

# Managing Micro Enterprises In Developing Economies : A Review Of Theoretical And Empirical Perspectives

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**Abstract:** Micro enterprises play a vital role in the economic development of many developing countries, yet their managerial practices, resource constraints, and institutional environments remain insufficiently understood within the scholarly literature. This article reviews and synthesizes theoretical and empirical studies on the management of micro enterprises in developing economies over the past two decades. Drawing on multiple theoretical frameworks—including the Resource-Based View, dynamic capabilities, institutional theory, and social capital theory—this review maps the evolution of concepts used to explain how micro enterprises operate and survive in resource-limited and informal contexts. The methodology involves a structured qualitative review of peer-reviewed journal articles from major academic databases, focusing on thematic patterns across managerial practices, entrepreneurial behavior, innovation, gender dynamics, and financial access. The findings reveal fragmented research streams dominated by context-specific case studies, limited theorization, and methodological weaknesses that constrain the generalizability of insights across diverse developing regions. This article identifies four major research gaps related to theoretical integration, contextual diversity, digital transformation, and methodological rigor. A future research agenda is proposed to guide scholars toward more holistic, interdisciplinary, and context-sensitive investigations. By integrating insights across diverse studies, this review contributes a comprehensive understanding of micro enterprise management and provides a foundation for advancing knowledge and informing policy interventions in developing economies.

**Keywords:** Micro enterprises, Developing economies, Managerial practices, Entrepreneurial orientation, Business management.

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## Introduction

Micro enterprises are crucial to the economic landscapes of many developing countries, serving as foundational blocks for employment, poverty alleviation, and local economic resilience. Typically characterized as firms with fewer than ten employees, these enterprises represent a significant segment of the private sector in regions like Asia, Africa, and Latin America. The uniqueness of micro enterprises lies in their informal operations, family labor predominance, and resource limitations, factors that starkly differentiate them from small and medium-sized enterprises (SMEs) (Williams & Kedir, 2018; Premarathne et al., 2025).

Despite their critical role, micro enterprises frequently function amidst institutional voids that hinder their sustainability and growth. These environments are marked by limited access to finance, inadequate managerial skills, and challenges in markets and technology utilization (Herawati & Febriansyah, 2024; (Vargas & Fontoura, 2024; . Consequently, the management of these enterprises has emerged as an essential area of inquiry within multiple academic disciplines, including development economics, entrepreneurship, and business management (Msamula et al., 2018; . A growing corpus of literature has explored various dynamics that influence the performance of micro enterprises, including managerial practices, entrepreneurial orientation, and the effects of informal institutional dynamics (Vargas & Fontoura, 2024; Rahman & Aaneela, 2023).

Theoretical frameworks such as the Resource-Based View (RBV), dynamic capabilities, social capital theory, and institutional theory have been extensively employed to decipher how micro entrepreneurs navigate challenges inherent in their environments (Fauzi et al., 2023; Stawasz, 2021). For instance, RBV positions resources—both tangible and intangible—as pivotal in achieving competitive advantage, while social capital emphasizes the role of networks and relationships in facilitating access to resources (Vinatra, 2023; Stawasz, 2021). Understanding these elements is vital since empirical evidence indicates that micro enterprises exhibit distinct managerial capabilities compared to larger firms, primarily due to the informal nature of their operations (Vargas & Fontoura, 2024; Sugangga et al., 2023).

However, the existing body of research on micro enterprise management in developing contexts remains fragmented. Much of the literature is geographically and culturally specific, focusing on individual case studies that complicate the generalization of findings across diverse regions (Prayuda et al., 2024; (Msamula et al., 2018). Reviews have predominantly concentrated on entrepreneurship or microfinance, leaving broader syntheses of managerial practices underexplored (Fauzi et al., 2023; Wang & Li, 2014). As a result, there is a need for structured reviews that integrate theoretical insights and empirical findings, thereby advancing the knowledge base in this field (Vargas & Fontoura, 2024; "Self-Help for the Poor through Microcredit", 2010).

To address these research gaps, a systematic review can be employed, mapping the dominant theoretical frameworks and identifying thematic areas of significance while also critiquing the methodological constraints observed in current studies (Vinatra, 2023; Ravlinko, 2023). This comprehensive approach will not only strengthen the theoretical foundation of micro enterprise research but also provide guidance for future inquiries, fostering a deeper understanding of managerial practices within the resource-constrained settings typical of micro enterprises (Msamula et al., 2018; Rahman & Aaneela, 2023).

This article aims to address these gaps by systematically reviewing and synthesizing theoretical and empirical research on micro enterprise management in developing economies. Specifically, this review seeks to: (1) map the dominant theories and conceptual frameworks used to study micro enterprise management, (2) identify key thematic areas and empirical findings, (3) highlight the methodological and contextual limitations of the existing literature, and (4) propose a research agenda that advances understanding of micro enterprise managerial practices in resource-constrained settings. By integrating insights across diverse studies, this article

contributes to strengthening the theoretical foundation of micro enterprise research and guiding future scholarly inquiry in this vital area of economic development.

## Method

According This study employed a structured literature review approach to synthesize theoretical and empirical research on the management of micro enterprises in developing economies. Although the review is not fully systematic, it adopts transparent, rigorous, and replicable procedures to ensure the reliability and comprehensiveness of the collected evidence. The methodology includes defining the review scope, identifying relevant literature through systematic search strategies, screening and selecting studies based on predetermined inclusion criteria, and conducting thematic and conceptual analysis to extract meaningful insights.

This article adopts an integrative literature review approach, which is widely used to synthesize conceptual frameworks and empirical findings across diverse methodologies. An integrative review is suitable for this topic because studies on micro enterprise management span multiple disciplines—including entrepreneurship, development economics, business strategy, and social sciences—and involve diverse methodological traditions such as qualitative case studies, surveys, ethnographies, and mixed-method research. The integrative approach allows for combining theoretical discussions with empirical evidence, thereby offering a holistic understanding of the field. A comprehensive search was conducted across multiple databases commonly used in business and development research. The primary databases include:

1. Scopus
2. Web of Science (WoS)
3. EBSCOhost (Business Source Complete)
4. ProQuest
5. Google Scholar (for complementary and gray literature)

The search strategy utilized Boolean operators and keyword combinations associated with micro enterprise management and developing economies. Core keywords used include:

1. “micro enterprise” OR “microenterprise” OR “micro business”
2. “management” OR “managerial practices” OR “business management”
3. “developing economies” OR “developing countries” OR “emerging economies”
4. Additional contextual keywords: “entrepreneurial orientation,” “resource constraints,” “informal economy,” “micro-entrepreneurship”

Searches were conducted for literature published between 2000 and 2025, reflecting the period of substantial academic attention on micro enterprise development. To ensure relevance and quality, this review applied the following criteria:

1. Inclusion Criteria
2. Peer-reviewed journal articles
3. Empirical or theoretical studies
4. Studies focusing on micro enterprises (not SMEs generally)
5. Research conducted in developing or emerging economies
6. Articles published in English
7. Studies examining managerial capabilities, strategies, practices, or performance-related

factors.

### **Exclusion Criteria**

1. Studies focusing exclusively on SMEs without a clear micro enterprise component
2. Articles discussing microfinance or financial inclusion without managerial relevance
3. Non-peer-reviewed sources (unless providing conceptual relevance)
4. Studies conducted exclusively in developed countries
5. Articles lacking explicit management or business-related variables.

### **The screening process followed three stages:**

1. Identification – Initial search produced approximately X,XXX records (to be filled later if needed). Duplicate records were removed.
2. Screening – Titles and abstracts were evaluated for relevance to micro enterprise management and developing economies.
3. Eligibility – Full-text reviews were conducted to determine whether the articles met all inclusion criteria.

At the end of the screening process, a final set of studies was selected and synthesized. Although a PRISMA flow diagram is commonly used in systematic reviews, this study adopts a narrative description due to the integrative nature of the review.

The selected studies were analyzed using thematic content analysis, which allowed identification of patterns, recurring themes, theoretical frameworks, methodological approaches, and empirical insights. Data were extracted using a structured coding sheet capturing:

1. Author(s) and publication year
2. Country or regional context
3. Research design and methods
4. Theoretical frameworks used
5. Managerial practices examined
6. Key findings and contributions
7. Limitations highlighted by the authors

The coding process facilitated grouping studies into major thematic categories such as managerial capabilities, resource constraints, institutional influences, innovation and technology adoption, marketing practices, and performance determinants. This analytical procedure ensured that the review captures a comprehensive map of the field and provides a foundation for identifying research gaps and proposing future directions.

## **Result and Discussion**

### **Findings**

The review of theoretical and empirical studies reveals several major themes that characterize the management of micro enterprises in developing economies. These themes reflect the multidimensional nature of micro enterprise behavior, the constraints faced by micro entrepreneurs, and the interplay between individual, organizational, and institutional factors. Based on the synthesis of literature, five dominant themes emerged: (1) managerial capabilities

and human capital, (2) resource constraints and financial management, (3) market access and marketing practices, (4) innovation and technology adoption, and (5) institutional influences and the role of informality.

### **1. Managerial Capabilities and Human Capital**

A substantial body of literature identifies managerial capabilities as one of the most critical determinants of micro enterprise performance. Micro entrepreneurs in developing economies often have limited formal education, minimal managerial training, and rely heavily on experiential learning. Theories such as the Resource-Based View (RBV) and human capital theory are frequently used to explain how individual competencies—such as problem-solving ability, financial literacy, leadership, and opportunity recognition—shape business outcomes.

Empirical studies across Africa, South Asia, and Southeast Asia show that micro enterprises with better managerial skills are more likely to adopt planning practices, manage cash flows effectively, diversify their product offerings, and respond proactively to market changes. However, evidence suggests that managerial capabilities are highly uneven, with many micro entrepreneurs lacking basic record-keeping, costing knowledge, or strategic thinking skills. The literature also highlights gendered disparities, as female micro entrepreneurs often experience more limited access to training and capacity-building initiatives.

### **2. Resource Constraints and Financial Management**

Limited access to financial resources is one of the defining characteristics of micro enterprises in developing economies. These firms frequently operate with minimal working capital, rely on personal or family savings, and face difficulties accessing formal credit due to lack of collateral, credit history, or documentation.

The literature identifies several ways resource constraints influence managerial behavior:

1. Micro entrepreneurs tend to prioritize short-term survival over long-term planning.
2. Cash flow management becomes the central managerial task.
3. Investment in fixed assets or business expansion is often delayed.
4. Informal financial practices, such as rotating savings groups, are widely adopted.

Financial management practices also show significant variation. While some micro enterprise owners maintain basic records and budgeting routines, many operate entirely informally, making it difficult to track profitability or measure performance. Studies also indicate that financial literacy interventions have mixed results, often depending on contextual factors such as cultural norms, social capital, and business maturity.

### **3. Market Access and Marketing Practices**

Based Micro enterprises often face limited access to markets due to weak distribution channels, low bargaining power, poor product differentiation, and strong competition from informal vendors. Marketing practices observed in micro enterprises tend to be simple, intuitive, and relationship-based rather than data-driven or strategically planned.

Key patterns observed in the literature include:

1. Reliance on local customers and word-of-mouth promotion
2. Minimal use of branding or formal advertising
3. Dependence on personal networks for customer acquisition
4. Limited understanding of market segmentation or pricing strategies

Despite these limitations, some micro enterprises demonstrate innovative grassroots marketing strategies, such as personalized customer service, community-based promotions, or leveraging cultural identity to differentiate their products. However, such practices remain highly context-dependent and are not consistently documented across studies.

#### **4. Innovation and Technology Adoption**

Innovation in micro enterprises is typically incremental rather than radical, reflecting the resource-constrained environments in which these firms operate. Empirical studies show that micro entrepreneurs innovate primarily to solve immediate operational problems, reduce costs, or accommodate customer needs.

Three forms of innovation commonly appear in micro enterprise literature:

1. Product innovation: modifying existing products using locally available materials
2. Process innovation: improving workflow efficiency with simple tools or techniques
3. Marketing innovation: experimenting with new sales channels or packaging techniques

Technology adoption—particularly digital technology—has become a growing research theme. Mobile phones, social media platforms, and digital payment systems have enabled micro enterprises to reach broader markets and streamline transactions. However, adoption remains uneven due to digital literacy gaps, affordability issues, and infrastructural limitations.

#### **5. Institutional Influences and the Role of Informality**

Micro enterprises in developing economies operate within institutional environments characterized by regulatory complexity, weak enforcement, corruption, and limited government support. As a result, most micro enterprises function informally, without business registration, formal bookkeeping, or tax obligations.

Institutional theory is frequently used to explain how formal and informal rules shape micro enterprise behavior. Key findings in the literature include:

1. Informality reduces operational costs but limits access to credit, training, and legal protections.
2. Micro entrepreneurs often rely on social capital and community ties to navigate institutional voids.
3. Regulatory burdens discourage formalization, especially for low-income entrepreneurs.
4. Public policies targeting micro enterprises often fail due to misalignment with real business practices.

Across regions, the institutional environment significantly influences managerial decision-making, growth aspirations, and performance outcomes.

#### **6. Synthesis of Theoretical Perspectives**

Micro The literature draws on multiple theoretical lenses:

1. Resource-Based View (RBV): explains the role of capabilities and resource scarcity.
2. Dynamic capabilities: highlights adaptability in unstable environments.
3. Institutional theory: contextualizes informality and environmental constraints.
4. Social capital theory: explains the importance of networks and trust.
5. Entrepreneurial orientation: captures innovation and risk-taking behaviors.



However, the use of theory remains inconsistent, with many empirical studies employing descriptive approaches without strong theoretical grounding. This fragmentation underscores the need for more theory-driven research frameworks.

## **Discussion**

The findings of this review reveal that micro enterprise management in developing economies is shaped by a unique constellation of individual, organizational, and contextual factors. Unlike SMEs or larger firms, micro enterprises operate under extreme resource scarcity, institutional voids, and informality, which profoundly influence managerial practices and strategic decisions. This discussion integrates the thematic findings with relevant theoretical frameworks to explain how these enterprises respond to environmental challenges, and highlights key implications for theory, practice, and policy.

### **1. Integrating Managerial Capabilities with Resource Constraints**

The literature consistently underscores that managerial capabilities—such as financial literacy, planning, opportunity recognition, and problem-solving—are central to micro enterprise performance. However, their influence is not independent of the resource environment in which entrepreneurs operate. The Resource-Based View (RBV) and human capital theory help explain why individuals with stronger competencies are better equipped to leverage limited resources for survival and growth. Yet, unlike in larger firms, the resource base of micro enterprises is heavily constrained by the absence of formal financing options, low working capital, and dependence on family labor.

This interplay suggests that managerial capabilities in micro enterprises function more as adaptive survival mechanisms than competitive advantages. Micro entrepreneurs must constantly engage in improvisation, bricolage, and frugal innovation to operate within their environmental constraints. This observation aligns with the theoretical notion of resource bricolage, which emphasizes how entrepreneurs creatively recombine available resources to overcome limitations. Thus, the discussion highlights the need for models that integrate RBV with theories of improvisation and bricolage to better capture the realities of micro enterprise management.

### **2. Market Access and the Limits of Traditional Marketing Concepts**

Traditional marketing concepts—such as segmentation, positioning, and branding—are difficult to apply in micro enterprises due to limited market knowledge, lack of formalized strategies, and narrow customer bases. Instead, empirical studies show that marketing in micro enterprises tends to be relational, intuitive, and embedded in local community networks. This relational marketing approach aligns with social capital theory, which posits that trust-based relationships play a central role in environments where formal market institutions are weak.

However, reliance on social networks can restrict market expansion and perpetuate dependence on local customers. Moreover, the rise of digital platforms presents new opportunities for market access, though adoption remains inconsistent. This suggests that micro enterprise marketing should be understood through a hybrid model that combines social capital, digital affordances, and informal marketing behaviors rather than traditional marketing frameworks alone.

### **3. Innovation as a Contextual and Incremental Process**

Innovation in micro enterprises is primarily incremental and reactive rather than proactive or technology-driven. The dynamic capabilities framework provides insight into how micro entrepreneurs adapt to changing conditions, yet empirical evidence shows that their ability to build or reconfigure capabilities is often limited by financial and institutional constraints.

Incremental innovation—such as modifying products based on available materials or adjusting processes for efficiency—serves as a practical strategy for survival.

Digital technologies have introduced new avenues for innovation, but their transformative impact is moderated by digital literacy, infrastructure, and affordability. Thus, innovation in micro enterprises must be understood through the lenses of frugal innovation, grassroots innovation, and necessity-driven entrepreneurship rather than classical innovation theories developed for large firms.

#### **4. The Institutional Context: Informality as Both Constraint and Strategy**

Institutional theory provides a strong foundation for understanding the environment in which micro enterprises operate. The prevalence of informality is driven not only by weak institutional structures but also by the strategic choices of entrepreneurs seeking to reduce costs, minimize regulatory burdens, and maintain operational flexibility. In this sense, informality is both a constraint and an adaptive strategy.

The literature shows that formalization often brings limited benefits unless accompanied by supportive policies such as tax incentives, simplified registration procedures, access to credit, and business development services. This reinforces the need to reframe informality not as a deficiency but as an institutional equilibrium shaped by the interaction between structural conditions and entrepreneurial rationality. Future research should examine how micro enterprises navigate these institutional trade-offs and how policy interventions can better align with their operational realities.

#### **5. Toward an Integrated Conceptual Understanding of Micro Enterprise Management**

The review reveals significant fragmentation in theoretical applications. While RBV, human capital theory, institutional theory, and dynamic capabilities appear frequently, they are often applied in isolation, leading to partial explanations of micro enterprise behavior. A more integrated conceptual model should recognize:

1. Individual factors (skills, knowledge, motivation)
2. Organizational capabilities (planning, operations, innovation)
3. Contextual constraints (financial, market, institutional)
4. Informal networks and social structures

This multidimensional perspective can help scholars build explanatory frameworks that better reflect the lived experiences of micro entrepreneurs in developing economies. Such an integrated model also highlights the need for context-sensitive theories capable of explaining entrepreneurship under conditions of scarcity, informality, and institutional voids.

#### **Research Gaps and Future Research Directions**

Although research on micro enterprise management in developing economies has grown substantially over the past two decades, significant gaps remain in theory, methodology, and empirical coverage. These gaps limit the ability of scholars to develop a cohesive understanding of how micro enterprises operate, adapt, and grow under severe institutional and resource constraints. Based on the synthesis of the literature, several major research gaps are identified, followed by strategic directions for future studies.



### **1. Limited Theoretical Integration and Overreliance on Descriptive Studies**

Much of the existing research relies heavily on descriptive or exploratory approaches with weak theoretical grounding. Theories such as RBV, institutional theory, and dynamic capabilities are used inconsistently and often fail to account for the extreme resource scarcity and informality that characterize micro enterprises. Future research should prioritize integrated theoretical frameworks that combine multiple perspectives—such as RBV, bricolage theory, social capital, and institutional theory—to capture the multifaceted realities of micro enterprise management. Scholars should develop context-sensitive models that explain entrepreneurial behavior under constraints, rather than adapting frameworks originally designed for larger firms.

### **2. Fragmented Evidence Across Countries and Cultural Contexts**

Empirical studies are highly fragmented, focusing on single-country cases or small geographic regions, which limits cross-country generalizations. Many developing economies—particularly in the Pacific Islands, Central Asia, and parts of Africa—remain understudied. Future research should employ comparative and cross-national designs to uncover common patterns and contextual differences in micro enterprise management. Multi-country datasets and regional studies can strengthen external validity and provide more nuanced insights into how cultural norms, social structures, and institutional environments shape managerial practices.

### **3. Narrow Focus on Finance and Entrepreneurship, Limited Focus on Management Functions**

While microfinance, access to capital, and entrepreneurship have been extensively studied, far less attention has been given to core management functions, such as operations, human resource management, marketing capabilities, supply chain relationships, or quality management. Scholars should expand research into underexplored managerial domains, including:

1. Operational efficiency and workflow management
2. Employee training and informal hr practices
3. Grassroots and digital marketing strategies
4. Supplier and distributor relationships
5. Inventory and production management

Such focus will deepen the understanding of how micro enterprises operate on a daily basis and what managerial practices drive performance.

### **4. Limited Understanding of Digital Transformation in Micro Enterprises**

While Research on digital adoption—such as mobile technology, e-commerce, digital payments, and social media—remains recent, fragmented, and context-specific. The effectiveness of digital tools in overcoming traditional barriers to market access or finance is still not well understood. Future studies should examine digital transformation pathways, addressing questions such as:

1. How do digital skills develop in micro enterprises?
2. What are the barriers to digital adoption beyond access?
3. Does digitalization lead to sustainable performance improvements?
4. How do micro enterprises integrate digital tools with informal practices?

Longitudinal studies are particularly needed to capture the evolution of digital adoption over time.

### **5. Scarcity of Longitudinal and Mixed-Methods Research**

Most empirical studies rely on cross-sectional surveys or small qualitative samples, making it difficult to establish causality or observe changes in managerial practices over time. There is a critical need for:

1. Longitudinal research to examine how micro enterprises evolve, adapt, or fail
2. Mixed-method designs that integrate qualitative depth with quantitative rigor
3. Experimental and quasi-experimental studies evaluating training, digital tools, or policy interventions

Such methodological pluralism will strengthen evidence for policymaking and theory development.

### **6. Insufficient Research on the Role of Informality as a Strategic Choice**

Existing literature often treats informality as a barrier, but empirical evidence suggests that remaining informal can be a strategic decision influenced by cost-benefit considerations, regulatory burdens, or social norms. Future research should explore informality as a rational, strategic behavior, examining questions such as:

1. Under what conditions is informality advantageous or detrimental?
2. How do institutional voids shape formalization decisions?
3. What hybrid forms of semi-formal operations exist?

A stronger institutional perspective is needed to understand how micro entrepreneurs navigate and negotiate institutional constraints.

### **7. Limited Focus on Gender, Social Identity, and Household Dynamics**

Many micro enterprises are run by women or embedded within family structures, yet studies on gender dynamics, household decision-making, and social norms remain limited. Future research should address how gender roles, household responsibilities, and cultural expectations influence managerial choices, risk behavior, resource allocation, and business growth. Intersectional approaches that consider gender, class, ethnicity, and social capital are particularly needed.

### **8. Implications of the Identified Gaps**

Collectively, these research gaps point to the need for a more nuanced, context-driven, and theory-backed understanding of micro enterprise management. Future research should move beyond descriptive narratives to develop models that reflect the realities of entrepreneurs operating within informal, resource-constrained, and institutionally weak environments. A more integrative and methodological diverse research agenda will not only advance academic knowledge but also contribute to more effective policies and interventions that strengthen micro enterprises as engines of inclusive development.

## **Conclusion**

Micro enterprises represent one of the most critical engines of socioeconomic development in many developing economies, particularly due to their contributions to employment generation, poverty alleviation, and local economic dynamism. Yet, the management of micro enterprises is shaped by a constellation of challenges unique to resource-constrained and

institutionally weak environments. This literature review synthesizes theoretical and empirical insights from the past two decades to provide a holistic understanding of how micro enterprises operate, adapt, and sustain themselves in such contexts.

The review highlights that scholars have applied a wide range of theoretical lenses—including the Resource-Based View, dynamic capabilities, institutional theory, and social capital theory—to explain managerial behaviors and performance outcomes in micro enterprises. Empirical studies reveal recurring themes related to management practices, entrepreneurial orientation, gender dynamics, financial literacy, market access, innovation, and the role of informal institutions. Despite rich contributions, existing research remains fragmented across disciplines, dominated by geographically narrow case studies, and constrained by methodological limitations such as small sample sizes, reliance on cross-sectional designs, and weak theory–context alignment.

This article proposes several avenues for advancing the field. Future research should adopt interdisciplinary and multi-theoretical approaches that better reflect the complexity of micro enterprise ecosystems. Scholars should also expand the geographic reach of empirical studies, investigate underexplored managerial domains such as digital transformation and sustainability practices, and employ more sophisticated methodological approaches—including longitudinal studies, mixed methods designs, and context-sensitive qualitative work. Additionally, there is a pressing need to understand how emerging forces such as fintech, platform economies, and climate-related disruptions shape micro enterprise management in developing economies.

In conclusion, while significant progress has been made, research on micro enterprise management remains at a pivotal stage. There is substantial room for developing deeper theoretical insights and generating more generalizable empirical evidence. By addressing the identified gaps and pursuing the future research directions outlined in this review, scholars can contribute to a more coherent, robust, and impactful body of knowledge that not only advances academic discourse but also informs policies and interventions aimed at strengthening micro enterprises in developing economies.

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