesis analysis to integrate findings from multiple sources, thus providing a holistic perspective on the topic.

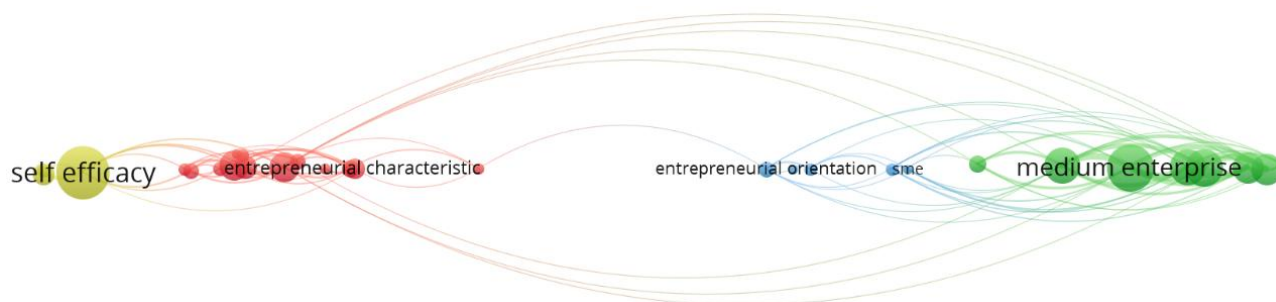
## **4. RESULTS AND DISCUSSION**

### **4.1 Literature Review Analysis**

The literature review table as follows:

**Table 1.** Literature Review Journal.

Reference	Title	Findings
Caliendo et al. [23]	Self-efficacy and entrepreneurial performance of start-ups	It shows that high levels of self-efficacy among business founders are positively associated with start-up performance, including business survival, entrepreneurial revenue, job creation, and innovation. The importance of self-efficacy as a personality characteristic that contributes to entrepreneurial success and the need for appropriate policy support to improve start-up performance.
Widodo [24]	The nexus of entrepreneurial orientation and Knowledge management on business performance of Smes in west java: role of competitive advantage	There is a significant influence between entrepreneurial orientation and knowledge management on competitive advantage owned by micro, small and medium enterprises. In addition, competitive advantage is proven to function as a mediator that strengthens the relationship between these two variables and the performance of micro, small and medium enterprises. In other words, improvements in entrepreneurial orientation and knowledge management not only have a direct impact on business performance, but also through an increase in the competitive advantage possessed by micro, small and medium enterprises.
Fakhrunnisa et al. [25]	The influence of knowledge management and entrepreneurial orientation on business performance mediated by competitive advantage (a study on smes in the city of bandar lampung)	Improvements in knowledge management and entrepreneurial orientation not only have a direct impact on business performance, but also through increasing the competitive advantage possessed by SMEs, allowing them to compete more effectively in an increasingly competitive market.
Hamhij et al. [26]	The effect of entrepreneurial characteristics and self efficacy on business success in bumi waras district	The importance of entrepreneurial characteristics and self-efficacy as key factors in achieving business success in Bumi Waras Sub-district, as well as providing a strong basis for the development of strategies that support entrepreneurial growth in the region.
Alshebami [27]	Green innovation, self-efficacy, entrepreneurial orientation and economic performance: interactions among saudi small enterprises	The success of businesses in improving their economic performance in the current era is highly dependent on their ability to adopt green innovation principles. Such adoption will only be optimal if it is driven by internal factors such as business confidence and pro-environmental strategic orientation. Thus, green innovation is not only a means to achieve competitive advantage, but also an important instrument to create a balance between economic goals and ecological responsibilities.
Ramli and Ilyas [28]	Analysis of factors that influence student interest in entrepreneurship with entrepreneurial character as an intervening variable	Entrepreneurial character acts as an important bridge connecting knowledge, self-efficacy, environment, and business logic to student interest in entrepreneurship. Entrepreneurial knowledge is the most dominant factor, so practical and applicable entrepreneurship education is needed. This shows that the formation of entrepreneurial character does not only depend on internal factors alone, but is also strongly influenced by the education system and the surrounding environment. Therefore, the integration between theory, field practice, and character building should be the main focus in designing entrepreneurship curriculum in higher education.
Maczulskij and Viinikainen [29]	Self-confidence predicts entrepreneurship and entrepreneurial success	That self-confidence is the most consistent and significant personality factor in predicting the likelihood of becoming an entrepreneur and long-term success in business. This effect remains strong even after controlling for genetics and family background. Therefore, interventions that increase self-confidence, such as entrepreneurship training, have great potential to encourage the growth of new entrepreneurs and increase business success. Increased self-confidence can help individuals take risks, make strategic decisions, and survive market uncertainty. Therefore, the development of psychological aspects such as self-confidence needs to be an important component in curriculum design and entrepreneurship development policies at the national level and educational institutions.
Satyarini and Widarti [30]	Entrepreneurship characters of farmer and rice farming performance in bantul	Rice farmers in Sewon generally have strong entrepreneurial characters, particularly in the aspects of achievement motivation and leadership. These traits have been shown to be positively related to farming success as measured by income and profit. Therefore, strengthening entrepreneurial characters such as adaptability to change and expansion of business networks needs to be a focus in agricultural coaching programs, to improve farmers' performance and welfare in a sustainable manner.

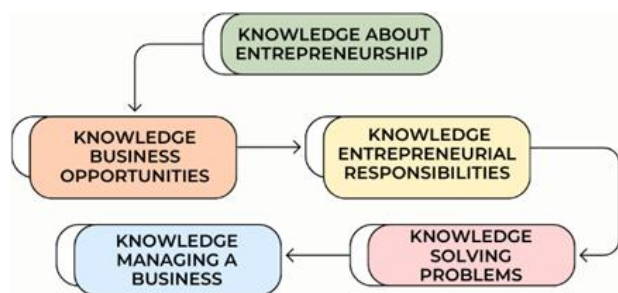


**Fig. 1.** Analysis of using VosViewer.

Micro, Small and Medium Enterprises (MSMEs) play an important role in the economy, contributing to job creation and innovation. Entrepreneurial knowledge and self-efficacy are key for entrepreneurs in facing challenges, where strong entrepreneurial characteristics can increase the success of MSMEs. The data shows that the relationship between entrepreneurial orientation and entrepreneurial characteristics plays a significant role in supporting the development of MSMEs, emphasizing the importance of strengthening the capabilities and confidence of entrepreneurs.

## 4.2 Entrepreneurial Knowledge

The figure entrepreneurial knowledge analysis in figure 2 as follows:



**Fig. 2.** Entrepreneurial Knowledge Indicators.

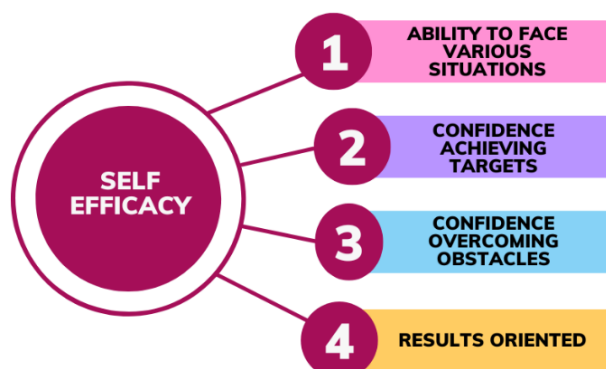
There are several points in the entrepreneurial knowledge indicator [12], including:

1. Knowledge about entrepreneurship: An understanding of the basic concepts of entrepreneurship, regarding the definition, purpose, and role of entrepreneurs in the economy.
2. Knowledge business opportunities: Understanding of identifying, evaluating, and selecting potential businesses according to the resources owned

3. Knowledge entrepreneurial responsibilities: Awareness of entrepreneurial roles and obligations, such as business ethics, social responsibility, and commitment to maintaining service and product quality.
4. Knowledge managing a business: Understanding of management functions such as planning, organizing, controlling, and evaluating.
5. Knowledge solving problems: Understanding to predict and find solutions effectively and efficiently.

## 4.3 Self Efficacy

The figure self efficacy analysis in figure 3 as follows:



**Fig. 3.** Self Efficacy Indicators.

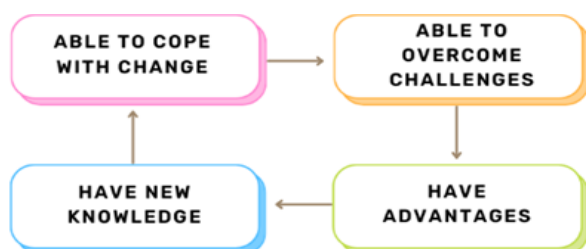
There are several points in the self efficacy indicator [31], including:

1. Ability to face various situations: the belief in oneself that one is able to overcome various situations and obstacles whether in work or daily life.
2. Confidence achieving targets: Confidence in being able to achieve the targets set by oneself and the organization.

3. Confidence overcoming obstacles: Confidence in being able to find alternative solutions when faced with problems.
4. Results-oriented: The confidence in oneself to be able to think and act in order to achieve positive results.

#### 4.4 Entrepreneurial Characteristics

The figure entrepreneurial characteristics analysis in figure 4 as follows



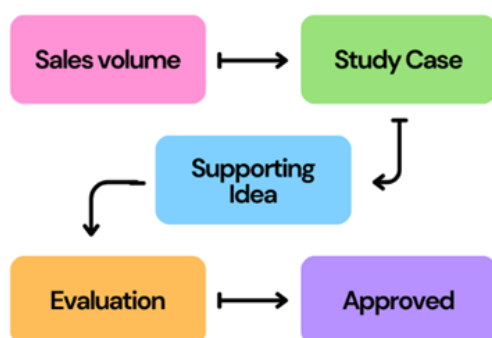
**Fig. 4.** Entrepreneurial Characteristics Indicators.

There are several points in the entrepreneurial characteristics indicator [32], including:

1. Able to cope with change: Ability to adjust to rapid technological growth and changes in the business environment.
2. Able to overcome challenges: Having the ability to learn from failures, by not giving up easily and rising up in the face of challenges.
3. Have advantages: Having the determination to develop oneself and one's business to achieve a competitive advantage.
4. Have new knowledge: Having the determination to learn by seeking new knowledge to improve business performance.

#### 4.5 Business Success (Micro, Small, and Medium Enterprises)

The figure business success analysis in figure 5 as follows:



**Fig. 5.** Business Success Indicators.

There are several points in the business success indicator [33], including:

1. Sales volume: Increased sales volume of products or services offered
2. Production results: An increase in the number of services utilized or an increase in the number of products produced
3. Profit: Increase in net profit earned from business operations
4. Business development: Ability to demonstrate rapid expansion and increase in operational capacity
5. Business capital: Capital increase to maximize business performance

#### 5. CONCLUSION

The results show that good entrepreneurial knowledge, which includes an understanding of management, marketing and finance, plays an important role in increasing the success of small and medium-sized enterprises. Self-efficacy, or an individual's belief in their ability to achieve goals, was also shown to have a significant impact, as individuals who believe in their abilities are more likely to take risks and face challenges in entrepreneurship. In addition, entrepreneurial characteristics, such as perseverance, creativity and adaptability to market changes, are key factors that influence business performance and growth.

Thus, the development of training programs that focus on improving entrepreneurial knowledge and skills, as well as strengthening self-efficacy and positive entrepreneurial characteristics, can be an effective strategy to support business success. This research emphasizes the importance of a holistic approach to supporting entrepreneurs, where a combination of education, training and personal development can create an environment conducive to small business growth and sustainability.

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