



Research Article

# Exploration of *Self-Efficacy* and Entrepreneurial Motivation on MSME Performance in Malang City: A Qualitative Study

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**Abstract:** Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy but face significant challenges in maintaining consistent and sustainable performance amidst changing market dynamics. This study aims to explore how self-efficacy and entrepreneurial motivation influence MSME performance in Malang City using an exploratory phenomenological qualitative approach. Twelve informants with at least two years of business experience and active operations were selected through purposive sampling. Data were collected through semi-structured interviews, analyzed using an inductive approach, and processed until data saturation was reached. The study found that MSME actors' self-efficacy is shaped by accumulated real experiences, including both successes and failures, which contribute to meaningful learning. Entrepreneurial motivation rooted in personal values was found to be stronger and more enduring than extrinsic motivation. The study identified a cyclical interaction between self-efficacy and motivation, reinforcing each other in fostering adaptive entrepreneurial behavior. Additionally, external factors such as family support, entrepreneurial communities, and government programs play a significant role in sustaining these psychological factors. This research contributes to entrepreneurship literature and offers practical recommendations for stakeholders to design more holistic MSME empowerment programs with tangible impact.

**Keywords:** Entrepreneurial Motivation; Local Entrepreneurship; MSME Performance; Qualitative Approach; Self-Efficacy

## 1. Introduction

The development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia continues to show significant dynamics, especially in the midst of various post-pandemic economic challenges. MSMEs have long been recognized as the backbone of the national economy, considering their contribution of more than 60% to the Gross Domestic Product (GDP) and absorbing a very large number of workers. The city of Malang as one of the developing business cities in East Java is a relevant context to study this issue, considering the high number of MSME actors operating in various sectors, ranging from culinary, handicrafts, to digital trade. However, behind these growth figures, there are still many MSME actors who face serious obstacles in improving their performance in a sustainable manner (Ministry of Cooperatives and SMEs, 2023).

The challenges faced by MSME actors in Malang City are actually not only structural, such as limited capital and market access, but also touch on a much deeper dimension, namely how business actors view and believe in their own abilities in facing the complexity of the business world that continues to develop. Many MSME actors actually have quality products and potential markets, but fail to develop optimally because they do not have a strong enough psychological foundation to make bold decisions that are actually needed at every stage of business growth. When a business actor does not have sufficient confidence in his own abilities, he tends to avoid risks that are actually measurable, delay innovation that has been needed for a long time, and easily give up when facing obstacles that should still be overcome.

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This kind of psychological condition directly impacts the weak consistency of business performance over time. On the other hand, MSME actors who have strong self-confidence are actually able to turn every pressure into energy to move faster and more creatively in finding solutions. This condition shows that the problem of MSME performance cannot be solved solely through financial intervention or technical training, but requires a much more holistic approach that also considers the psychological capacity of business actors as a determining variable that greatly affects the direction, consistency, and quality of business growth in the long term and sustainable.

One of the internal factors that often goes unnoticed in the discussion of MSME performance is the psychological dimension of business actors, especially *self-efficacy* or self-confidence in the ability to run a business. *Self-efficacy* that high encourages individuals to survive obstacles, make decisions more decisively, and innovate consistently (Sari & Suhartini, 2023). On the other hand, *Entrepreneurial Motivation* It also plays an important role as a key driver that encourages businesses to continue to grow, create value, and face market uncertainty. These two factors are essentially interrelated and form the foundation of behavior *Entrepreneurial* productive. Research conducted by Sibarani et al. (2025) found that MSME actors with a level of *self-efficacy* High tend to show better business performance than those with low self-confidence, even though both operate in similar business environments.

It is important to understand that self-efficacy and entrepreneurial motivation are not two concepts that stand alone separately and are not interrelated, but rather two psychological forces that work synergistically and complement each other in shaping resilient and adaptive entrepreneurial behavior. Business actors who have high self-confidence tend to be more motivated to set more ambitious and bold goals, while strong motivation in turn encourages them to continually hone, renew, and strengthen those beliefs through each valuable experience they have while managing a business. This mutual relationship between the two creates a cycle that, if managed properly, will continue to produce psychological energy that encourages business actors to grow beyond boundaries that they previously thought impossible to achieve. Conversely, when one of these two factors weakens, the other tends to be affected, making overall business performance unstable and vulnerable to shocks. This interaction phenomenon becomes increasingly complex and interesting when observed in the context of local Indonesian MSMEs, where strong cultural values, social pressure from the surrounding environment, and the dynamics of the local entrepreneurial community also shape the way business actors build, maintain, and recover these two psychological capacities in their daily business lives full of dynamics and uncertainty.

Although studies on *self-efficacy* and *Entrepreneurial Motivation* Starting to develop in the MSME management literature, most previous research still focused on quantitative approaches that tend to generalize findings without delving into the meaning behind the real experiences of business actors. Qualitative studies that in-depth examine how these two factors interact and shape the performance of MSMEs contextually are still very limited, especially in urban contexts such as Malang City (Rahman et al., 2023). This is what becomes *Research gap* main background of this research. In addition, studies that integrate perspectives *self-efficacy* and *Entrepreneurial Motivation* simultaneously in one qualitative framework has not been widely done in the context of local Indonesian MSMEs (Fadilah et al., 2025).

The condition of this study gap is increasingly urgent to be overcome immediately considering that the competitive pressure faced by MSME actors in the digital era is increasingly intense and no longer recognizes geographical boundaries as before. Small business actors now not only compete with fellow local MSMEs around them, but also face directly with products from outside the region and even from abroad that enter easily through various online trading platforms with much more competitive prices and a much wider market reach. In an increasingly unbalanced competition situation like this, psychological strength in the form of high *self-efficacy* and strong motivation is one of the main differentiators between MSME actors who are able to survive, adapt, and continue to develop and those who are slowly losing competitiveness and being displaced from the market that has been their source of livelihood. Business actors who have these two psychological capacities simultaneously have proven to be more able to find opportunities in the midst of limitations, more creative in innovating without having to rely on large resources, and more resistant to various external pressures that come unexpectedly. Therefore, understanding these two psychological factors in depth through a qualitative approach that is contextual and centered on the real experience of business actors is very relevant and urgent to be carried out as an effort to produce a more complete understanding as well as recommendations for empowering MSMEs that are truly on target and have a real impact.

*Novelty* of this research lies in its exploratory-qualitative approach by exploring the subjective experiences of MSME actors in Malang City directly through in-depth interviews. This approach allows researchers to understand how *self-efficacy* and *Entrepreneurial Motivation* not only serves as an independent variable, but also as a dynamic process that continues to evolve along with the journey of the business (Sharma & Rautela, 2021). Thus, this research is expected to fill the existing literature gap while making a meaningful theoretical and practical contribution. Previous research by Safrizal et al. (2024) also affirms that a qualitative approach is able to uncover the hidden dimensions of behavior *Entrepreneurial* that are not captured by conventional survey instruments.

Based on the description above, the formulation of the problem in this study is: how *self-efficacy* and *Entrepreneurial Motivation* affect the performance of MSMEs in Malang City based on the real experience of the actors? The purpose of this research is to explore and understand in depth the role of *self-efficacy* and *Entrepreneurial Motivation* in shaping the performance of MSMEs through a qualitative approach. Theoretically, this research is useful in enriching the discourse on entrepreneurial management science, especially regarding the psychological dimension of small business actors. Practically, the findings of this research are expected to be a reference for local governments, MSME assistance institutions, and business actors themselves in designing empowerment strategies that are more personalized, contextual, and have a real impact (Harfan et al., 2025; Veronika & Yustinus, 2022).

## 2. Literature Review

### The Concept of Self-Efficacy in the Context of Entrepreneurship

*Self-efficacy* It is a psychological construct that refers to a person's belief in his own ability to complete tasks and achieve desired results. In the realm of entrepreneurship, this self-confidence is not only about technical competence, but also includes a person's ability to face risks, manage uncertainty, and maintain enthusiasm in the midst of changing business pressures. Business actors with *self-efficacy* Strong people tend to be more persistent in finding solutions when encountering obstacles, are more courageous in making strategic decisions, and are more open to various innovation opportunities. This is emphasized by Mentang et al. (2022) in his study on *Entrepreneurial Self-Efficacy* in the field of entrepreneurs *food and beverage* in Malalayang found that the self-confidence of entrepreneurs directly affects the way they manage and develop their businesses under conditions of intense competition, so that *self-efficacy* is an important predictor for the overall performance quality of MSMEs.

Furthermore, it should be understood that *self-efficacy* in the context of entrepreneurship does not just grow but is formed through four main sources, namely previous success experiences, learning from the experiences of others, social persuasion from the surrounding environment, and the physiological and emotional state of the individual himself. MSME actors who have experienced success even on a small scale will tend to have stronger confidence to face the next challenge, because these positive experiences are recorded as concrete evidence that they are able to overcome obstacles. On the other hand, business actors who constantly experience failure without adequate psychological support risk experiencing a significant decline *in self-efficacy*, so they become hesitant to make strategic decisions that are actually necessary for business growth. Emotional conditions also play a role that cannot be ignored, because business actors who are in a state of prolonged stress tend to judge their abilities much lower than they really are. Therefore, building *self-efficacy* in MSME actors is not just a matter of technical training, but also requires assistance that touches on psychological aspects as a whole so that their self-confidence can grow organically, stably, and sustainably as they go about their business journey from day to day.

### Entrepreneurial Motivation as a Driver of Business Performance

*Entrepreneurial motivation* It can be understood as an internal and external drive that moves a person to start, manage, and develop their business consistently and sustainably. This motivation is not fixed, but continues to develop along with the experiences and challenges faced by business actors in the field. There are two main dimensions in it, namely motivation that is rooted in pressures such as limited employment and economic pressure, and motivation that grows from the desire to be independent, innovate, and have a real social impact in the surrounding environment. (Irwanto & Ie, 2023) in its research on MSME actors *food and beverage* in West Jakarta proves that entrepreneurial motivation has a positive and significant influence on business success, and that business actors who have a strong drive from within are able to survive longer and grow more steadily than those who only depend on external factors.

In a broader context, *entrepreneurial motivation* is also closely related to the way a business person defines the meaning of success for himself. Each individual has different standards of success, and these differences then shape the intensity and direction of motivation they have in running their business. MSME actors who define success as financial freedom will move in a different way than those who define success as social recognition or community impact felt by their environment. This difference in orientation does not mean that one is better than the other, but rather reflects the rich motivational dimension that exists in the local entrepreneurial ecosystem. An important concern is how this motivation is able to survive and not easily extinguished when business actors are faced with pressures that come simultaneously from various directions, such as financial pressure, competitive pressure, and social pressure from families and communities. Motivation that is firmly rooted in personal values has been shown to be more resistant to external shocks than motivation that is purely reactive to environmental conditions. This is why a deep understanding of the source and motivation character of each MSME actor is very important as a basis for designing a truly effective and targeted business empowerment program.

### **The Relationship between Self-Efficacy, Motivation, and MSME Performance**

The performance of MSMEs cannot be separated from the psychological capacity of their business actors. When *self-efficacy* and *Entrepreneurial Motivation* Present simultaneously and mutually reinforcing, both form a psychological energy that encourages business actors to continue to develop despite being faced with various real obstacles. Stuart & Anisah (2025) in his study of culinary entrepreneurs in the city of Banjarbaru found that *self-efficacy*, entrepreneurial knowledge, and business motivation together contribute significantly to business success, where these three factors work synergistically and are inseparable from each other. These findings confirm that it is not enough to focus on capital and market access aspects, but also needs to touch the psychological dimension of business actors in a more serious, planned, and sustainable manner so that the impact is truly felt.

Understanding the relationship between *self-efficacy* and motivation for MSME performance also means understanding that performance itself is a multidimensional concept and cannot be measured from just one side. The performance of MSMEs includes financial dimensions such as revenue growth and profitability, but also non-financial dimensions such as customer satisfaction, ability to retain the workforce, the level of product innovation, and business resilience in the face of external shocks. When *self-efficacy* and motivation work synergistically, the impact is not only seen in increasing sales figures, but also in changing business behavior that is more proactive, bolder in innovating, and more resilient in the face of unexpected situations. Business actors who have these two psychological factors simultaneously tend to be more consistent in maintaining the quality of products and services, more actively building business networks, and more adaptive to changing market needs that continue to move dynamically. Thus, the relationship between *self-efficacy*, motivation, and performance of MSMEs is not a linear and simple relationship, but a complex relationship, which influences each other, and continues to develop along with the dynamics of the experience lived by each business actor in their respective local contexts.

### **Qualitative Approach in MSME Research**

The use of qualitative approaches in MSME studies is increasingly receiving wide attention, especially because of its ability to explore experiences, perceptions, and deep meanings that cannot be captured through statistics alone. Methods such as in-depth interviews and phenomenological analysis allow researchers to understand how MSME actors interpret their business journey, including the process of building self-confidence and maintaining motivation in the midst of limited resources. Nikmah & Nurhidayati (2025) emphasized that studies based on real experience of business actors are able to reveal hidden dimensions of entrepreneurial behavior that are not captured by conventional survey instruments, so that the findings produced have much higher relevance for the development of policies and assistance programs for MSMEs at the local level.

One of the greatest strengths of the qualitative approach in MSME research is its ability to capture the complexity of the reality experienced by business actors in its entirety and not reduce. In contrast to the quantitative approach that tends to simplify phenomena into numbers and statistical correlations, the qualitative approach actually provides room for unexpected findings that cannot be anticipated in advance by researchers. This is very relevant in the context of MSME research, where each business actor brings a unique background, values, experience, and survival strategy that cannot be simply generalized. Through an in-depth interview process and careful analysis, researchers can build a much richer understanding of how psychological factors such as *self-efficacy* and motivation work in the real

lives of entrepreneurs, rather than simply in abstract theoretical models. In addition, the qualitative approach also allows researchers to capture changes and developments that occur dynamically in the course of the informant's business, so that the findings produced not only describe the current conditions but also provide an understanding of the processes and journeys that form these conditions until the research takes place.

### 3. Materials and Methods

This research uses a qualitative approach with a design *Exploratory phenomenology*, which was chosen because of its ability to reveal the meaning and experience of life in depth from the perspective of the business actors themselves. Phenomena such as *self-efficacy* and *Entrepreneurial Motivation* In essence, it is subjective and very contextual, so it cannot be fully photographed only through questionnaire instruments or statistical tests. The qualitative approach actually provides a wide space for researchers to enter further into the reality experienced by informants, capturing the nuances, beliefs, and psychological dynamics hidden behind their daily business journeys. In this approach, the researcher is not positioned as an observer separate from the object being studied, but rather as the main instrument that is directly involved in the process of data mining through intense and trusting interaction with informants in order to obtain rich, descriptive, and contextual data (Scott, 2022).

The location of the research was determined in Malang City by considering its existence as one of the cities with the most dynamic MSME growth in East Java, covering various business sectors ranging from culinary, handicrafts, local fashion, to digital trade that continues to grow rapidly. The city of Malang was also chosen because of the diversity of the backgrounds of its business actors which reflects the complexity of the urban entrepreneurship ecosystem in general, so the findings produced are expected to provide a more representative picture of the condition of MSMEs in developing cities in Indonesia. The selection of informants is carried out through *the purposive sampling technique*, which is a technique for determining informants based on certain considerations and criteria that are strictly adjusted to the purpose of the research. The criteria for informants set include: first, MSME actors who have been actively running their businesses for at least two years in the Malang City area; Second, the business is still operating at the time of the research; and third, the informant is willing to be interviewed openly and voluntarily without any pressure from any party. The number of informants is set between eight and twelve people, with the principle of *data saturation* as a reference for stopping data collection, which is when information from new informants no longer produces findings that are substantively different from the data that has been collected previously.

The data collection technique used was in-depth interviews (*in-depth interview*) with a semi-structured question guide that has been compiled based on the focus of the research. The selection of this technique is based on the consideration that in-depth interviews are able to explore in a more personal and free manner how MSME actors interpret their self-confidence and motivation in running a business, something that is very difficult to capture through other more structured and rigid methods of data collection. Interview guides are flexibly designed to allow conversations to develop naturally following the direction of the informant's story without losing focus on the main theme of the research. Each interview session lasts between 45 and 90 minutes, is conducted face-to-face at each informant's business location, is recorded with the full permission of the informant, and is subsequently transcribed verbatim as comprehensive analysis material. To ensure the validity of the data, this study applies *Source triangulation*, namely by comparing and cross-referencing the answers of various informants with different business backgrounds in order to test the consistency and credibility of each finding obtained (Waruwu, 2023).

The data analysis process is carried out inductively through three stages that run continuously and are not linear. The first stage is *data reduction*, which is filtering and selecting the most relevant information from the entire interview transcript to then focus on the main themes that are relevant to the research question. At this stage, the researcher also codifies each unit of meaning found in the transcript, so that the patterns of findings can be identified more systematically. The second stage is *the presentation of data*, where the results of reduction and coding are arranged in the form of a descriptive narrative that is systematic, concise, and easy to understand by the reader. The third stage is *drawing conclusions*, which is interpreting the meaning of the overall findings while still referring back to the initial data to ensure the validity and accuracy of the resulting interpretation. This entire analysis process takes place

cyclically and continues to iterate until the data has completely reached the saturation point and no new substantive findings emerge from the further data collection process.

## 4. Results and Discussion

### Overview of Informants and Business Context in Malang City

This research involved twelve informants who are active MSME actors in Malang City with diverse business sector backgrounds, including culinary, handicrafts, local fashion, and online commerce. All informants have been running their businesses for at least two years, with a range of business experience ranging from two to fourteen years. This diversity of backgrounds provides a more comprehensive picture of how MSME actors in Malang City build and maintain the continuity of their businesses in the midst of changing economic dynamics. Based on the results of the interviews, most of the informants admitted that their journey in entrepreneurship did not always go smoothly, and it was precisely the various obstacles they had experienced that then shaped their character and perspective on the business they were engaged in. This is in line with the findings Srimulyani et al. (2023) which confirms that the internal factors of entrepreneurship such as *self-efficacy* and motivation are the dominant predictors that directly shape the quality of business performance in MSME actors in East Java, and that these two factors do not grow instantly but develop through the accumulation of real experience in the field.

The condition of the business environment in Malang City itself is described by the informants as a competitive arena but still provides a wide range of opportunities, especially for those who are able to adapt quickly to changes in consumer behavior and the development of digital technology. Some informants mentioned that the presence of online trading platforms has changed the way they market products, although not all of them are immediately able to take advantage of these changes optimally. Informants with longer business experience tend to show greater flexibility in dealing with change, while informants who are relatively new to venture are more reliant on the support of the community and the surrounding network of fellow entrepreneurs. The third informant who has been selling culinary for eleven years revealed: *"Malang City has many rivals, but the market is also large. As long as we know our strengths and keep learning, there must be a place."* This statement reflects how long experience has shaped a more mature and adaptive perspective to the conditions of business competition that are increasingly fierce over time.

### The Role of Self-Efficacy in Shaping the Performance of MSMEs

The main findings of this study show that *self-efficacy* plays a very central role in determining the quality and consistency of performance of MSME actors in Malang City. Almost all informants spontaneously attributed the success of their efforts to how strong their belief in their own abilities was. The first informant engaged in the culinary sector expressed his experience as follows: *"When it first opened, many said that my business would not last long. But I believed in my product and my abilities, so I kept going even though it was quiet in the first month."* This statement reflects how strong self-confidence can be a psychological shield that protects business actors from external pressures that have the potential to hinder business growth in the most vulnerable early stages.

Furthermore, the fifth informant engaged in handicrafts conveyed the same thing but from a different point of view: *"If I'm not sure I can, who wants to be sure? The buyer can feel that we are hesitant, so I always appear confident even though sometimes I am also afraid in my heart."* This phrase indicates that *self-efficacy* Not only does it function internally as a guardian of enthusiasm, but it also has an external dimension that influences the way business actors present themselves and their products to consumers. These findings are reinforced by the results of the study Caliendo et al. (2023) using a representative sample of more than a thousand business founders in Germany and found that *self-efficacy* Statistically high has a significant positive impact on business survival and entrepreneurial income, and even the effect becomes stronger when measured in indicators of innovation and long-term business growth.

Another dimension that emerged from the interview results was the relationship between *self-efficacy* with the ability to make decisions in situations full of uncertainty. A seventh informant who runs a local fashion business recounts: *"I used to be afraid of expansion because I didn't know the results. But after I calculated my abilities and the team, I finally dared to open a branch and it turned out to be successful."* The cognitive processes described by this informant reflect how *self-efficacy* Encourage business actors to make a clear assessment of their capacity before taking risky strategic steps. Sibarani et al. (2025) in his research on MSME actors in Medan also found that *self-efficacy* has a significant partial effect on the performance of business actors,

and that the influence is stronger when combined with adequate business experience, so that the two form a synergy that encourages continuous and structured performance improvement.

It should also be noted that the *self-efficacy* What the informants have is not static but very dynamic. The eleventh informant engaged in the online trading sector admitted: *"There was a time when I almost gave up because of a big loss, my confidence was destroyed. But I learned a lot of things from there that I couldn't get from any other class."* This recognition shows that failure in the context of entrepreneurship does not always have a permanent negative impact on the *self-efficacy*, but it can be a turning point that actually strengthens self-confidence if business actors are able to process the experience as a source of meaningful learning. Wulandari et al. (2023) affirms that *self-efficacy* that are connected to a strong entrepreneurial mindset will encourage sustainable innovation, and that innovation is ultimately the real differentiator between stagnant MSMEs and those that continue to grow consistently.

#### **Dynamics of Entrepreneurial Motivation and Its Relation to Business Sustainability**

In addition to *self-efficacy*, this study also reveals how *entrepreneurial motivation* works as a driver that constantly encourages MSME actors to grow and innovate in the midst of the various limitations they face. Interestingly, the findings from the interviews show that the sources of motivation of the informants are very diverse and cannot be generalized in one simple single pattern. Some informants are motivated by the family's economic needs, others by the desire to prove themselves to their social environment, and partly by a sincere desire to make a positive impact on the surrounding community. The ninth informant engaged in the online trading sector revealed: *"I am not just looking for money, I want to prove that women from villages can also have a large and independent business. That's what makes me not want to give up."* This statement describes motivation that is intrinsic and rooted in personal values that are far more enduring than mere financial motivation.

The fourth informant who runs a small-scale culinary business conveys a different but equally powerful point of view: *"My motivation is simple, my children must go to high school. Every time I want to give up, I remember their faces and immediately get excited again."* This expression shows that family responsibility-based motivation is a very strong driver in the context of Indonesian culture, where family ties are traditionally one of the highest values maintained. Sarman et al. (2025) in his research on leather shoe craftsmen in Indonesia found that *Entrepreneurial Motivation* has a positive and significant impact on business success, and more interestingly, the motivation has also been empirically proven to be able to strengthen *self-efficacy* entrepreneurship, so that the two form a mutually supportive relationship in encouraging more quality and sustainable business performance.

The findings of this study also identify that motivation sourced from the social environment and entrepreneurial community also plays an important role in maintaining the spirit of MSME actors, especially when they face heavy business pressure. The sixth informant stated: *"The MSME community here is very helpful, I have friends to share and can see other people who are also struggling. It makes me feel less alone and more motivated to keep going."* This statement hints that motivation not only grows from within the individual, but can also be significantly strengthened by the supportive and conducive social ecosystem around him. The eighth informant who has only been running a handicraft business for two years also said the same thing: *"I often participate in MSME training from the office, and every time I come home from there my spirit is always renewed. Meeting people who have big dreams is contagious."* This strengthens the argument that the entrepreneurial support ecosystem has a facilitator role that cannot be ignored in the process of forming and maintaining the motivation of MSME actors.

#### **Interaction between Self-Efficacy and Entrepreneurial Motivation on MSME Performance**

One of the most significant findings of this study is the revelation of a dynamic interaction pattern between *self-efficacy* and *Entrepreneurial Motivation* in shaping the overall performance of MSMEs. These two factors do not work separately but rather influence and reinforce each other in a cycle that continues to rotate. When an MSME actor has a strong motivation, he tends to be more persistent in his efforts, and the small successes achieved from this persistence eventually strengthen his confidence gradually. Instead, *self-efficacy* The high level encourages businesses to set more ambitious targets, which then become new fuel for motivation to continue to grow beyond boundaries previously considered impossible to achieve. Arimbi & Diptyana (2022) in his research on the MSME community in Surabaya empirically proves that *self-efficacy* significantly affects the performance of MSMEs, and that this influence applies across business sectors so that it is relevant to be applied in the broader context of urban MSMEs such as Malang City with all its diversity.

This cycle pattern is very clearly illustrated in the statement of the tenth informant who has been running a craft business for nine years: *"In the past, my motivation was only to survive, but after my business began to develop and I knew I was capable, my motivation changed to wanting to be known nationally. My confidence grows as my business grows."* This narrative explicitly describes how real business achievements are a catalyst for motivational transformation as well as strengthening *self-efficacy* simultaneously. Efendy & Pusparini (2025) In his research it was found that *Entrepreneurial Self-Efficacy* together with competence and entrepreneurial orientation have a positive and significant influence on the performance of MSMEs, and that the power of this influence is even greater when the external environment is conducive, which means that internal and external factors actually work synergistically and cannot be separated from each other in forming a healthy business ecosystem.

The twelfth informant, a fashion entrepreneur who has only been in business for four years, describes this dynamic in a simpler way but strongly reflects its essence: *"If I am not motivated, I am not confident either. If I am not confident, I am also not enthusiastic. The two have to walk together."* The intuitive awareness expressed by this informant indirectly validates the theoretical construct that has long been developed in the literature of entrepreneurial psychology, namely that motivation and *self-efficacy* are two elements that are interdependent and cannot be optimized separately. Kukanja (2024) In its study of small and medium enterprises in the hospitality sector, it was found that *Entrepreneurial Self-Efficacy* Especially in the dimension of building strategic relationships and developing new products has a measurable positive impact on perceived business performance, indicating that *self-efficacy* that are closely linked to the motivation to grow resulting in concrete actions that have a direct impact on overall business performance.

Furthermore, this study found that the interaction between the two factors is also strongly influenced by the situational context, especially when business actors are faced with unexpected pressures or crises. The second informant who runs a culinary business recounted his experience when facing a drastic decline in turnover: *"During the pandemic, sales dropped to eighty percent. What keeps me open is because I believe my product is still needed, and my motivation is to retain employees who have been with me for years."* The combination of self-confidence in product quality and motivation rooted in social responsibility towards employees becomes a very strong psychological combination in maintaining business continuity in the midst of even the most difficult situations. This confirms the findings Srimulyani et al. (2023) that *Entrepreneurial Self-Efficacy* significantly increases entrepreneurial motivation, and that motivation in turn becomes a partial mediator that strengthens the relationship between *self-efficacy* with overall business performance, forming a mutually reinforcing and sustainable chain of causality in the context of Indonesian MSMEs.

### **Psychological Barriers and Adaptation Strategies for MSME Actors**

In addition to uncovering the positive role of *self-efficacy* and motivation, the study also found that the informants had experienced a phase in which both psychological factors were at a very low point and hardly functioned as drivers of productive action. This condition is generally triggered by unexpected business failures, prolonged financial pressure, or loss of consumer confidence due to various factors that are beyond the control of business actors. A fifth informant engaged in handicrafts recounted his experience openly: *"There was a time when I didn't want to open a shop for days because I felt that all my efforts were in vain. Orders are quiet, capital is running low, and I don't know where else to start."* This expression describes a very real psychological condition experienced by many MSME actors, namely mental fatigue that directly erodes self-confidence and entrepreneurial spirit at the same time. This kind of condition should not be underestimated because if left untreated, it can lead to a decision to close the business permanently even though the business still has potential to be developed further. The ninth informant also expressed something similar from a different perspective: *"When my business almost went bankrupt, the hardest thing was not the money, but the shame and the feeling that I wasn't capable enough to be an entrepreneur."* This statement confirms that psychological barriers are often much heavier than financial barriers themselves, and that the dimensions of self-esteem and entrepreneurial identity are also vulnerable when businesses are under pressure. But what is interesting about all these findings is that all informants who have experienced these conditions have finally managed to find their own way to get up and continue their efforts with even stronger enthusiasm than before. The adaptation strategies they use are very diverse, ranging from seeking emotional support from their families and the community of fellow entrepreneurs, conducting an in-depth evaluation of the business model that has been running, simplifying the scale of the business for a while, to taking a short pause to recover psychological energy before returning to move with a clearer perspective, a more

mature strategy, and renewed self-confidence through a process of self-reflection that has been renewed Deep and honest

### **The Role of the External Environment in Sustaining Self-Efficacy and Motivation**

Another finding that is no less important from this study is that the *self-efficacy* and *entrepreneurial motivation* of MSME actors in Malang City do not develop in a space isolated from external influences, but are greatly influenced by the conditions and dynamics of the external environment that encompass their daily business life. Support from families, access to training programs organized by local governments, the existence of an active and supportive entrepreneurial community, and easy access to market information are proven to be external factors that are consistently mentioned by almost all informants as important elements that support their enthusiasm and confidence in running a business. The tenth informant said confidently: "If it hadn't been for the support of my family and fellow businessmen, I might have quit a long time ago. Those who always remind me that this venture is worth fighting for." This statement emphasizes that external factors are not just passive background elements, but active elements that actually and measurably contribute to building and maintaining the psychological capacity of business actors over time. The seventh informant also added from a more specific point of view: "Every time I participate in an MSME exhibition facilitated by the agency, I go home with a new spirit. Not because I got a lot, but because I came to know that my product is equal or even better than others." The experience conveyed by this informant shows that exposure to a competitive but supportive environment actually functions as a mirror that helps business actors recognize and recognize their own abilities more objectively, so that their *self-efficacy* grows not from mere assumptions but from real evidence that they witness and feel themselves. A supportive ecosystem thus creates ideal conditions where *self-efficacy* and motivation thrive more easily, recover faster when shaken by pressure, and are more resilient to the various obstacles that come one after another in the long journey of entrepreneurship in the midst of market competition that is increasingly dynamic and unpredictable.

## **5. Conclusion**

This study succeeded in revealing that self-efficacy and entrepreneurial motivation are two psychological pillars that fundamentally shape the quality of performance of MSME actors in Malang City. Through in-depth qualitative exploration, it was found that entrepreneurial self-confidence is not static but grows dynamically through the accumulation of real experiences, both successes and failures which are then processed into meaningful learning. Motivation rooted in personal values has been shown to be much more resistant to external pressure than motivation that is purely reactive. The most important finding of this study is the identification of a cyclical interaction pattern between self-efficacy and motivation, where the two continuously reinforce each other in forming productive and adaptive entrepreneurial behavior. External environments such as family support, entrepreneurial communities, and government programs have also been shown to play a significant role in supporting these two psychological factors. Theoretically, this research enriches the entrepreneurship literature with a qualitative perspective that has been limited so far. Practically, these findings recommend that MSME empowerment programs not only focus on capital aspects, but also touch the psychological dimension of business actors in a structured and sustainable manner. Further research is suggested to expand the scope of regions and business sectors to produce a more comprehensive understanding.

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