



The Influence of Risk-Taking and Self-Confidence on MSME Performance

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ABSTRACT

This study examines the influence of risk-taking and self-efficacy on the performance of MSMEs in Padang using a descriptive quantitative method and an ex post facto approach. Data was collected thru an online survey of 60 MSME actors using a standardized questionnaire. Data were analyzed using SPSS version 26 to test the relationship between variables. The results show that risk-taking and self-efficacy significantly influence MSME performance, assisting entrepreneurs in decision-making, strengthening competitiveness, and capitalizing on business opportunities. These findings indicate that psychological and sociocultural aspects play a significant role in the success of MSMEs. This research expands understanding of internal factors influencing the performance of small and medium-sized enterprises and provides recommendations for developing psychological-based training programs to promote MSME growth.

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INTRODUCTION

The foundation of the world economy, MSMEs (Micro, Small, and Medium Enterprises) play a major role in economic growth, job creation, and innovation. (Lubis & Salsabila, 2024) Additionally, according to Nations, (2024), SMEs make up more than 90% of business units globally, and they employ the majority of people worldwide, especially in developing nations. Nonetheless, MSMEs confront formidable obstacles like swift technological advancement, unpredictability in the economy, restricted financing options, and shortcomings in the managerial abilities of entrepreneurs. (Tambunan, 2021) Due to these obstacles, MSME actors must possess strong psychological readiness and entrepreneurial behavior, including the capacity for taking risks and self-assurance in managing their companies in a setting that is becoming more competitive and dynamic. (Nations, 2024)

MSMEs are crucial to Indonesia's national economy. The Central Bureau of Statistics (BPS, 2023) reports that MSMEs account for the majority of business units, employ the majority of workers, and contribute significantly to GDP. However, basic issues including low digital literacy Avista & Langit, (2025), low capital Kartika et al., (2024), and poor risk management ability (Maghfiroh et al., 2025) make it difficult to improve MSMEs' performance over the long term. Furthermore, the regional differences in MSME growth underscore the necessity of context-based research to improve the efficacy of government interventions.

MSMEs in Padang City have had rather quick quantitative growth in recent years at the local level. The number of MSMEs increased from 39,924 units in 2022 to 42,282 units in 2023 and then to 47,692 units in 2024, according to the Padang City Cooperative and MSME Service report. Although this rise suggests that the public is very interested in business activities, it does not necessarily mean that MSME performance has improved in terms of revenue, asset expansion, product innovation, or the capacity to adjust to technological advancements. Even if the government has offered a number of coaching programs, like product certification and company digitalization, MSME actors' confidence and capacity to take risks continue to be crucial elements. Although the government has provided various coaching programs, such as business digitalization and product certification, the ability of MSME actors to make risky decisions and their self-confidence remain critical factors influencing business performance in Padang City.

The quality of entrepreneurial decision-making has a significant impact on business performance, making the study of individual psychological factors in MSME actors more pertinent. Entrepreneurial risk-taking is positively correlated with business performance, according to empirical research. This is mainly because risk-taking behavior can promote creativity, the guts to enter new markets, and the capacity for making decisions. (Messikh, 2022). Furthermore, self-assurance or entrepreneurial self-efficacy is a crucial factor that affects how an entrepreneur evaluates business circumstances, handles uncertainty, and carries out their business plans. Zhao, X., Li, H., & Rauch, (2021) discovering that self-efficacy directly affects small business performance and improves entrepreneurs' capacity to assimilate entrepreneurial learning.

Numerous research have shown the relevance of these two variables. Self-efficacy is a strong predictor of entrepreneurial performance in new firm owners, according to research by Zhao et al. (2021) published in *Frontiers in Psychology*. Risk-taking inclinations significantly affect Algerian microbusiness success, claims Messikh, (2022). Salehe, (2024) shows that the individual entrepreneurial orientation feature, particularly risk-taking, has a major impact on improving business performance and sustainability in the fishing industry. Other studies have shown that innovation and MSMEs' success are regularly impacted by confidence, digital literacy, and risk management skills (Amelia & Syukmayettil, 2021). However, most of these studies focus more on national or other regional contexts than the specific conditions of MSMEs in Padang City.

The relationship between risk-taking, self-confidence, and MSME performance has been the subject of conflicting findings in a number of published studies. According to certain meta-analyses, risk-taking and performance are not always correlated, and the degree of managerial skill, the state of the market, or business owners' digital preparedness can all have a moderating effect (Huang et al., 2022). This shows that context-based research is still necessary, particularly for MSMEs in Padang City, which have distinct market structures and socioeconomic traits from those in other areas.

Several research gaps are highlighted in the explanation. First, little research has been done on how risk-taking and self-assurance affect MSME performance in Padang City. Second, because most previous studies did not include both variables simultaneously in the empirical model, the mechanism of their relationship has not been fully demonstrated. Third, the actual performance of MSMEs needs to be evaluated more broadly, including innovation, customer growth, digital marketing, and business sustainability, as prior research has mostly used performance indicators restricted to financial aspects. Fourth, no recent studies have connected the dynamics of MSME digitalization in Padang City with the psychological aspects of entrepreneurs.

This study intends to ascertain how risk-taking impacts MSMEs' performance in Padang City and to ascertain the degree to which entrepreneurs' self-efficacy can enhance this performance in light of this research gap. Additionally, this study seeks to determine whether risk-taking and MSME performance are positively correlated with self-confidence. By achieving this goal, the study should be able to shed more light on how psychological aspects influence MSME performance in Padang City.

LITERATURE REVIEW

MSMEs' performance

The total outcome of the business entity's operational and strategic efficacy over a given time frame is used to assess MSMEs' performance (Alipok et al., 2024). In addition to financial aspects like profitability and sales growth, this performance review considers non-financial aspects including product innovation, customer growth, operational efficiency, and technological adaption. (Mochamad Syafii et al., 2025). This explains why MSMEs' current exceptional performance is a reflection of their ability to manage both financial concerns and strategic adaptability at the same time.

Risk-taking

Risk-taking is the behavioral tendency of business owners to choose action alternatives with uncertain potential outcomes but promising significant profits, in order to achieve business goals (Yudhaningrum et al., 2021). Next, risk-taking is one of the key dimensions of entrepreneurial orientation that drives innovation, market expansion, and the adoption of new technologies (Iyiola et al., 2023). This variable is measured by the willingness of MSME actors to invest resources in new projects, innovate in competitive markets, and take out capital loans for expansion, despite the threat of financial loss.

Self-efficacy

According to (Zhao, X., Li, H., & Rauch, 2021) self-confidence or self-efficacy is an entrepreneur's belief in their own capacity to manage, operate, and overcome the difficulties and barriers encountered in the operation of MSMEs. MSME actors' belief in their ability to recognize opportunities, gather resources, manage challenges, and lead teams is referred to as entrepreneurial self-efficacy (Eniola, 2020). This factor serves as a psychological catalyst for behavior.

Risk-Taking and MSME Performance

Prior studies, like the one by Messikh, (2022) have consistently demonstrated that taking risks improves corporate success since it encourages innovation and market exploration. This is consistent with the study conducted by RAHAMAN et al., 2021), which gathered information from a variety of SMEs in Dhaka, Bangladesh. Since Dhaka is recognized for having a large number of SMEs operating within its metropolitan area, the study found that taking risks improves SME performance. Consequently, the following definition of the hypothesis is possible:

H1: The Influence of Risk-Taking on MSME Performance

Self-Efficacy and MSME Performance

Self-efficacy has been shown to be an important psychological component that improves company success (Kaczmarek & Kaczmarek-Kurczak, 2019). This is in line with research by Putri & Bandi, (2023) on 50 MSME respondents in Surakarta, which found that MSME performance is impacted by self-efficacy. Strong self-esteem makes MSME owners more resilient to setbacks and more willing to take calculated risks, which ultimately improves performance. Consequently, the following definition of the hypothesis is possible

H2: The Influence of Self-Efficacy on MSME Performance

Risk-Taking, Self-Efficacy, and MSME Performance

A holistic analysis of business performance shows that optimal success is not caused by a single factor, but rather by a combination of the behavioral dimensions and psychological conditions of business owners (Asmin et al., 2021; Islam, 2020). Risk-taking is an essential behavioral drive that motivates MSME actors to seek new opportunities, innovate, and expand (Dahlan & Syam, 2023; Messikh, 2022). However, this risky behavior is prone to failure if not balanced by adequate psychological capital. Self-efficacy serves as a psychological asset that ensures MSME actors have strong confidence to overcome obstacles, manage resources, and bounce back from setbacks (Kiguru et al., 2024; Zhao, X., Li, H., &

Rauch, 2021) Therefore, when these two variables work simultaneously business actors are willing to take risks (Risk-Taking) and are confident they can overcome those risks (Self-Confidence) the potential for achieving higher, more innovative, and sustainable MSME performance will be even greater. By testing both variables simultaneously, this study provides a more comprehensive explanation of the determinants of performance in the MSME sector. Thus, the hypothesis can be defined as follows:

H3: Risk-taking and self-confidence simultaneously have a positive effect on MSME performance.

METHOD

This research method is quantitative descriptive with ex post facto research approach, because the research that the author wants to examine is to determine the influence of risk taking and self-confidence factors on the performance of MSMEs. Ex post facto (non-experimental) is an approach to research subjects to examine what has been owned by the research subjects naturally without any deliberate effort to provide treatment to bring up the variables to be studied. (Sekaran, Umar; Bougie, 2013) Ex post facto research is research that examines the causal relationship of two or more variables whose data is already available. So the goal is to find the possible causes of an effect that appears based on observations of existing events. (Blumberg et al., 2014). This research was conducted in Padang City. The subjects studied were 60 MSMEs. In this study, the first independent variable (variable X1) was risk taking, and the second independent variable (variable X2) was self-confidence, while the dependent variable (variable Y) was MSME performance. Data collection was carried out by distributing online questionnaires to the research sample. Questionnaires were distributed to sample members to obtain research data. Data were processed using a computer using the SPSS 26 program.

RESULTS

The following is the demographic profile of the respondents.

Table 1. Summary of Respondent Demographic Profile

<i>Criteria</i>	<i>frequency</i>	<i>Percentage</i>
Gender		
a. Man	24	40
b. Woman	36	60
Education		
a. Senior High School	26	43,33
b. Bachelor	23	38,33
c. Masters	11	18,33
Income		
a. < Rp.1.000.000	10	16,67
b. Rp. 1.000.000 – Rp. 3.000.000	22	36,67
c. Rp. 3.000.000 – Rp. 5.000.000	28	46,67

The validity and reliability tests in this study were conducted using the assistance of SPSS 26 software. The following are the results of the validity and reliability tests in this research:

Validity Test Results

The validity test in this study used the **Pearson Product Moment** approach, where if the significance value of each questionnaire item is greater than the r table value of 0.214, then the item is declared valid. The results of the validity testing for each variable are presented in the table below:

Table 2. Results of the Validity Test for Risk Taking

Risk-Taking Variable	r Calculated	r Table	Remarks
Question 1	0,323	0,214	valid
Question 2	0,629	0,214	valid
Question 3	0,692	0,214	valid
Question 4	0,664	0,214	valid
Question 5	0,757	0,214	valid
Question 6	0,724	0,214	valid

Source: Processed primary data, 2025.

Table 3. Results of the Validity Test for Self-Confidence

Entrepreneurial Orientation Variable	r Calculated	r Table	Remarks
Question 1	0,646	0,214	valid
Question 2	0,351	0,214	valid
Question 3	0,586	0,214	valid
Question 4	0,737	0,214	valid

Source: Processed primary data, 2025.

Table 4. Results of the Validity Test for MSME Performance

Variabel Kinerja UMKM	r Calculated	r Table	Remarks
Question 1	0,448	0,214	valid
Question 2	0,754	0,214	valid
Question 3	0,873	0,214	valid
Question 4	0,542	0,214	valid
Question 5	0,538	0,214	valid
Question 6	0,704	0,214	valid
Question 7	0,824	0,214	valid
Question 8	0,734	0,214	valid
Question 9	0,763	0,214	valid

Source: Processed primary data, 2025.

Based on Table 3 and 4 the results of the validity tests presented above, it can be concluded that all items of the independent variables, namely **Risk Taking** and **Self-Confidence**, are valid. Likewise, the dependent variable, **MSME Performance**, shows that all questionnaire items are valid. Each questionnaire item has a calculated r value greater than the r-table value of 0.214, indicating that all items meet the validity requirements and can be used for further analysis.

Reliability Test Results

To determine whether the questionnaire can be used in the study, testing was conducted not only for validity but also for reliability. The reliability test of the research instrument was carried out using **Cronbach's Alpha**. Reliability testing was conducted on items that had passed the validity test. The results of the reliability test are presented in Table 5 below.

Table 5. Reliability Test Results		
Variable	Cronbach's Alpha	Conclusion
Risk-Taking (X1)	0,891	Reliabel
Self- Confidence (X2)	0,917	Reliabel
MSME Performance (Y)	0,862	Reliabel

Source: Processed primary data, 2025

Normality Test Results

The first classical assumption test used in this study is the normality test, which aims to determine whether the data distribution in this study is normal or not. This study employed the **non-parametric Kolmogorov–Smirnov statistical test** to examine data normality, with a significance level of 0.05. The results of the normality test are presented in Table 6.

Table 6. Normality Test Result				
		X1	X2	Y
N		60	60	60
Normal Parameters ^a	Mean	17.63	14.26	17.650
	Std. Deviation	2.277	1.903	2.392
Most Extreme Differences	Absolute	.170	.217	.191
	Positive	.149	.181	.163
	Negative	-.170	-.217	-.191
Kolmogorov-Smirnov Z		1.316	1.678	1.483
Asymp. Sig. (2-tailed)		.063	.070	.052

Table 6 shows that the significance values are **0.063 for variable X1, 0.70 for variable X2, and 0.052 for variable Y**, which are all greater than 0.05. Therefore, it can be concluded that the data are normally distributed, indicating that the regression model in this study satisfies the normality assumption.

Quantitative Analysis Results

Hypothesis 1

Ho: There is no significant effect between risk taking and MSME performance.

Ha: There is a significant effect between risk taking and MSME performance.

Decision

1) If $\text{sig} < 0.05 \rightarrow$ Ho is rejected, then Ha is accepted.

2) If $\text{sig} > 0.05 \rightarrow$ Ho is accepted, then Ha is rejected

Table 7. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847 ^a	.718	.713	1.28174

From table 7 above, the R square value obtained is 0.718 or 71.8%, meaning that the performance of MSMEs is around 71.8% influenced by risk taking.

Table 8. ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	242.364	1	242.364	147.526	.000 ^a
	Residual	95.286	58	1.643		
	Total	337.650	59			

Based on Table 8, the Sig value obtained is $0.000 < 0.05$, so H_0 is rejected. This means there is a significant influence between risk taking and MSME performance.

Table 9. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.955	1.303		1.501	.139
	X1	.890	.073	.847	12.146	.000

Based on Table 9, the regression equation is:

$$Y = 1.955 + 0.890X_1 + e$$

Where:

Y = MSME Performance

a = constant

b1 = linear regression directional coefficient

X1 = Influence of risk taking

H_0 : There is no significant effect between self-confidence and MSME performance.

H_a : There is a significant effect between self-confidence and MSME performance.

Table 10. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.825 ^a	.680	.675	1.364

From table 10 above, the R square value obtained is 0.680 or 68%, meaning that around 68% of MSME performance is influenced by self-confidence.

Table 11 ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	229.756	1	229.756	123.509	.000 ^a
	Residual	107.894	58	1.860		
	Total	337.650	59			

Based on Table 11, the Sig value is $0.000 < 0.05$, so H_0 is rejected. This means that there is a significant influence between self-confidence and MSME performance.

Table 12. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.858	1.343		2.129	.038
	X2	1.037	.093	.825	11.113	.000

Based on Table 12, the regression equation is:

$$Y = 2,858 + 1,037X_1 + e$$

Where:

Y = MSME Performance

a = constant

b1 = linear regression directional coefficient

X1 = Influence of self-confidence.

Hypothesis 3

H_0 : There is no significant effect between risk-taking and self-confidence on MSME performance.

H_a : There is a significant effect between risk-taking and self-confidence on MSME performance.

Table 13. Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.889 ^a	.791	.784	1.113

Based on Table 13, the R-squared value is 0.889. This means that 88.9% of MSME performance is influenced by risk-taking and self-confidence.

Table 14. ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	267.071	2	133.536	107.844	.000 ^a
	Residual	70.579	57	1.238		
	Total	337.650	59			

From the table 14, it is obtained that sig $0.000 < 0.05$ so that H_0 is rejected, meaning that there is an influence of risk taking and self-confidence on MSME performance.

Table 15. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	.400	1.183		.338
	X1	.547	.100	.521	5.490
	X2	.533	.119	.424	4.467

The magnitude of the influence between the influence of risk taking and self-confidence on MSME performance partially can be seen in Table 15 so that the regression equation is $Y = 0.400 + 0.547 X_1 + 0.533 X_2 + e$. If risk taking increases, MSME performance will increase by 54.7%. If self-confidence increases, MSME performance will increase by 53.3% partially.

DISCUSSION

Effect of Risk Taking on MSME Performance

The findings of this study show that risk taking has a significant influence on MSME performance. Based on the regression results presented in Table 1, the coefficient of determination (R^2) is **0.718**, indicating that **71.8%** of MSME performance variation can be explained by risk-taking behavior. This suggests that the higher the willingness of MSME owners to take calculated risks, the better their business performance. Furthermore, the ANOVA results (Table 2) show a significance value of **0.000** $<$ **0.05**, confirming that the model is statistically significant. The coefficient table (Table 3) supports this conclusion, where the regression coefficient for risk taking (X_1) is **0.890** with a significance level of **0.000**, indicating a positive and significant effect. The regression equation: $Y = 1.955 + 0.890X_1$ Illustrates that every increase in risk-taking behavior contributes positively to MSME performance. These results align with previous research stating that entrepreneurs who actively take strategic risks tend to achieve superior performance due to their proactive decision-making in uncertain environments.(Manolopoulos et al., 2024; Wang et al., 2020; Yadewani & Wijaya, 2025) In other words, the courage to take measured risks is one of the factors that drives business performance improvement.

Effect of Self-Confidence on MSME Performance

The analysis also demonstrates that self-confidence significantly affects MSME performance. The R^2 value in Table 4 is **0.680**, indicating that **68%** of MSME performance is influenced by the self-confidence of MSME owners. This implies that entrepreneurs who believe in their abilities are more likely to take decisive actions, solve problems effectively, and maintain business sustainability.

The ANOVA results (Table 5) show a significance value of **0.000** $<$ **0.05**, confirming that the model is statistically valid. Table 6 further shows that the self-confidence variable (X_2) has a regression coefficient of **1.037** with a significance value of **0.000**, indicating a strong positive effect on performance. The regression equation:

$$Y = 2.858 + 1.037X_2$$

Reinforces that increased self-confidence leads to improved MSME outcomes. These findings are consistent with the entrepreneurial literature, which highlights self-confidence as a key psychological attribute that drives persistence, opportunity recognition, and business growth.(Bernal & Cusi, 2021; Maczulskij & Viinikainen, 2023). This emphasizes that people with high self-confidence tend to be more persistent, quicker at seizing opportunities, and better able to grow their business.

Combined Effect of Risk Taking and Self-Confidence on MSME Performance

The simultaneous influence of risk taking and self-confidence on MSME performance is also statistically significant. Table 7 shows an R^2 value of **0.889**, meaning that **88.9%** of the variation in MSME performance is jointly influenced by both variables. This demonstrates that these two entrepreneurial characteristics complement each other in driving performance improvement.

The ANOVA results (Table 8) indicate a significance value of **0.000 < 0.05**, confirming the overall significance of the model. Meanwhile, Table 9 shows that both risk taking (X1) and self-confidence (X2) have positive and significant partial effects on performance, with coefficients of **0.547** and **0.533**, respectively. The resulting regression equation is:

$$Y = 0.400 + 0.547X_1 + 0.533X_2$$

These results imply that increases in both risk-taking behavior and self-confidence contribute substantially to MSME performance. Specifically, MSME performance will increase by **54.7%** with an increase in risk taking and by **53.3%** with an increase in self-confidence, assuming other variables remain constant. Overall, these findings indicate that entrepreneurial psychological traits particularly risk-taking and self-confidence play a crucial role in enhancing MSME performance. Strengthening these traits can help MSME owners make better decisions, seize opportunities, and navigate business uncertainties more effectively.

Cocclusion

In general, risk assessment and self-confidence have a significant impact on MSMEs work performance. These two factors can help businesses create better keputusan, deal with obstacles, and make effective use of their resources. Because of this, it is very important to develop a program that focuses on the development of this psychological aspect in order to support the growth and advancement of MSMEs.

RECOMMENDATIONS

It is advised that pertinent parties create risk education and confidence-boosting initiatives for MSME actors in light of the research findings. This is crucial so that business owners can confidently take advantage of opportunities and deal with business uncertainty. To support the business's success, it is also necessary to strengthen local norms and empower socio-cultural aspects through a community approach.

RESEARCH LIMITATION AND FUTURE RESEARCH LIMITATION

The results cannot be extrapolated to all MSMEs throughout Indonesia because the study's geographic focus and sample size are restricted to a single location. Risk and self-confidence are additional characteristics that are examined, but other elements like creativity and social support are also crucial.

FUTURE RESEARCH

To obtain more representative results, it is recommended that future studies expand the sample size and location. Additionally, other elements like innovation, digital literacy, and the community's social environment must be taken into account in order to improve knowledge of the variables influencing MSMEs' productivity and pinpoint more all-encompassing growth methods.

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