

## A PRISMA-Guided Systematic Review on the Business Performance of Small and Medium Enterprises in Indonesia

**Indra Muis**

Bina Insani University, West Java, Indonesia, [indramuis@binainsani.ac.id](mailto:indramuis@binainsani.ac.id)

Corresponding Author: [indramuis@binainsani.ac.id](mailto:indramuis@binainsani.ac.id)

**Abstract:** This study aims to systematically review and synthesize recent empirical research on the business performance of Small and Medium Enterprises (SMEs) in Indonesia using the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework. A systematic literature review was conducted based on articles indexed in the Scopus database. A total of 66 studies published between 2021 and 2025 were identified and analysed using a structured PRISMA-based protocol. Inclusion criteria were applied to screen studies based on relevance, language, and context. Thematic synthesis was employed to identify key drivers and constraints affecting SME performance. The analysis reveals that business performance in Indonesian SMEs is predominantly influenced by innovation capability, digital transformation, entrepreneurial orientation, financial literacy, and government policy support. Most studies utilized quantitative approaches and focused on manufacturing and service sectors. However, regional disparities and methodological gaps remain in the existing literature. The findings provide useful insights for SME stakeholders, policymakers, and academic researchers in understanding the determinants of SME performance and identifying under-researched areas for future inquiry. This is one of the first comprehensive reviews applying PRISMA to synthesize literature on SME business performance in the Indonesian context. It highlights current trends, gaps, and future research opportunities.

**Keywords:** SMEs, Business Performance, Indonesia, Systematic Literature Review, PRISMA

### INTRODUCTION

Small and Medium Enterprises (SMEs) serve as a cornerstone of Indonesia's economy, constituting approximately 90% of registered businesses, contributing around 61% of national GDP, and generating around 97% of employment (Rizki, 2022; Harini, Y., Santoso, B., & Nugroho, 2023; Muis, 2022). In addition to their economic significance, SMEs play a pivotal role in fostering grassroots innovation, regional development, and poverty reduction (Savitri, E., & Suroso, 2021). However, despite their strategic importance, Indonesian SMEs face enduring challenges in maintaining sustainable business performance—especially in the wake of digital disruption, globalization, and recent economic shocks such as the COVID-19 pandemic (Iskandar, D., Hartono, S., & Priyanto, 2023; Nurhayati, D., & Wahyuni, 2022). Despite their vital role as engines of economic activity and local innovation (Surya, T., Andini, M., & Kholil, 2021; Yusuf, M. Z., Azahra, D. S., & Winarti, 2023), Indonesian SMEs face ongoing challenges related to limited competitiveness, constrained access to finance and

technology, and underdeveloped governance structures (Harini, Y., Santoso, B., & Nugroho, 2023; Kurniasari, S. D., Hasan, M. I., & Wijaya, 2023).

The post-COVID-19 era has put additional pressure on SMEs to adapt rapidly through digital transformation and innovation, yet significant digital literacy gaps and infrastructure inequities persist, particularly in rural and eastern regions (Rizki, 2022). Moreover, recent studies highlight that only a minority of SMEs can successfully adopt fintech, e-commerce, and supply chain innovations (Kurniasari, S. D., Hasan, M. I., & Wijaya, 2023; Yusuf, M. Z., Azahra, D. S., & Winarti, 2023; Sulistyanto, H., Cahya, W. A., & Idawati, 2025).

Emerging studies have pointed to a wide range of internal and external factors that influence SME business performance. These include innovation capability (Setyawati, R., 2021), entrepreneurial orientation (Yuliana, L., Hidayat, R., & Fahmi, 2022), digital readiness (Wulandari, A., 2023), financial literacy (Rahmat, R., & Kurniawan, 2021), human capital (Syahputra, D., 2023), and the enabling role of government support programs (Ardiyanti, A., Nugroho, S., & Wibowo, 2022). However, the academic discourse remains fragmented, with many studies focusing on isolated variables or specific regional cases, making it difficult to establish a cohesive understanding of what consistently drives SME performance across different contexts in Indonesia.

Understanding the drivers and constraints of SME business performance in Indonesia has thus become a critical research priority. Recent empirical studies show that government policy, technological innovation, and access to venture capital significantly influence SME growth (Yahya, M., Widodo, A., & Fitriah, 2023). Similarly, entrepreneurial skills, digital readiness, and competitive pressure have been documented to enhance SME performance, especially where e-commerce is widely adopted (Harini, Y., Santoso, B., & Nugroho, 2023; Yusuf, M. Z., Azahra, D. S., & Winarti, 2023).

From a conceptual standpoint, there remains a notable gap in integrating theoretical frameworks such as Resource-Based View (RBV), Dynamic Capabilities, and Institutional Theory within the SME context (Setyawan, M., Lestari, N., & Fathoni, 2022). Only limited studies apply such models to explore how strategic orientation and government regulation shape innovation and sustainability outcomes (Setyawan, M., Lestari, N., & Fathoni, 2022; Sulistyanto, H., Cahya, W. A., & Idawati, 2025).

By focusing on publications from 2021 to 2025, this review offers a novel and timely contribution by illuminating emerging themes in SME digital transformation, green innovation, financial inclusion, and agility in Indonesia. It is original in combining empirical evidence across sectors and regions using PRISMA-guided synthesis to elevate systematic understanding of SME performance dynamics.

The importance of this topic is underscored by Indonesia's strategic goal to strengthen SMEs as engines of inclusive and sustainable economic growth (Harini, Y., Santoso, B., & Nugroho, 2023), especially amid inflationary pressures and global competition (Arisinta, D., Prakoso, Y., & Mulya, 2024). And, the objective of this review is to: 1) Identify and analyse key factors influencing SME business performance in Indonesia; 2) Map research trends, methodologies, and thematic concentrations over the last decade; 3) Highlight theoretical and practical gaps for future investigation.

This article contributes to the academic discourse by offering a structured synthesis of SME performance studies in Indonesia, serving as a reference for researchers, policymakers, and practitioners alike.

## METHOD

This study adopts a Systematic Literature Review (SLR) approach based on the PRISMA 2020 guidelines (Page, M. J., McKenzie, J. E., Bossuyt, P. M., Boutron, I., Hoffmann, T. C., Mulrow, C. D., ... & Moher, 2021). The PRISMA framework supports systematic

identification, screening, and analysis of academic articles, ensuring a transparent and replicable review process.

The literature search was conducted using the Scopus database, selected for its comprehensive indexing of peer-reviewed academic journals. The search employed the following Boolean formula:

("Small Medium Enterprises" OR SMEs) AND ("Business Performance" OR "Firm Performance" OR "Organizational Performance") AND Indonesia

The search was limited to articles published between 2021 and 2025 to ensure the relevance of the findings. Inclusion and Exclusion Criteria:

- a) Inclusion Criteria are as follows: 1) Peer-reviewed journal articles; 2) Published in English; 3) Focus on SMEs in the Indonesian context; 4) Discuss factors affecting business performance; 5) Published between 2021–2025.
- b) Exclusion Criteria are as follows: 1) Conference papers, reviews, book chapters, and editorials; 2) Studies not related to Indonesia; 3) Studies not focused on business performance (e.g., general economic development or macro policy).

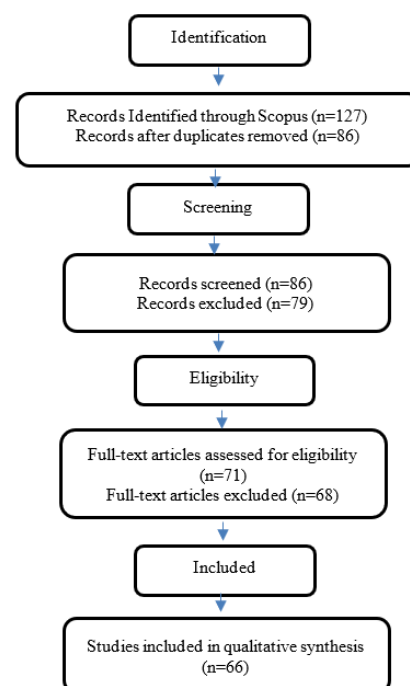
### Study Selection Process

The article selection followed a four-stage PRISMA flow: 1) Identification: Articles retrieved using the Boolean search string; 2) Screening: Removal of duplicates and irrelevant titles; 3) Eligibility: Abstracts and full texts reviewed based on criteria; 4) Included: Final list of studies included in qualitative synthesis.

A total of 127 articles were initially identified, with 66 remaining after full screening and inclusion-exclusion review.

Data from selected articles were extracted into a matrix capturing: 1) Author(s) and publication year; 2) Research objectives; 3) Methodology (quantitative/qualitative/mixed); 4) Sample type and size; 5) Key findings/themes; 6) Sector and geographic focus; 7) Theoretical framework (if any). A thematic synthesis was applied to classify and interpret recurring factors influencing SME performance.

A visual representation of the review process is presented in Figure 1 as follows:



Source: Processed by Author

**Figure 1. PRISMA Flowchart**

The PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) flow diagram provides a transparent account of the article selection process conducted in this systematic literature review. It outlines the number of records identified, screened, assessed for eligibility, and ultimately included in the qualitative synthesis.

A total of 127 records were initially identified through the Scopus database. After removing duplicate entries, the number of records was reduced to 86 unique articles eligible for screening.

During the screening phase, the titles and abstracts of the 86 records were reviewed for relevance. Following this preliminary screening, 79 articles were excluded for not meeting the inclusion criteria, such as focus area, methodological rigor, or relevance to the business performance of SMEs in Indonesia.

The remaining 71 articles were then assessed in full-text format for eligibility. After a thorough examination, 68 full-text articles were excluded, most commonly due to insufficient empirical evidence, lack of direct relevance to Indonesian SMEs, or failure to address business performance outcomes.

Finally, 66 studies met all criteria and were included in the qualitative synthesis. These articles form the empirical basis for the thematic analysis and discussion presented in this systematic literature review.

## RESULTS AND DISCUSSION

This section synthesizes the insights from the reviewed studies, presenting key descriptive statistics and thematic findings, followed by a critical discussion of gaps and implications.

### 1. Descriptive Analysis

From the initial search of 127 articles, a total of 66 studies met the inclusion criteria after screening and eligibility checks. These studies were published between 2021 and 2025 across various Scopus-indexed journals.

Table 1 depicts the descriptive analysis of the 66 articles in Scopus indexed journals. Most publications were concentrated in the years 2021–2023, indicating growing academic interest in SME performance, particularly during and after the COVID-19 pandemic. 76% employed quantitative methods, with structural equation modelling and regression analysis being common. 18% used qualitative designs, mainly case studies or interviews. 6% employed mixed-method approaches. Most studies focused on manufacturing (38%) and service-based SMEs (35%), followed by digital and creative industries. 70% focused on Java, with emerging interest in Sumatra and Eastern Indonesia post-pandemic.

**Table 1. Descriptive Analysis**

| Categories              | Descriptive                     | Percentage % | Article Number |
|-------------------------|---------------------------------|--------------|----------------|
| Methodologies           | Quantitative                    | 76%          | 50             |
|                         | Qualitative                     | 18%          | 12             |
|                         | Mixed Method                    | 6%           | 4              |
| Sectors                 | Manufacturing                   | 38%          | 25             |
|                         | Service Based SME               | 35%          | 23             |
|                         | Digital and Creative Industries | 27%          | 18             |
| Geographic Distribution | In Java                         | 70%          | 46             |
|                         | Sumatra and Eastern Indonesia   | 30%          | 20             |

Source: Data Processed by Author

### 2. Thematic Synthesis

A thematic analysis revealed six dominant themes influencing SME business performance in Indonesia: 1) Innovation Capability: Many studies emphasized the critical role of innovation (product, process, marketing, and business model innovation) in enhancing competitiveness and performance. Innovation orientation was often linked with external

collaboration and R&D investment; 2) Digital Transformation: Digital adoption (e-commerce, digital marketing, financial tech) has emerged as a key enabler of SME performance, especially post-pandemic. Studies highlighted varying levels of digital maturity and barriers such as low digital literacy; 3) Entrepreneurial Orientation: SME leaders' risk-taking, proactiveness, and innovativeness were frequently cited as predictors of business success, particularly in turbulent market environments; 4) Financial Management and Literacy: Effective financial planning, bookkeeping, and access to capital were strongly correlated with better performance. Many SMEs struggle with financial discipline and external funding; 5) Human Capital: The competency of owners/managers, training participation, and employee skills were highlighted as critical internal factors influencing productivity and adaptability; 6) Institutional and Government Support: Studies noted the importance of government support (training, subsidies, tax incentives), though many SMEs reported limited access or awareness of such programs.

The key factors influencing SME Business Performance in Indonesia from 2021-2025 are depicted in the following table:

**Table 2. Thematic Summary of Key Factors Influencing SME Business Performance in Indonesia (2021–2025)**

| No | Theme                              | Description  |
|----|------------------------------------|--|
| 1  | Innovation Capability              | Emphasizes the role of product, process, marketing, and business model innovation in improving competitiveness; often linked to R&D and external collaboration.    |
| 2  | Digital Transformation             | Highlights the importance of digital tools (e.g., e-commerce, fintech, digital marketing) in enhancing performance, with attention to varying digital readiness.   |
| 3  | Entrepreneurial Orientation        | Focuses on leadership traits such as risk-taking, proactiveness, and innovativeness, which are associated with higher adaptability and business growth.            |
| 4  | Financial Management & Literacy    | Strong financial planning, accounting practices, and funding access are positively correlated with SME performance; many firms face financial literacy challenges. |
| 5  | Human Capital                      | Stresses the value of owner/manager competence, employee training, and upskilling as key internal drivers of productivity and innovation.                          |
| 6  | Institutional & Government Support | Includes access to training, subsidies, and incentive programs, though often hindered by limited outreach or SME awareness.  |

Source: Processed by Authors

### 3. Gaps in the Literature

The systematic review revealed several notable gaps in the existing literature on SME business performance in Indonesia. Theoretically, many studies lacked a solid conceptual foundation, with limited application of well-established frameworks such as the Resource-Based View (RBV), Dynamic Capabilities, or Institutional Theory. Methodologically, there is a scarcity of mixed-method and longitudinal designs, while qualitative approaches remain significantly underutilized. Geographically, the research landscape is heavily skewed toward SMEs located in Java, with insufficient attention paid to those operating in Eastern Indonesia and remote rural regions. Sectorally, emerging and high-potential sectors—such as green economy enterprises and the creative industries—are still underexplored. Furthermore, the review highlights a critical gap in addressing the digital divide, as few studies have examined digital exclusion or the adoption challenges faced by micro and traditional SMEs in embracing digital transformation.

### 4. Implications

This review reinforces the relevance of strategic management and innovation theories in understanding SME business performance, particularly in the Indonesian context. However, it also highlights the need for more integrative theoretical frameworks that incorporate institutional and behavioral perspectives to better capture the complexities faced by SMEs in dynamic and resource-constrained environments.



From a practical standpoint, the findings offer several important implications for key stakeholders. For SME owners, there is a pressing need to prioritize innovation, enhance digital literacy, and strengthen financial governance as core competencies for competitive advantage. For policymakers, the study underscores the importance of expanding targeted support programs, especially for rural and low-tech SMEs, while also promoting digital inclusion initiatives to bridge capability gaps. For researchers, future studies should consider employing comparative and longitudinal approaches, while also integrating dimensions of sustainability and resilience to enrich the theoretical and empirical landscape of SME performance research.

## CONCLUSION

This PRISMA-guided systematic literature review aimed to synthesize and evaluate existing empirical studies on the business performance of Small and Medium Enterprises (SMEs) in Indonesia. By reviewing 66 peer-reviewed articles published between 2021 and 2025, the study has revealed several key findings:

- 1) Business performance of Indonesian SMEs is significantly influenced by internal capabilities such as innovation, digital transformation, entrepreneurial orientation, and financial management.
- 2) External enablers, particularly government support, market dynamics, and institutional frameworks, also play an essential role in shaping SME performance outcomes.
- 3) The reviewed literature predominantly adopts quantitative methodologies, with a strong focus on SMEs in Java, indicating a geographical concentration and lack of diversity in regional SME research.
- 4) Many studies fall short in terms of theoretical grounding, with limited use of strategic, organizational, or innovation-based frameworks, such as RBV (Resource-Based View) or Dynamic Capabilities Theory.
- 5) Digitalization and human capital development emerge as increasingly critical, particularly in response to post-pandemic recovery and global market competition.

Overall, this review contributes to a more integrated understanding of the multidimensional factors affecting SME performance in Indonesia and highlights critical research trends, strengths, and weaknesses in the literature.

To enrich the current body of knowledge and enhance the practical impact of future studies, future research should: 1) Adopt more robust theoretical frameworks such as: Dynamic Capabilities Theory, Resource-Based View (RBV), Institutional Theory, and Innovation Diffusion Theory; 2) Expand research beyond Java to include Sumatra, Kalimantan, Sulawesi, Papua, and rural areas; 3) Investigate emerging sectors like green SMEs, creative industries, and women-led enterprises; 3) Embrace qualitative and mixed-methods approaches to capture deeper insights and apply longitudinal designs to track performance over time; 4) Investigate the role of sustainability practices, environmental performance, and resilience strategies and examine climate adaptation and social responsibility as performance drivers; 5) Explore challenges faced by digitally excluded SMEs and Study the impact of digital ecosystems, e-commerce platforms, and FinTech integration; 6) Analyze the impact of entrepreneurial leadership, employee upskilling, and social networks on long-term performance.

This article provides a foundation for policymakers, practitioners, and scholars to better understand and support the SME ecosystem in Indonesia. By addressing the identified research gaps, future studies can contribute more meaningfully to SME development and economic resilience in emerging markets.

## REFERENCES

- Ardiyanti, A., Nugroho, S., & Wibowo, R. (2022). Government support and SME recovery post-COVID-19. *Journal of Policy and Management Studies*.
- Arisinta, D., Prakoso, Y., & Mulya, A. (2024). The influence of financial agility and technology

- readiness on SME competitiveness in Java and Sumatra. *Formosa Journal of Science and Technology*, 3(2), 112–127.
- Harini, Y., Santoso, B., & Nugroho, R. (2023). Determinants of SME performance: Evidence from Indonesia. *Problems and Perspectives in Management*, 21(1), 103–114.
- Iskandar, D., Hartono, S., & Priyanto, S. (2023). Digitalization and resilience of Indonesian SMEs. *Asian Journal of Business Research*.
- Kurniasari, S. D., Hasan, M. I., & Wijaya, P. A. (2023). Digital transformation readiness in Indonesian SMEs: A survey across sectors. *Journal of Innovation and Business Strategy*, 6(1), 45–58.
- Muis, I. (2022). Digital marketing and innovation effects on marketing performance. *Advances in Social Science, Education and Humanities Research*.
- Nurhayati, D., & Wahyuni, N. M. (2022). Challenges in sustaining SME performance during economic recovery. *Journal of Small Enterprise Development*.
- Page, M. J., McKenzie, J. E., Bossuyt, P. M., Boutron, I., Hoffmann, T. C., Mulrow, C. D., ... & Moher, D. (2021). The PRISMA 2020 statement: An updated guideline for reporting systematic reviews. *BMJ*. <https://doi.org/10.1136/bmj.n71>
- Rahmat, R., & Kurniawan, H. (2021). Financial literacy and micro-enterprise sustainability in rural Indonesia. *Jurnal Ekonomi Mikro Indonesia*.
- Rizki, N. P. (2022). Bridging digital gaps in Indonesia's rural SMEs: Evidence from 8 provinces. *Journal of Digital Economics*, 4(3), 120–134.
- Savitri, E., & Suroso, I. (2021). The contribution of SMEs to inclusive growth: Indonesian evidence. *Indonesian Journal of Development Economics*.
- Setyawan, M., Lestari, N., & Fathoni, A. (2022). Strategic orientation, institutional pressure, and business model innovation in Indonesian SMEs. *ArXiv Preprint*.
- Setyawati, R., et al. (2021). Innovation as a key determinant of SME competitiveness. *Jurnal Inovasi Dan Teknologi*.
- Sulistyanto, H., Cahya, W. A., & Idawati, R. N. (2025). Optimizing digital technology and innovation for SME sustainability in the digitalization era: Lessons from Indonesia. *Journal of Sustainable Economic and Business*, 5(1), 1–12.
- Surya, T., Andini, M., & Kholil, A. (2021). Innovation and SME performance: An empirical study in Central Java. *Jurnal Ilmu Manajemen Dan Bisnis*, 12(1), 22–36.
- Syahputra, D., et al. (2023). Human capital and digital adaptation in Indonesian MSMEs. *Journal of Entrepreneurship and Innovation*.
- Wulandari, A., et al. (2023). Digital literacy and business performance among SMEs in the digital era. *Asia Pacific Management and Business Application*.
- Yahya, M., Widodo, A., & Fitriah, N. (2023). Policy and entrepreneurial orientation as performance predictors in Indonesian SMEs. *West Science Business and Management*, 3(4), 97–109.
- Yuliana, L., Hidayat, R., & Fahmi, M. (2022). Entrepreneurial orientation and strategic agility in Indonesian SMEs. *Jurnal Ilmu Manajemen*.
- Yusuf, M. Z., Azahra, D. S., & Winarti, H. (2023). Digital competitiveness and innovation practices among Indonesian SMEs. *Journal of Small Enterprise Development*, 28(2), 145–163.