

From entrepreneurial competency to business performance: Serial mediation of self-efficacy and entrepreneurial orientation

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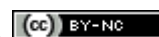
Abstract: *Micro, small, and medium enterprises (MSMEs) in Bandung face challenges, as evidenced by fluctuating numbers, including limited access to financing, market competition, and regulatory hurdles. The sustainability and success of MSMEs depend on performance. Improving performance requires strengthening entrepreneurial competence, self-efficacy, and entrepreneurial orientation. However, prior studies have yielded inconsistent findings on how these variables relate to business performance. Accordingly, this research seeks to determine how entrepreneurial competency influences business performance, examining self-efficacy and entrepreneurial orientation as mediators. This research employs a quantitative methodology and purposive sampling, a nonprobability sampling technique. This survey involved 100 respondents selected from a total of 1,009 MSME participants in Bandung. The findings of this study indicate that entrepreneurial competence does not directly influence business success, whereas self-efficacy and entrepreneurial attitude do. Self-efficacy and entrepreneurial orientation are interrelated, with entrepreneurial competence functioning as a catalyst that enhances business performance. Furthermore, entrepreneurial competence influences self-efficacy, which, in turn, affects entrepreneurial orientation. This research highlights the significance of self-efficacy mediation and entrepreneurial orientation within the micro, small, and medium enterprise (MSME) framework. The results of the study imply that increasing self-efficacy and entrepreneurial orientation is very important in increasing entrepreneurial competency, which will ultimately improve business performance.*

Keywords: *business performance; entrepreneurial competence; entrepreneurship orientation; micro, small, and medium enterprises (MSMEs); self-efficacy*

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Dari kompetensi kewirausahaan ke kinerja usaha: Mediasi serial efikasi diri dan orientasi kewirausahaan

Abstrak: Usaha mikro, kecil, dan menengah (UMKM) di Bandung menghadapi berbagai tantangan, yang ditunjukkan oleh jumlah yang fluktuatif, termasuk keterbatasan akses terhadap pembiayaan, persaingan pasar, serta hambatan regulasi. Keberlanjutan dan keberhasilan UMKM sangat bergantung pada kinerja usaha. Peningkatan kinerja memerlukan penguatan kompetensi kewirausahaan, efikasi diri, dan orientasi kewirausahaan. Namun demikian, penelitian terdahulu menunjukkan temuan yang tidak konsisten terkait hubungan antara variabel-variabel tersebut dengan kinerja usaha. Oleh karena itu, penelitian ini bertujuan untuk menganalisis pengaruh kompetensi kewirausahaan terhadap kinerja usaha dengan menguji peran mediasi efikasi diri dan orientasi kewirausahaan. Penelitian ini menggunakan pendekatan kuantitatif dengan teknik purposive sampling sebagai bagian dari metode nonprobability sampling. Survei dilakukan terhadap 100 orang responden yang dipilih dari total 1.009 pelaku UMKM di Bandung. Hasil penelitian menunjukkan bahwa kompetensi kewirausahaan tidak berpengaruh secara langsung terhadap kinerja usaha, sedangkan efikasi diri dan orientasi kewirausahaan memiliki pengaruh signifikan. Efikasi diri dan orientasi kewirausahaan saling berhubungan, dengan kompetensi kewirausahaan berperan sebagai katalisator yang meningkatkan kinerja usaha. Selain itu, kompetensi kewirausahaan berpengaruh terhadap efikasi diri, yang selanjutnya memengaruhi orientasi kewirausahaan. Penelitian ini menegaskan pentingnya peran mediasi efikasi diri dan orientasi kewirausahaan dalam konteks UMKM. Hasil penelitian mengimplikasikan bahwa peningkatan efikasi diri dan orientasi kewirausahaan merupakan aspek yang sangat penting dalam memperkuat kompetensi kewirausahaan, yang pada akhirnya akan meningkatkan kinerja usaha.

Kata kunci: efikasi diri; kinerja usaha; kompetensi kewirausahaan; orientasi kewirausahaan; usaha mikro, kecil, dan menengah (UMKM)

INTRODUCTION

After the 1997-1998 monetary crisis, MSMEs in Indonesia remained resilient and helped sustain several business subsectors. This resilience builds optimism for improving people's economic conditions (Aftitah et al., 2024). MSMEs continue to stabilize the Indonesian economy and can absorb labor, grow GDP, and advance development goals (Permana et al., 2019). MSMEs also raise the quality of life for those below the poverty line. They provide local jobs that keep people from moving to bigger cities. MSMEs employed 117 million people in 2021, representing 97% of the workforce, according to the Ministry of Finance. MSMEs also contributed 60.4% to total investment, showing a strong contribution to foster economic growth and development in Indonesia.

The economic paralysis brought about by the Covid-19 pandemic of 2020-2021, forced people to adapt. During this time, many people especially in Bandung opened a business both online and offline. According to data from Open Data Kota Bandung website, the number of MSMEs in 2020 was 268, and in 2021 it was 1,850 MSMEs (Dinas Koperasi dan Usaha Kecil Menengah, 2024). Table 1 shows that this growth did not last as MSME numbers fell in 2022 and 2023.

Table 1. Number of MSMEs in Bandung City

Year	2020	2021	2022	2023	Quantity
Number of MSMEs	268	1,850	722	1,009	3,849

Source: Open Data Kota Bandung (2024)

Data and field research show that many business actors struggle to maintain, let alone develop, their businesses. The main problem is low product sales in domestic and international markets. This is largely due to persistent weaknesses in MSME management, such as limited business capital, distribution barriers, and insufficient insight into online transactions (Murwanti, 2023). Therefore, the

government's future role in prioritizing MSMEs is considered essential, as their greater contribution is expected to strengthen the national economy.

Entrepreneurial competencies are necessary for optimal business performance. The quality of entrepreneurs' actions, which underpins competence, can be measured by business performance. This relationship appears in Indonesian coffee micro, small, and medium enterprises, where entrepreneurial competence, both internal and external factor, enhances company performance (Suryana & Burhanuddin, 2021). Likewise, a study of 100 MSMEs in Tarakan City found a strong link between entrepreneurial ability and business performance outcomes, covering risk management, communication, innovation, and problem-solving (Hasanah et al., 2019). Dewi & Suwarno (2024) found that self-efficacy may directly and significantly influence the link between entrepreneurial competence and performance. While the first two studies suggest a positive impact, Dewi & Suwarno (2024) introduce self-efficacy as a variable, which may explain discrepancies in the correlation between performance and competence. Other study shows several factors can affect business performance. Self-efficacy motivates business owners to consider all business actions (Srisusilawati et al., 2022). It can also increase start-up survival, revenue, and innovation (Caliendo et al., 2023). In contrast, previous research found that self-efficacy did not directly affect business performance in coffee shops in Malang Raya (Pratama et al., 2023). These differing findings on self-efficacy highlight a gap in how entrepreneurial competence relates to business outcomes.

Research on the Tofu and Tempeh Cibuntu business in Bandung City reveals another variable that can affect business performance, entrepreneurial orientation (Nugraha & Handayani, 2022). Entrepreneurial orientation can exert a substantial, beneficial influence on business performance among 100 garment manufacturers in Tanah Abang (Silviasih et al., 2016). The previous study statement that culinary MSMEs in Bekasi City, with high entrepreneurial orientation, have a significant impact on their business performance (Theofadilla & Handoyo, 2024). Research by Indah et al. (2023), on students in culinary entrepreneurship programs, produced different results from other studies. The study shows that orientation of entrepreneurship does not directly optimize business performance, but further efforts are needed to improve such as targeted training and mentoring programs. This disconnect results in a chasm between entrepreneurial mindset and the financial achievement of businesses. If the elements influencing entrepreneurial orientation are not mitigated, students may find it difficult to convert their entrepreneurial spirit into tangible business outcomes.

Although many studies have been conducted previously, it is possible to optimize business performance through entrepreneurial competence, with self-efficacy acting as the first mediating variable. Dewi & Suwarno (2024) found that self-efficacy can affect both entrepreneurial competence and business performance. Research indicates that business performance is strongly influenced by entrepreneurial self-efficacy, as a person's belief in their abilities can help them complete tasks and overcome business challenges. Entrepreneurial self-efficacy can also influence innovation, which in turn improves business performance (Pratama et al., 2022). Innovative ideas and approaches can lead to more effective solutions and greater market competitiveness. Self-efficacy can have a positive, significant impact on business performance (Yeh et al., 2021). However, research by Ambarwati & Fitriyani (2021) found that self-efficacy and business performance do not have a positive, significant influence on each other. This finding contradicts previous research, suggesting that additional factors or context-specific variables may affect the correlation of business performance and self-efficacy.

Entrepreneurial orientation is a firm's strategic posture that encourages innovation and risk-taking. It acts as a mediating variable, alongside self-efficacy, influencing entrepreneurial competence and business performance. For instance, Purnomo et al. (2022) find that entrepreneurial competence can significantly and positively influence entrepreneurial orientation. Similarly, Purnomo et al. (2022) show that entrepreneurial competence affects the entrepreneurial orientation of MSME actors in Yogyakarta City. In contrast, Riante & Utama (2023) report that entrepreneurial orientation does not affect entrepreneurial competence. Entrepreneurial orientation drives business success through innovation, proactivity, and risk-taking (Ludiya & Kurniawan, 2020). It reflects a company's resource management in implementing entrepreneurial strategies and gaining a competitive advantage (Danny & Utama, 2019). It also fosters sustainable economic growth, making competitiveness essential. Companies, with this mindset, use their resources to enhance creativity and adapt to market demands (Feriyansyah & Febriansyah, 2023).

Entrepreneurial competence comprises ingrained traits such as personality, attitude, character, social role, and self-perception, which can be augmented through on-the-job training or formal education (Prakasa, 2021). While not everyone is born with these talents, entrepreneurial competence can be systematically enhanced. Core development methods include competency identification, assessment, mapping, and targeted interventions. These competencies are categorized into managerial, strategic, service quality, development, and performance competencies that directly impact business success (Wulani et al., 2019). Hasanah et al. (2019) identified 20 key dimensions of entrepreneurial competence, ranging from risk management, autonomy, and data analysis to leadership, honesty, and problem-solving.

Self-efficacy refers to an individual's confidence in their capability to undertake the actions required to attain specific objectives (Mawaddah, 2021). A strong conviction in one's abilities for business success often bolsters self-efficacy, thereby driving action during the implementation phase. Indicators of self-efficacy encompass task difficulty, belief intensity, and generalization capability (Ni'mah, 2022). Self-efficacy refers to an individual's evaluation of their ability to plan and implement the actions needed to attain specific objectives. This evaluation is not exclusively dependent on an individual's innate talents; it also signifies their capability to adeptly employ those talents to achieve specified goals (Srimulyani & Hermanto, 2022). Self-efficacy involves belief in one's capacity to meet obligations, shaped by self-regulation of thoughts, emotions, and actions in the realm of entrepreneurship (Setiawan & Soelaiman, 2022).

The more effectively a company executes its strategy, the better it performs, as performance reflects the company's strengths over a given period (Rahadjeng et al., 2023). Business performance is a broad concept that measures how policies and choices affect a company's operations (Warmana & Widnyana, 2018). The performance of a business can be reflected based on key indicators such as sales, revenue, and business growth (Sari & Sujadi, 2025). Entrepreneurial competence affects business performance, and optimizing MSME business requires knowledge, attitudes, and skills that MSME actors must have. This relationship is based on the Resource-Based View Theory (RBV). The theory suggests that firms with superior entrepreneurial competencies can better integrate and utilize resources, thereby improving performance (Wu, 2010). Having it is necessary because MSME actors need adequate competence to improve their business performance and success. Entrepreneurs who can manage risks well, consistently seek and analyze information related to new business opportunities, communicate effectively, and are dynamic. There is evidence that these traits can improve the performance of the businesses they run (Robles & Zárraga-Rodríguez, 2015). Training to enhance entrepreneurial competence has been shown to positively affect both non-financial and financial business performance (Santoso et al., 2022). The knowledge, attitudes, and skills of 150 respondents in Ma'rang District, Pangkep Regency, indicate that indicators of entrepreneurial competence significantly influence business performance (Ziana et al., 2017). Business performance was measured by assessing increased revenue, production volume, and sales volume. According to Jemal (2020), entrepreneurial mindset and competence are positively related to SME business performance. This study shows that learning, through education and participation in entrepreneurship programs, can increase the success of SMEs. The results of the study from several researchers can lead to the following hypothesis.

H₁: Entrepreneurial competence has a positive effect on business performance.

The correlation between self-efficacy and business performance can be explained as follows. When an entrepreneur feels capable of overcoming challenges to achieve established goals, they are more likely to improve business performance. According to Self-Efficacy Theory, an individual's confidence, in their capacity to execute activities and attain objectives, influences thoughts, behaviors, and actions, which are critical to business success (Bandura, 1997; Salaheldeen, 2026). The nature of the business goals pursued directly impacts self-efficacy in entrepreneurship, which in turn reflects in business performance. Caliendo et al. (2023) support this by demonstrating that self-efficacy enhances the survival, income, and innovation of start-up businesses. Self-efficacy has also been shown to significantly impact the business performance of coffee shops in the Sunter area (Widjaja et al., 2022), and studies in Kelurahan Pasar Teluk Dalam report similar findings (Laia, 2022). The findings from these researchers lead to the following hypothesis.

H₂: Self-efficacy has a positive effect on business performance.

The correlation between business performance and entrepreneurial competence can be explained by the Resource-Based View Theory. Specifically, entrepreneurial orientation is viewed as a strategic

resource that improves firm performance by promoting innovation, proactiveness, and risk-taking. These traits enable firms to adapt to dynamic environments and exploit opportunities effectively. Innovation is the key to achieve high corporate performance and market growth, helping companies remain relevant amid changes and developments in the business environment. In addition, MSME actors need the courage to take business risks. Although there is no certainty of success, this attitude is crucial to business success and sustainability. Furthermore, the proactive attitude of MSME actors also affects business performance by enabling them to capitalize on opportunities. Recent empirical studies support these relationships. For example, the study by Theofadilla & Handoyo (2024) reveals a similar trend; culinary MSMEs in Bekasi City exhibit a positive relationship between entrepreneurial orientation and business performance. The results of research on small and medium enterprises (SMEs) in the textile production sector in the Province of Bali show that there is a significant positive correlation between entrepreneurial approaches and business performance (Wahyuni & Sara, 2020). Another study also used data from 355 respondents and found that entrepreneur orientation has a positive and direct effect on business success (Vargas et al., 2019). The generalization of these research results allows to formulate the following hypothesis.

H₃: Entrepreneurial orientation has a positive effect on business performance.

The correlation between entrepreneurial competence and self-efficacy is based on the Social Cognitive Career Theory (SCCT) and the Theory of Planned Behavior (TPB). SCCT is an extension of Social Cognitive Theory in career-oriented endeavors, such as entrepreneurship. It proposes that entrepreneurial competence influences self-efficacy (Duong et al., 2024; Liguori et al., 2018). Personal competences affect the entrepreneurial self-efficacy as proposed by the Theory of Planned Behavior. Entrepreneurial ability is necessary for the development of self-efficacy. Entrepreneurial competences are knowledge, attitude, and abilities that normally enhance the belief in the ability to start and carry out the activities of entrepreneurship. It has strengths in problem-solving and in grasping entrepreneurial opportunities which create a climate for this competency to grow. Research by Dewi & Suwarno (2024), involving 100 MSME participants in Bandung, showed that entrepreneurial competence had a positive and significant effect on self-efficacy. A study by Dhamayantie & Fauzan (2018) found a positive, notable connection between entrepreneurial competence and self-efficacy. The heightened entrepreneurial skills of MSMEs in Kubu Raya Regency can significantly improve business performance. The knowledge, abilities, and attitudes, that indicate entrepreneurial competency among 20 MSME participants, have demonstrated a significant and positive impact on business performance (Utami & Mulyaningsih, 2016). The results of research from several researchers can lead to the following hypothesis.

H₄: Entrepreneurial competence has a positive effect on self-efficacy.

The Resource-Based View (RBV) and Social Cognitive Career Theory (SCCT) serve as a framework for understanding the relationship between self-efficacy and entrepreneurial orientation. SCCT, which builds on Social Cognitive Theory (SCT), links self-efficacy to career-related behaviors and intentions. In the entrepreneurship context, SCCT elucidates how entrepreneurial self-efficacy (ESE) shapes intentions and outcome expectations, which are foundational to the development of entrepreneurial orientation (Haque & Kour, 2024; Liguori et al., 2018). In parallel, RBV emphasizes the importance of internal resources, such as self-efficacy, in achieving competitive advantage. Self-efficacy thus acts as a psychological resource that enhances entrepreneurial orientation by enabling entrepreneurs to effectively utilize their skills and knowledge (Patwary et al., 2023). Individuals in business, who demonstrate confidence and self-control, especially in managing their thoughts, feelings, and behavior, tend to be more courageous in innovation, more proactive in their approaches, and more willing to take the necessary risks to achieve business success. Furthermore, the collective efficacy of a top management team can positively effect entrepreneurial orientation by fostering shared confidence in the team's ability to achieve objectives and meet challenges (Peng et al., 2023). Supporting this, research by Mutlutürk & Mardikyan (2018) shows that self-efficacy significantly impacts entrepreneurial orientation among 332 students at a Turkish university. Drawing from these findings, the results of several researchers can lead to the following hypothesis.

H₅: Self-efficacy has a positive effect on entrepreneurial orientation.

An entrepreneur's belief in their capability can motivate them to participate in business endeavors. This confidence can lead an entrepreneur to be proactive, innovative, and willing to take on business risks. Ultimately, this belief improves business performance. The measures of high performance in

MSMEs in Yogyakarta City, such as the quantity and quality of work results, task implementation efficiency, awareness of work discipline, initiative, and leadership, demonstrate that entrepreneurial ability and spirit can positively and significantly impact business outcomes (Prawita et al., 2024). Additionally, research by Peng et al. (2023) indicates that entrepreneurs, with high self-efficacy, can drive revenue growth and create more jobs within their companies. Furthermore, the study by Dewi & Suwarno (2024) suggests that self-efficacy plays a positive role as a mediator between entrepreneurial competence and business performance. Competency Motivation Theory asserts that individuals are more inclined to participate in activities they feel capable of, which aligns with the definition of entrepreneurial competence, which encompasses skills related to entrepreneurial orientation, decision-making, methods, and approaches within an organization driven by an entrepreneurial spirit. From this perspective, it can be concluded that MSME actors, with high entrepreneurial skills, are likely to be more enthusiastic about entrepreneurship, ultimately influencing the outcomes of their business efforts. This conclusion is further endorsed by the research undertaken by Purnomo et al. (2022), which finds that entrepreneurial competence significantly impacts entrepreneurial orientation. The serial mediation scheme is also supported by several studies. The study found that entrepreneurial learning is fully mediated by self-efficacy to impact firm performance, suggesting that confidence in entrepreneurial abilities is important to translate learning to results (Shen et al., 2021). Entrepreneurial orientation as a bridge that transforms entrepreneurial competencies into implementable strategies (Rahmatika & Suwarno, 2026; Wu, 2010). The influence of resource integration competencies, on performance through entrepreneurial orientation, is confirmed. Moreover, the beneficial effect of entrepreneurial self-efficacy on entrepreneurial orientation is also proven by the fact that people with high self-efficacy are more likely to take innovative and proactive activities to improve business performance (Peng et al., 2023; Rahmatika & Suwarno, 2026). Based on the results of the previous studies and existing theory, the following hypothesis can be formulated.

H₆: Entrepreneurial competence affects business performance, mediated by self-efficacy and entrepreneurial orientation.

Based on the hypotheses that have been formulated, the research model in this study is represented by the following figure.

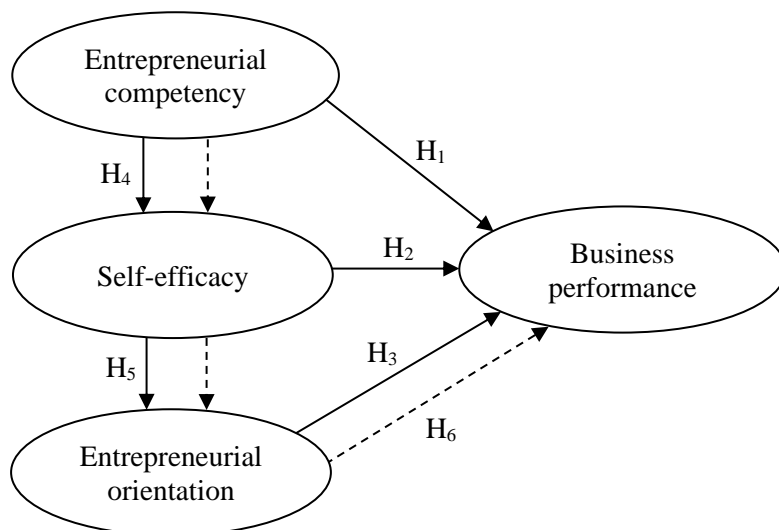


Figure 1. Research conceptual model
Source: Processed by the authors (2025)

This study aims to determine how entrepreneurial competence affects MSME business performance in Bandung, both directly and indirectly, by considering self-efficacy and entrepreneurial orientation as mediating variables. The research objective is to clarify the pathways through which entrepreneurial competence, self-efficacy, and entrepreneurial orientation influence business success.

METHOD

The research conducted in this study is a verifiable type that examines entrepreneurial competence in relation to business performance, with self-efficacy and entrepreneurial orientation serving as mediating factors in MSMEs in the city of Bandung. A research variable is defined as a characteristic of an organization or activity that exhibits variations, allowing for analysis and conclusions to be drawn (Sugiyono, 2020). This study identifies entrepreneurial competence as the independent variable, while business performance serves as the dependent variable. Self-efficacy acts as the first mediating variable, and orientation of entrepreneurship is the second mediating variable. This research is considered quantitative. This methodology is grounded in the philosophy of positivism and focuses on the examination of a specific population or sample (Sugiyono, 2020). The collected data were analysed using quantitative or statistical methods. In this approach, the researcher tests a predetermined hypotheses.

Population is a broad scope or general area consisting of an object or subject that meets the characteristics determined by the researcher for further observation and research, and for concluding (Sugiyono, 2020). The population covered in this study comprises MSME actors in Bandung, totaling 1,009. Not all MSME actors in Bandung are registered with the Ministry of Cooperatives and SMEs because they do not see a need to register with the relevant agencies. MSME actors do not register because of difficulties in managing business licenses and concerns about tax collection, such as VAT or MSME income tax, which are the biggest considerations for MSME actors (DPMPTSP, 2024). This creates uncertainty in the number of MSME actors. Samples are selected using a non-probability, purposive sampling approach. The criteria used to determine respondents who can be a sample are MSME business owners in the city of Bandung. This approach involves selecting participants based on predetermined attributes pertinent to the research objectives (Andrade, 2021). The Slovin technique can be used for non-probability sampling because it is a formula for estimating large samples that are expected to represent the entire population, as evidenced by the application in the research of Hidayat et al. (2024) which uses the technique. The people of the city of Bandung who carry out business activities, also known as MSME actors, are features of the people who filled up the survey. The authors narrowed the study population to a research sample using the Slovin technique. The following presents the Slovin formula as expressed by Sugiyono (2020).

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{1,009}{1+1,009(0,10)^2} = 90.98$$

Description:

n = Sample size

N = Total population

e = Fault tolerance

Research, that applies the Slovin formula to sample sizes, must yield a representative sample to allow generalization of the results. Calculations using the Slovin formula do not require a table of sample sizes, instead, simple formulas suffice. The following is the calculation of the number of participants in the study with a 10% margin of error (e). The sample size in this study was 90.98, which the authors rounded up to 100.

Data regarding MSMEs in Bandung were gathered through an online questionnaire disseminated via Google Forms. The survey employed a six-point Likert scale, with responses varying from very positive to very negative. The survey questionnaire consists of five parts, namely personal data, entrepreneurial competence, entrepreneurial orientation, self-efficacy, and business performance. Entrepreneurial competence consists of 22 questions, adapted from López-Núñez et al. (2022), covering the dimensions of ideas, opportunities, personal resources, specialised knowledge, and business actions. One example of a question is "I have excellent communication skills in business." Entrepreneurial orientation consists of nine questions, adapted from Fairoz et al. (2010), grouped into three dimensions

such as innovation, proactivity, and risk-taking. One example of a question item is “my company places more emphasis on product or service R&D, technological excellence, and innovation.” Self-efficacy consists of 10 questions, adapted from Bonsaksen et al. (2013), grouped into three dimensions such as level, power, and generalisation. One example of a question item is “i can stay calm in facing difficulties because I can rely on my ability/competence in overcoming my business problems.” Business performance consists of twelve questions, adapted from Garg et al. (2004) dimensions, such as sales growth, revenue growth, and positive growth. One example of a question item is “i feel like my business’s sales growth is better than that of competitors.”

Upon distribution of the questionnaires, the data was assessed and analysed utilising the structural equation model, partial least squares (SEM-PLS) methodology. The initial evaluation involves assessing the measurement model (outer model) in two phases, validity assessment and reliability assessment. The validity assessment utilises techniques for evaluating convergence and discriminant validity, whereas the reliability analysis employs Cronbach’s alpha and composite reliability. The structural model (inner model) will be evaluated to determine the causal relationships among the variables. The concluding phase entails a quality assessment to evaluate the predictive effectiveness of the construct model.

RESULTS AND DISCUSSION

Results

The attributes of the respondents define the profile of the research subjects and provide insight into the factors influencing business performance. Out of the 119 questionnaires distributed, 19 responses were deemed invalid because they did not meet the study's inclusion criteria; specifically, these respondents do not manage businesses. The quantity of participants in this research is 100 MSMEs owners. The responses were analyzed to identify the characteristics present in each sample group. Seventy respondents identified as women, while thirty identified as men, indicating that the majority of participants are women. Most respondents are aged between 20 and 30 years, a stage generally considered productive (Basalamah et al., 2021), because this age is the initial age of a person to have a career or enter the world of work including be an entrepreneur. According to Statistics Indonesia, it is also said that the age of 15 years old is the initial age for a person to start being productive in terms of work (Statistics Indonesia, 2025). The three industries, most represented in this survey, are food and beverage, textiles and clothing, and services. Additionally, most respondents have been managing their businesses for a period of 1 to 5 years. The following table provides detailed information regarding the attributes of the respondents.

Table 2. Characteristics of respondents (n=100)

Demographics	Quantity	Percentage
Women	70	70%
Men	30	30%
20-30 years old	58	58%
31-40 years old	27	27%
41-50 years old	9	9%
51-60 years old	6	6%
Food & beverage industry	39	39%
Textile & apparel industry	30	30%
Services	15	15%
Electrical industry	7	7%
Automotive industry	3	3%
Others	6	6%
1 year-5 years	45	45%
>5 years-7 years	35	35%
>7 years	20	20%

Source: Processed by the authors (2025)

Table 3 supplies the average, standard deviation, kurtosis, and skewness for each item related to entrepreneurial ability, self-efficacy, entrepreneurial orientation, and company performance.

Table 3. Descriptive analysis results

Indicator	Mean	Standard deviation	Excess kurtosis	Skewness
KK1	5.07	0.886	3.344	-1.277
KK2	5.10	0.889	-0.276	-0.720
KK3	5.04	0.926	2.255	-1.076
KK4	5.25	0.853	5.223	-1.687
KK5	5.14	0.860	4.223	-1.424
KK6	5.02	0.894	2.867	-1.147
KK7	5.01	0.900	2.878	-1.190
KK8	4.66	1.032	0.560	-0.717
KK9	4.84	0.946	3.681	-1.256
KK10	4.84	0.987	2.988	-1.254
KK11	4.94	0.915	2.203	-0.994
KK12	4.85	0.887	-0.549	-0.396
KK13	4.31	1.111	-0.825	-0.020
KK14	4.64	1.054	0.538	-0.689
KK15	4.98	0.959	2.422	-1.203
KK16	4.86	0.906	-0.160	-0.455
KK17	4.81	0.809	-0.478	-0.212
KK18	4.86	0.990	1.604	-1.031
KK19	5.10	0.900	0.698	-0.953
KK20	4.99	0.755	0.276	-0.550
KK21	5.17	0.939	3.413	-1.454
KK22	5.01	0.900	3.074	-1.274
ED1	4.91	1.087	2.033	-1.241
ED2	4.82	0.805	-0.618	-0.126
ED3	4.92	1.046	-0.482	-0.690
ED4	4.67	0.960	1.282	-0.738
ED5	5.02	1.029	1.013	-0.990
ED6	4.86	0.860	0.337	-0.584
ED7	4.84	0.987	-1.027	-0.304
ED8	4.95	0.876	-0.751	-0.354
ED9	4.85	1.043	-0.357	-0.606
ED10	4.80	1.058	0.511	-0.720
KU1	4.58	1.041	0.501	-0.595
KU2	4.58	1.097	0.027	-0.484
KU3	4.64	1.005	-0.122	-0.482
KU4	4.51	1.109	-0.337	-0.227
KU5	4.57	1.003	0.545	-0.437
KU6	4.79	1.089	-0.486	-0.514
KU7	4.73	1.009	0.886	-0.739
KU8	4.64	0.944	-0.863	-0.159
KU9	4.88	1.089	-0.573	-0.607
KU10	4.64	0.985	-0.333	-0.367
KU11	4.97	0.953	-0.785	-0.502
OK1	4.74	1.006	0.952	-0.770
OK2	4.67	1.167	-0.468	-0.477
OK3	4.60	1.131	0.893	-0.883
OK4	4.33	1.158	-0.605	-0.283
OK5	4.57	1.134	-0.341	-0.636
OK6	4.75	1.062	-0.317	-0.550
OK7	4.51	1.204	0.508	-0.791

Indicator	Mean	Standard deviation	Excess kurtosis	Skewness
OK8	4.62	0.957	-0.571	-0.210
OK9	4.69	1.083	0.378	-0.693

Notes:

KKL = Entrepreneurial competence; ED = Self-efficacy;

KU = Business performance; OK = Entrepreneurial orientation

Source: Processed data (2025)

The outer model defines latent constructs or variables. This model shows how the indicator and its latent variables are related (Berutu et al., 2018). Another term for the outer model is the measurement model. The goal of this test is to identify the correlation between latent variables and their indicators (Ghozali, 2016). Reflective indicators assess the validity of external models, while convergent validity, discriminant validity, and comprehensive reliability (Cronbach's alpha) evaluate the instrument's validity and reliability.

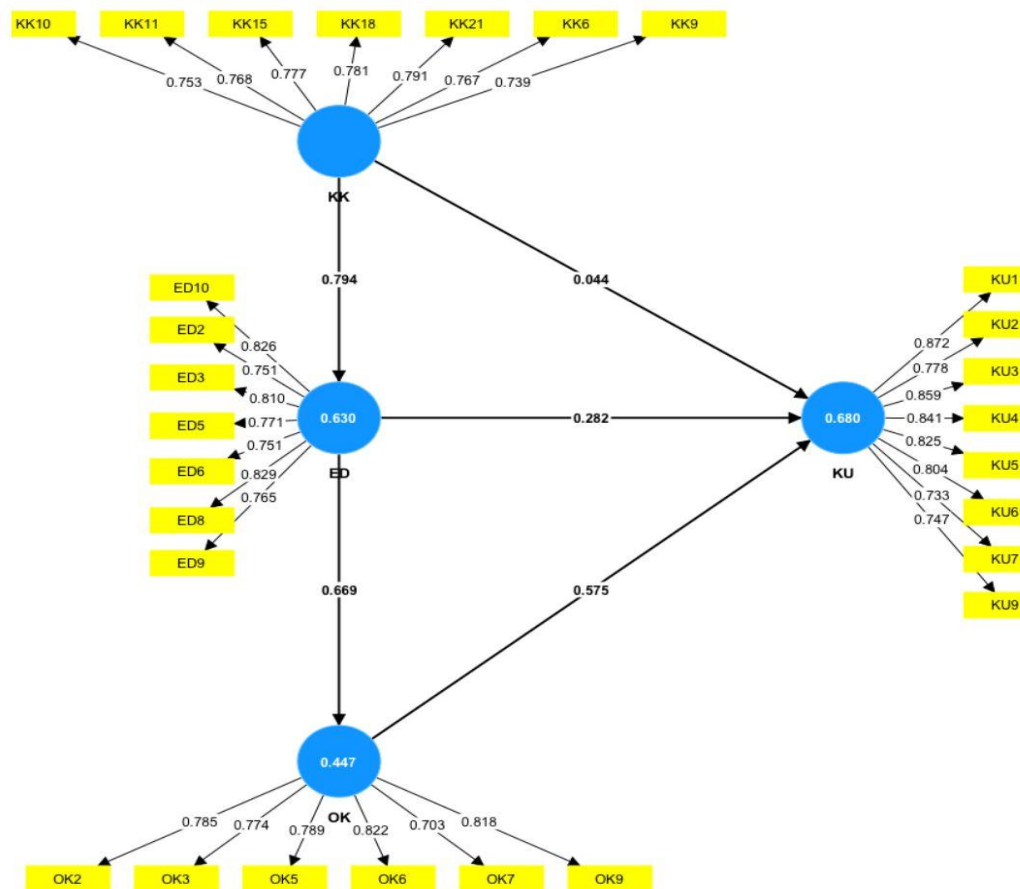


Figure 2. Outer model testing

Notes:

KKL = Entrepreneurial competence; ED = Self-efficacy;

KU = Business performance; OK = Entrepreneurial orientation

Source: Processed data (2025)

The relationship between the indicators was tested for validity using a convergent validity approach, specifically through the method of outer loading. This study employs outer loading to determine the relationships among indicators and assess their validity. Outer loading allows researchers to evaluate how strongly each item measures its respective construct. The results of the loading factor is presented in the convergent validity test. This test evaluates the measurement model according to the correlation of indicator and construct scores. According to Ghozali (2014), an indicator demonstrates convergent validity when its outer loading is greater than 0.70. Prior to conducting the next test, any

indicators deemed invalid will be removed. Following this, the values will be recalculated to ensure that the outer loading exceeds 0.70.

Table 4 indicates that the outer loading value post-deletion is satisfactory (exceeding 0.70) and that each indicator is deemed valid. The indicator with the highest loading factor in the entrepreneurial competency variable is the KK21 question, which assesses respondents' ability to learn and apply knowledge in business operations, with a value of 0.791. The ED8 question indicator, which inquires if the respondent can identify multiple solutions to a business problem, exhibits the highest loading factor in the self-efficacy variable, with a value of 0.829. The indicator with the highest loading factor in the entrepreneurial orientation variable is the OK6 question, which signifies that the respondent's business exhibits a strong propensity to pioneer new ideas or products, with a loading factor of 0.822. The highest loading factor was identified in the business performance variable, specifically with the KU1 question indicator, which indicates that the respondent's business sales growth surpassed that of competitors, yielding a value of 0.872.

Table 4. Outer loading after removal

Indicator	ED	KK	KU	OK
ED1	0.826			
ED2	0.751			
ED3	0.810			
ED5	0.771			
ED6	0.751			
ED8	0.829			
ED9	0.765			
KK6		0.767		
KK9		0.739		
KK10		0.753		
KK11		0.768		
KK15		0.777		
KK18		0.781		
KK21		0.791		
KU1			0.872	
KU2			0.778	
KU3			0.859	
KU4			0.841	
KU5			0.825	
KU6			0.804	
KU7			0.733	
KU9			0.747	
OK2				0.785
OK3				0.774
OK5				0.789
OK6				0.822
OK7				0.703
OK9				0.818

Notes:

KKL = Entrepreneurial competence; ED = Self-efficacy;

KU = Business performance; OK = Entrepreneurial orientation

Source: Processed data (2025)

Discriminating validity is used to ensure that each construct in each latent model shows significant differences against the other variables (Ghozali, 2016). Validity testing is carried out to evaluate the accuracy of the measuring instrument. One method for evaluating a discriminator's validity is cross-loading. In this study, cross-loadings for each indicator and other latent variables indicate that the tool or questionnaire developed, using cross-loadings, has good discriminant validity. Discriminant validity

testing is also using heterotrait-monotrait (HTMT) score. HTMT score < 0.9 is usually acceptable. Based on Table 5, all HTMT score less than 0.9. Therefore, the variables meet the discriminant validity.

Table 5. Heterotrait-monotrait (HTMT)

Correlation among variables	HTMT ratio
KK <-> ED	0.882
KU <-> ED	0.760
KU <-> KK	0.690
OK <-> ED	0.740
OK <-> KK	0.715
OK <-> KU	0.872

Notes:

KKL = Entrepreneurial competence; ED = Self-efficacy;

KU = Business performance; OK = Entrepreneurial orientation

Source: Processed data (2025)

Table 6 presents the combined reliability values for the four variables, self-efficacy, entrepreneurial competence, business performance, and entrepreneurial orientation. According to Hair et al. (2017), an average variance extracted (AVE) score must be at least 0.50 to be considered acceptable. The entrepreneurial competency variable achieved an AVE score of 0.590. The mediation variables, entrepreneurial orientation and self-efficacy, recorded AVEs of 0.613 and 0.619, respectively. Additionally, the business performance variable attained an AVE score of 0.654. Based on the criteria, it can be concluded that all research variables meet the necessary standards (Hair et al., 2017). All four variables demonstrated a collective reliability of 0.70 or higher, with scores ranging from 0.886 to 0.927. This indicates that all indicators have achieved the required composite reliability value and are thus considered reliable. Cronbach’s alpha for the study model ranged from 0.873 to 0.924. Since the sample used in this study met the criteria for both Cronbach’s alpha and composite reliability, it can be inferred that the sample satisfies the reliability standards.

Table 6. Results of reliability test

Indicator	Cronbach’s alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Self-efficacy	0.897	0.904	0.919	0.619
Entrepreneurial competencies	0.884	0.886	0.910	0.590
Business performance	0.924	0.927	0.938	0.654
Entrepreneurial orientation	0.873	0.878	0.905	0.613

Source: Processed data (2025)

Structural model testing, also known as internal modeling, is an analysis conducted to identify interactions between latent variables, both exogenous and endogenous, in a research model. This analysis aims to determine the nature and extent of the impact of latent variables on dependent latent variables, which can be interpreted as internal correlations (Musyaffi et al., 2022). Goodness of fit and R-squared serve as measurement tools in the analytical testing of the inner model.

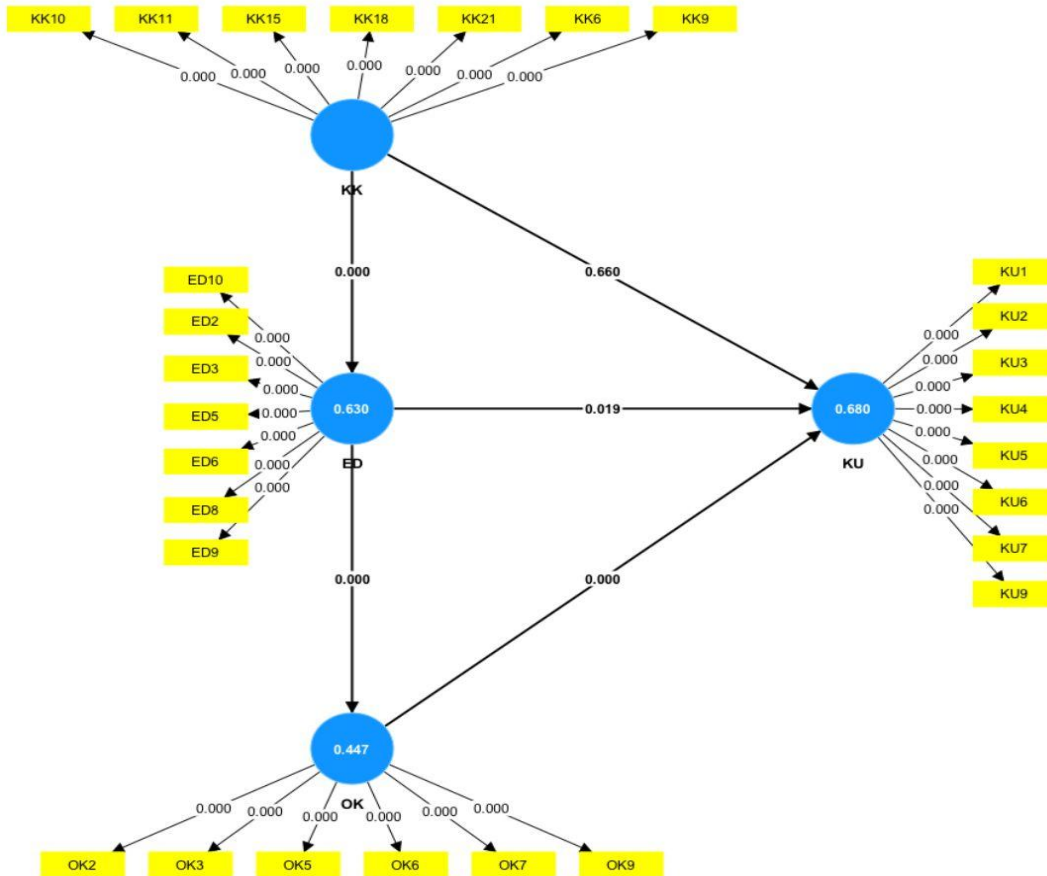


Figure 3. Inner model testing
Source: Processed data (2025)

Goodness-of-fit (GoF) is a hypothesis test designed to assess the overall fit and accuracy of the model and serves as a validation criterion in PLS-SEM. One of the first goodness-of-fit metrics suggested in the SEM literature is the NFI, which is used to detect faults in the model’s basic specifications. This specification error indicates an important area for model modification. The normed fit index (NFI) ranges from 0 (no match at all) to 1.0 (perfect fit). The critical value for goodness of fit the research also use SRMR < 0.08 is acceptable. The results of the goodness-of-fit (GoF) test are shown in Table 7.

Table 7. Goodness of fit model results

Parameter	Saturated model	Estimated model
SRMR	0.071	0.075
d_ULS	2.057	2.256
d_G	1.148	1.157
Chi-square	559.793	562.078
NFI	0.744	0.742

Source: Processed data (2025)

Based on the Table 7, the score of NFI is near to 0.744 (near to 1.0) and SRMR is 0.071 (<0.08), so the research model has goodness of fit.

Value or quantity effect sizes denote the degree to which each latent variable effects the observable variable. Table 8 of the F-square test findings illustrates the value or degree of influence of the F-square test. If the F-square value exceeds 0.02 but remains below 0.15, the influence is deemed weak. If the value falls between 0.15 and 0.35, the effect is moderate. If the F-square value surpasses 0.35, the influence is deemed substantial. If the F-square value is below 0.02, the influence is deemed minor (Ghozali, 2014).

Table 8. F square result

Linkages between variables	F square	Remarks
Self-efficacy → Business performance	0.081	Weak
Self-efficacy → Entrepreneurial orientation	0.810	Large
Entrepreneurial competence → Self-efficacy	1.701	Large
Entrepreneurial competence → Business performance	0.002	Weak
Entrepreneurship orientation → Business performance	0.542	Large

Source: Processed data (2025)

To assess a model, the authors may utilize the coefficient of determination. The primary objective of this coefficient is to evaluate the magnitude to which the model accounts for the variability in the dependent variable. The determination coefficient, sometimes referred to as R-squared (R^2), spans from 0 to 1. A value approaching 1 indicates a superior capacity of the model to elucidate the impacted variable. The R^2 coefficient indicates the degree to which the independent variables in the equation affect the dependent variables.

Table 9. R-squared results

Variable	R-square	R-square adjusted
Self-efficacy	0.630	0.626
Business performance	0.680	0.670
Entrepreneurial orientation	0.447	0.442

Source: Processed data (2025)

This section clarifies how three key variables, entrepreneurial competence, self-efficacy, and entrepreneurial orientation, contribute to business performance, as demonstrated by statistical relationships in Table 9. The R-square for self-efficacy is 0.626, indicating that entrepreneurial competence accounts for 62,6% of self-efficacy, with the remaining 37,4% explained by other factors. This indicates a moderate-to-strong influence; thus, improving entrepreneurial competence can increase self-efficacy. Together, entrepreneurial competence, self-efficacy, and entrepreneurial orientation explain 67% of business performance (R-squared 0.670). Additional variables, such as market conditions, access to funding, and management practices, explain the remaining variance. Enhancing entrepreneurial competence, self-efficacy, and orientation can improve business performance. The magnitude of these effects aligns with similar studies. Entrepreneurial competence and self-efficacy account for 44.2% of the variance in entrepreneurial orientation (R-squared = 0.442), with the remaining variance attributed to other factors. These values are considered moderate and beneficial, but a stronger influence requires additional variables and external conditions, such as market access, resources, and networks to promote entrepreneurial orientation.

The test of the path coefficient between constructs is shown in Table 9 to assess the construct's importance and magnitude of influence and to test the hypothesis. The test criteria are based on the p-value; if it is less than 0.05, the hypothesis is accepted. The criteria are based on the t-statistic; if it exceeds 1.96, the influence is considered significant. There are independent, dependent, and mediated variables in this study. In addition to the direct influence hypothesis test, there is also a mediation hypothesis test.

Table 10. Results of the direct influence hypotheses and the mediation hypothesis test

Hypothesis	Influence between variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P-values	Results
H ₁	Entrepreneurial competence → Business performance	0.044	0.054	0.099	0.440	0.660	Not significant

Hypothesis	Influence between variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P-values	Results
H ₂	Self-efficacy → Business performance	0.282	0.272	0.121	2.338	0.019	Significant
H ₃	Entrepreneurship orientation → Business performance	0.575	0.579	0.085	6.747	0.000	Significant
H ₄	Entrepreneurial competence → Self-efficacy	0.794	0.797	0.050	16.022	0.000	Significant
H ₅	Self-efficacy → Entrepreneurial orientation	0.669	0.675	0.067	9.967	0.000	Significant
H ₆	Entrepreneurial competence → Self-efficacy → Entrepreneurial orientation → Business performance	0.305	0.313	0.067	4.532	0.000	Significant

Source: Processed data (2025)

Discussion

The coefficient for the entrepreneurial competency pathway to business performance, as shown in Table 10 is 0.044. The computational results relate to standardized variables. A path coefficient of 0.044 indicates that, in linear analysis, a one-standard-deviation increase in entrepreneurial competence leads to a 0.044 standard deviation increase in business performance. The *p*-value for the causal relationship between entrepreneurial competence and business performance is 0.660, exceeding the 0.05 threshold; therefore, the null hypothesis is rejected. The t-statistic for the causal relationship between entrepreneurial competence and business performance is 0.440, which is below the critical value of 1.96. This indicates that the hypothesis lacks statistical significance.

The first hypothesis test result states that there is no direct effect between entrepreneurial competence on firm performance. However, this result is different from the research of Robles & Zárraga-Rodríguez (2015) and Santoso et al. (2022) which states that entrepreneurial competence can affect firm performance. Meanwhile, Dewi & Suwarno (2024) corroborate the first hypothesis, showing that entrepreneurial skill does not directly influence business success but indirectly through self-efficacy. Entrepreneurial competence is not directly related to business performance. This is because many entrepreneurs lack self-efficacy. They have difficulty measuring their own abilities to attain goals and surmount hurdles, which hampers business performance. They may also fail to act due to time management issues, poor communication, or weak strategic thinking. This is not conducive to boost corporate performance.

This finding is in accordance with the low factor loading of the entrepreneurial competency variable in the KK10 question indication relating to communication abilities in business operations. The entrepreneurial perspective is crucial in optimizing competences that drive action and strategy therefore enhancing business performance. Data processing has helped in achieving sustainable outcomes, 45% of the data was contributed by respondents who had been participating for <1 year. The study suggests that the length of time a firm has been operating can impact MSME participants' experiences. Experiential learning improves competences and has a beneficial effect on corporate success (Wu, 2010). However, the expansion of entrepreneurial competencies among MSME owners in Bandung, has not yet had a substantial positively impact on business performance. But skills, information, and experience earned via training or education can have long-term effects. This study shows that self-

efficacy and entrepreneurial mindset have significant and favorable effect to the company outcomes. Therefore, efforts to increase these abilities among MSME owners are important to achieve better performance in the future.

Based on Table 10, the coefficient for self-efficacy on business performance path is 0.282. The results of the calculation refer to standardized variables. The path coefficient of 0.282 means that, in a linear analysis, a 1-standard-deviation increase in the change in self-efficacy will increase the change in business performance by 0.282 standard deviations. The *p*-value of self-efficacy on business performance is 0.019, which is less than 0.05, so the hypothesis is accepted. The *t*-statistic for the causal relationship between self-efficacy and business performance is 2.338, which exceeds the threshold of 1.96, indicating that the hypothesis is significant.

The findings of the second hypothesis demonstrate a favorable causal relationship between self-efficacy and business performance. Previous research supports this result, showing that self-efficacy positively influences business performance in the coffee shop sector (Widjaja et al., 2022). Jung et al. (2022) found that the impact of self-efficacy on business performance can vary across cultural and economic contexts. In Korea, digital transformation has been shown to moderate the correlation between self-efficacy and start-up performance. This suggests that as businesses adopt digital technologies, the positive effects of self-efficacy on performance may be enhanced. A study on coffee shops in Malang found that self-efficacy of entrepreneurship does not directly affect business performance. However, it does have a significant impact (Pratama et al., 2023).

Self-efficacy reflects the way a person behaves, thinks, and acts. It is a key factor in entrepreneurial success. Self-efficacy is the belief that individuals can perform complex and novel tasks and overcome challenges. The high self-efficacy of Bandung City MSME actors will positively impact business performance. This is evidenced by respondents' high scores on ED8, which measures their confidence in solving business problems. Research indicates that MSMEs with high self-efficacy can improve business performance, including revenue, profitability, and sustainability. They are also better able to manage resources, create business strategies, and innovate to win market competition (Cetinkaya & Karayel, 2020).

Data processing showed that female respondents made the largest contribution, accounting for 70% of the data collection. This illustrates that women have higher self-efficacy than men. Women's maturity develops faster, not only physically but also emotionally, which can affect self-control over thoughts, feelings, and behaviors in entrepreneurship, leading to greater resilience and adaptability to business challenges compared to their male counterparts. Caliendo et al. (2023) conducted research on self-efficacy among men and women in a sample of 1,405 entrepreneurs in Germany, and found that female entrepreneurs had higher self-efficacy than male entrepreneurs.

Based on Table 10, the path coefficient from orientation of entrepreneurship to business performance is 0.575, using standardized variables. This indicates that, in a linear analysis, a 1 standard deviation increase in entrepreneurial orientation leads to a 0.575 standard deviation increase in business performance. The *p*-value is 0.000, below the 0.05 significance threshold, supporting acceptance of the hypothesis. The *t*-statistic of 6.747 exceeds the 1.96 threshold for significance. These results imply a strong and statistically significant positive causal relationship between business performance and orientation of entrepreneurship.

The findings from the third hypothesis test reveal a positive causal relationship between orientation of entrepreneurship and performance of business. For example, a study shows that entrepreneurial orientation influences positive business performance in SMEs in the Amhara region of Ethiopia (Kassim & Singh, 2021). The research supports this assertion, indicating that dimensions of entrepreneurial orientation, such as innovation, proactive attitudes, and risk-taking, are significantly associated with business performance. Furthermore, companies that embrace an entrepreneurial orientation tend to outperform those that do not (Soares & Perin, 2020).

Being proactive, innovative, and willing to take risks can give companies a competitive edge and drive business success. This advantage enables businesses to thrive, capitalize on emerging possibilities and maintain a competitive advantage. Research by Ramadanti et al. (2024) underscores the importance of entrepreneurial orientation, noting that companies aim to foster entrepreneurship through innovation. For businesses in Bandung, applying this approach can enhance performance, demonstrating a strong commitment to embracing new developments. The study's participants were primarily new entrepreneurs, many of whom were Generation Z members. This points to a strong entrepreneurial

orientation and focus on technological innovation among emerging businesses (Hidayat, 2024). Such an emphasis could significantly improve Bandung's bus operations by encouraging the adoption of modern technologies, such as smart ticketing and real-time tracking applications, to boost efficiency and enhance the user experience.

The coefficient of the entrepreneurial competency pathway to self-efficacy, as presented in Table 10, is 0.794. These results pertain to standardized variables. A path coefficient of 0.794 indicates that a one-unit increase in entrepreneurial competence will lead to a 0.794 standard deviation increase in self-efficacy. The p -value for the causal relationship between entrepreneurial competence and self-efficacy is 0.000, which is below the 0.05 threshold, thereby permitting hypothesis testing. The t -statistic for this causal relationship is 16.022, which exceeds the critical value of 1.96, indicating that the hypothesis is statistically significant. Research by Dewi & Suwarno (2024) reveals a substantial positive correlation between entrepreneurial competence and self-efficacy in MSMEs in Bandung. Similarly, the research by Dhamayantie & Fauzan (2018) supports these findings, indicating that MSMEs in Kubu Raya Regency exhibit a positive and significance correlation between entrepreneurial competence and self-efficacy.

The finding implies that entrepreneurial competence may serve as a measure of entrepreneurs' self-efficacy in executing specific behaviors. The elevated scores recorded on the KK21 question indicator align with this assertion, indicating that MSME participants in Bandung perceive themselves as capable of assimilating, utilizing, and implementing knowledge gained through business operations. This study demonstrates that the entrepreneurial competencies of these MSME participants enhance their self-efficacy regarding business success. Entrepreneurial competence includes components like opportunity and innovation competence, relational competence, and others, which positively affect SME performance (Jemal, 2020). As MSME stakeholders expand their operations, numerous challenges are likely to emerge, which can be effectively addressed through enhanced entrepreneurial skills. Making decisions in uncertain or risky situations enhances preparedness and is therefore essential for addressing various challenges faced by MSME stakeholders, including market fluctuations, competition, and resource limitations. Strong networking skills help MSME participants build social capital. Offering social support enhances confidence in entrepreneurial abilities by granting access to resources or mentorship that foster business collaborations and advance entrepreneurship.

Generation Z is the primary demographic in this study. Their entrepreneurial acumen shapes their views on entrepreneurship (Hasan et al., 2021). Despite notable entrepreneurial talent, many Generation Z members struggle to grasp the challenges and risks of entrepreneurship, including financial instability, market competition, and business failure. Confidence is essential, fostering confidence in their capability to meet challenges and motivating participation in entrepreneurship. Findings show that entrepreneurial competence boosts Generation Z's self-efficacy. Table 10 displays a significant t -statistic of 16.022, indicating a strong effect of entrepreneurial competence on self-efficacy. This suggests that MSME participants in Bandung gain confidence from their entrepreneurial skills, supporting business management and growth.

Based on Table 10, self-efficacy is positively associated with orientation of entrepreneurship, as indicated by a path coefficient of 0.669. This means a 1-standard-deviation increase in self-efficacy corresponds to a 0.669-standard-deviation increase in entrepreneurial orientation. The causal relationship is statistically significant, with a p -value of 0.000 (less than 0.05) and a t -statistic of 9.967 (exceeding the 1.96 threshold), supporting acceptance of the hypothesis. These results correspond with the research Peng et al. (2023) and Mutlutürk & Mardikyan (2018). The data support that MSME actors' self-efficacy, or belief in their ability to control their thoughts, behaviors, and emotions, directly shapes their entrepreneurial orientation. In turn, being proactive, innovative, risk-taking, and self-disciplined are outcomes of strong self-efficacy and self-control. Self-control, as an emotional regulator, is vital because it reduces impulsivity, which is especially important given the inherent uncertainty of risk-taking.

MSME actors practice innovation, proactivity, and risk-taking to succeed in their businesses. They emphasize trust and self-control, particularly in how they manage thoughts, feelings, and behaviors in entrepreneurship. The high level of agreement with the ED8 question indicator shows a strong capacity among MSME actors to generate multiple solutions to diverse business challenges. This confidence in solution generation guides which innovations are pursued during product development, a process involving ideation and product improvement. The OK-6 question indicator also supports these

findings, with high respondent scores indicating that small- and medium-sized entrepreneurs in Bandung typically act as front liners or early adopters of new ideas and products.

Based on Table 10, the coefficient for the pathway of entrepreneurial competency-self-efficacy-entrepreneurial orientation-business performance is 0.305. The results of the calculation refer to standardized variables. Given that the p -value for this pathway is 0.000, which is less than 0.05, the hypothesis is accepted. The t -statistic for the pathway of entrepreneurial competence-self-efficacy-orientation of entrepreneurship-business performance is 4.532, exceeding the 1.96 threshold, indicating that the hypothesis is significant. These results yielded several mediation pathways involving multiple mediating variables; self-efficacy and orientation of entrepreneurship are the mediators. Entrepreneurial competence influences self-efficacy, which, in turn, affects entrepreneurial orientation, thereby influencing business performance. A prior research by Dewi & Suwarno (2024) also identifies self-efficacy as a mediator between entrepreneurial competence and business performance. This study confirms that entrepreneurial competence affects business success through a sequence, in which self-efficacy and entrepreneurial orientation act as mediators.

Entrepreneurial competencies, which encompass traits deeply rooted in individuals (such as personality, attitude, character, social role, and self-perception) along with abilities, expertise, and experience, are essential for optimizing business performance. Business performance optimization can be measured by indicators such as sales and revenue growth, as well as overall positive growth. This aligns with the high results for the KUI question indicator, which show that MSME actors in Bandung have achieved stronger business sales growth than their competitors. Most respondents in this study belong to Generation Z. In terms of self-efficacy, Generation Z exhibits high self-confidence, which fosters an entrepreneurial orientation. Their strong entrepreneurial orientation, especially in technological innovation, can improve efficiency in business performance. Generation Z also shows a proactive attitude toward environmental, social, and self-development issues. In business, their high self-efficacy leads to confidence in their entrepreneurial competencies and a greater willingness to take risks. Business performance involves not only final metrics, such as sales and revenue growth, but also the impact of business policies or decisions.

CONCLUSION AND SUGGESTIONS

This research aimed to determine how entrepreneurial competence affects business performance, with self-efficacy and orientation of entrepreneurship as mediators. The results indicate that entrepreneurial competence does not directly affect business performance among MSMEs in Bandung. However, self-efficacy and entrepreneurial orientation each directly influence business performance. Moreover, entrepreneurial competence directly affects self-efficacy, which, in turn, influences entrepreneurial orientation. Together, self-efficacy and entrepreneurial orientation sequentially mediate the causal relationship between entrepreneurial competence and business performance. Thus, entrepreneurial competence enhances business performance indirectly by influencing self-efficacy and, subsequently, entrepreneurial orientation.

This research elucidates the causal linkages among entrepreneurial competence, self-efficacy, business performance, and entrepreneurial orientation. This highlights the essential mediation roles of self-efficacy and entrepreneurial orientation in MSMEs. This study theoretically contributes by offering a more integrated perspective and a deeper understanding of the causal relationship between entrepreneurial competencies and business performance. The findings do not support the direct effects model; instead, they highlight the mediating role of self-efficacy. This supports Social Cognition Theory by demonstrating that an individual's beliefs, regarding their abilities, are essential for transforming competencies into actions and outcomes. The results of this study make a distinct contribution to other studies by using serial mediation testing, which tests the effect of mediation in a stepwise manner. This research found that entrepreneurial competency can affect business performance through the stages of entrepreneurial self-efficacy and then entrepreneurial orientation. So, entrepreneurial competency can affect business performance only through these two variables. Furthermore, the importance of an entrepreneurial orientation enhances the resource-based perspective by demonstrating that individual competencies must be strategically leveraged through entrepreneurial orientation, such as proactivity and innovation, to achieve superior performance. Collectively, these findings challenge the simplistic

linear hypotheses prevalent in the entrepreneurship literature and instead support a mediation-based, multi-level approach, in which business performance arises from the interplay of cognitive, strategic, and contextual factors, thereby offering a nuanced theoretical clarification of MSME performance dynamics.

This research highlights the importance of incorporating psychological and strategic aspects into the standard model of entrepreneurial ability. These constructions need to be part of MSME training programmes. Employee training should include experience learning, mentoring, and coaching to develop confidence along with technical capabilities. MSME owners and managers should consciously foster innovation, proactiveness, and appropriate risk taking by imbibing these behaviours in business processes. Policymakers and supporting agencies should construct capacity-building initiatives that simultaneously improve both individual competencies and strategic priorities. Entrepreneurs should investigate how environmental and organizational elements, such as market conditions, resources, and management systems, affect entrepreneurial development. This research shows that the integrated strategy, including competency development, psychological empowerment, and strategic orientation, can improve the MSME performance. But this study is hampered by its sample size and regional scope. The future work should enhance sample size and geographic coverage. The next researchers also need to study other characteristics that may have more impact on business performance than those studied here.

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