



# How Does Psychological Empowerment Affect Entrepreneurial Orientation at Women-Owned SMEs in Indonesia?



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## ABSTRACT

**Objective** - This research is conducted with a focus on women-owned SMEs in Indonesia, which play a crucial role in driving the nation's economic progress. The study aims to determine whether the psychological empowerment and entrepreneurial orientation of women who own and operate SMEs can be enhanced to encourage further economic development.

**Methodology/Technique** – This study employs quantitative analysis, with primary data collected through a questionnaire survey. The survey garnered responses from 796 participants selected via quota sampling from 3 major densely populated provinces in Indonesia, namely West Java Province, West Sumatra Province, and Yogyakarta D.I. Province. Structural Equation Modeling was used to test the model.

**Finding** – The results of the analysis reveal that women's psychological empowerment has a significant impact on entrepreneurial orientation. Interventions designed to bolster psychological empowerment and entrepreneurial orientation are expected to enhance the productivity of women-led SMEs. The research has yielded an alternative model for improving the performance of female entrepreneurs in the SME sector to boost competitiveness by fostering increased entrepreneurial intentions.

**Novelty** – In the framework of social cognitive theory, Women's Psychological Empowerment represents a psychological asset that enables individuals, particularly female SME operators, to address challenges in their environments proactively. This empowerment is associated with a positive orientation towards entrepreneurial behavior. The study has yielded a model that aims to augment the capabilities of women SME entrepreneurs, thereby preparing them to thrive within the digital economy ecosystem.

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## 1. Introduction

Small and Medium Enterprises (SMEs) play a crucial role in driving the progress of the Indonesian economy, which experienced a decline during the COVID-19 pandemic, according to the statistics provided by the Indonesian Central Statistics Agency (BPS).

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It has been observed that women operate 64.5% of Small and Medium Enterprises (SMEs) in Indonesia. (Kominfo, 2022). Women play a significant role in their familial units and the broader national context. The Ministry of Women's Empowerment and Child Protection of the Republic of Indonesia has even determined gender mainstreaming in terms of development participation to accelerate the policies and programs of the current government of the Republic of Indonesia (Kemenpppa, 2023). To ensure inclusivity and foster progress within business, society, and culture, it is imperative to integrate a gender perspective that precludes the marginalization of women as passive subjects and acknowledges their crucial role as principal agents. To bolster the success of women as business owners, it is critical to contemplate a spectrum of strategic approaches (Kompas, 2023). These strategies include the formalization of informal enterprises, integration into supply chains, adopting modern digital technologies, and promoting women's entrepreneurship for economic advancement. Without a doubt, these efforts require the enhancement of human resource capacities, the provision of comprehensive training and mentorship, the facilitation of access to financial resources, the availability of legal aid services, the dissemination of information, and the implementation of other pertinent measures to cultivate communal growth.

The exponential growth of women-owned enterprises is set to positively impact post-pandemic economic recovery. However, as economic conditions improve, there will be an increase in the number of Small and Medium Enterprises, which will heighten the competitive environment. Throughout this process, women who can capitalize on these circumstances and demonstrate resilience and confidence in their abilities are likely to achieve faster progress compared to those who lack such traits. From the cognitive psychology perspective, human behavior is influenced by underlying mental processes. Thus, when observing entrepreneurial behavior exhibited by women, it is understood that such behavior is driven by these cognitive processes occurring within the individual.

Social cognitive theory is a psychological framework that highlights the significant influence of the social environment on motivation, learning, and self-regulation within human functioning (Schunk & DiBenedetto, 2020). In human function, psychological empowerment is a mental process experienced by SME actors. This concept refers to the beliefs and perceptions of individuals regarding their ability to control their work and impact their work environment. In other words, women's psychological empowerment pertains to their capacity to exercise agency in their lives, including making informed decisions concerning commercial ventures or entrepreneurial pursuits and navigating social and economic obstacles (Digan et al., 2019). Psychological empowerment encompasses three distinct characteristics: competence, self-determination, and perceptions of meaningful effect (Sengar et al., 2020). The psychological states of SME actors interact with environmental conditions, such as the challenges they face as women who manage the family and contribute to the family economy. In Indonesia's context of women-owned SMEs, psychological empowerment can play a significant role in shaping entrepreneurial orientation. Entrepreneurial orientation refers to the mindset and behaviors of individuals or organizations inclined towards innovation, risk-taking, proactiveness, and an emphasis on opportunities.

Therefore, understanding that SMEs are one of the economic sources that play an important role in Indonesia, SMEs must be able to continue to develop, especially in the current digital era (Trimaryono, 2020). It is crucial to understand how psychological empowerment affects entrepreneurial orientation in women. In running their business, women-owned SMEs face various difficulties that become challenges for them. The problems they face come from low entrepreneurial skills in product innovation, inadequate levels of expertise in solving the problems they experience, limited networking, minimal market linkages, and access to finance that is less favorable to them to be able to develop their businesses to a larger scale (Ruangkanjanases et al., 2021). Furthermore, the challenges and issues faced by Small and Medium Enterprises in Indonesia can be attributed to various factors. These include inadequate proficiency of competent personnel, an insufficient entrepreneurial mindset, a limited grasp of technology and management practices, inadequate access to information, and insufficient focus on the market orientation

(Kumalaningrum, 2011). As a result, SME actors may open and close businesses rapidly, change jobs frequently, and ultimately experience underdeveloped business performance.

Given the current phenomenon in SMEs, where their role is crucial to the Indonesian economy, yet their performance is suboptimal, this study aims to investigate whether psychological empowerment influences the entrepreneurial orientation of SME actors. Entrepreneurial orientation is the systematic process, practice, and decision-making activity that leads to the initiation of new ventures (Lumpkin & Dess, 1996b). While initially a concept for organizational analysis, entrepreneurial orientation is now also recognized at the individual level as Individual Entrepreneurial Orientation (Robinson & Stubberud, 2014), (Bolton & Lane, 2012), (Musara & Nieuwenhuizen, 2020), and (Suhariadi et al., 2023). Individual entrepreneurial orientation has five dimensions: innovativeness, risk-taking, proactiveness, passion, and perseverance (Santos et al., 2020). This orientation is a fundamental support for entrepreneurs as they navigate challenges and grow their enterprises (Robinson & Stubberud, 2014). Giving special attention to female SME entrepreneurs allows for a more holistic understanding of success, not solely determined by external variables such as available resources, opportunities, or governmental policies (Setyaningrum et al., 2023). Crucially, the internal factors empower them to adopt a stance, make decisions, strive for growth, or embrace learning new skills.

Entrepreneurial orientation refers to the mindset and behaviors indicative of a propensity toward innovation, a willingness to take risks, an affirmative and proactive approach, and a keen focus on identifying and seizing opportunities. The investigation into how psychological empowerment influences entrepreneurial orientation in women-led SMEs in Indonesia is critical. Exploring this relationship can provide valuable insights into the factors driving the success and expansion of these enterprises. Moreover, a deeper understanding of this dynamic can help pinpoint specific obstacles and challenges women entrepreneurs face. Such knowledge is essential for devising effective interventions and crafting targeted policies that bolster women's entrepreneurial empowerment and the broader economic development in Indonesia.

## 2. Literature Review

### Psychological Empowerment

Women's empowerment has gained higher priority in today's global development agenda and is strongly linked with multiple developmental outcomes. Achieving gender equality and women's empowerment is embodied in the fifth Sustainable Development Goal, which aims to be accomplished by 2030. Empowerment of women and gender equality are integral to all dimensions of inclusive and sustainable development. There is a consensus that progress on the SDGs can be realistically achieved only if women's empowerment and gender equality are prioritized holistically (Commission on Women, 2023).

Empowerment refers to the capacity of individuals, groups, and communities to take control of their circumstances, exercise power, and achieve their own goals. It is the process through which they can, individually and collectively, enhance their ability to influence their lives and the society at large to improve their well-being (Digan et al., 2019). Empowerment can be conceptualized as the facilitation of opportunities for individuals to develop self-reliance, exercise agency in decision-making processes, assume responsibility, and engage actively in organizational affairs (Soleimani & Dana, 2021). Psychological empowerment is defined as the intrinsic motivation manifested in the performance of job-related tasks, reflecting a sense of self-efficacy and proactive involvement in one's professional role (Calvo et al., 2022). Psychological empowerment has emerged as an essential construct in applied and theoretical organizational studies. Within dynamic work environments, employees who experience psychological empowerment contribute to the organization's competitive edge by facilitating the acquisition and retention of a favorable market position (Kim et al., 2018).

Since its inception, psychological empowerment has been conceptualized with a foundational structure comprising intrapersonal, interactional, and behavioral components (Zimmerman, 1995). This framework has

been refined into distinct variables, specifically Self-Determination, Competence, Perception of Meaningful Impact, and Competency (Digan et al., 2019). These constructs are visually represented in Figure 1.

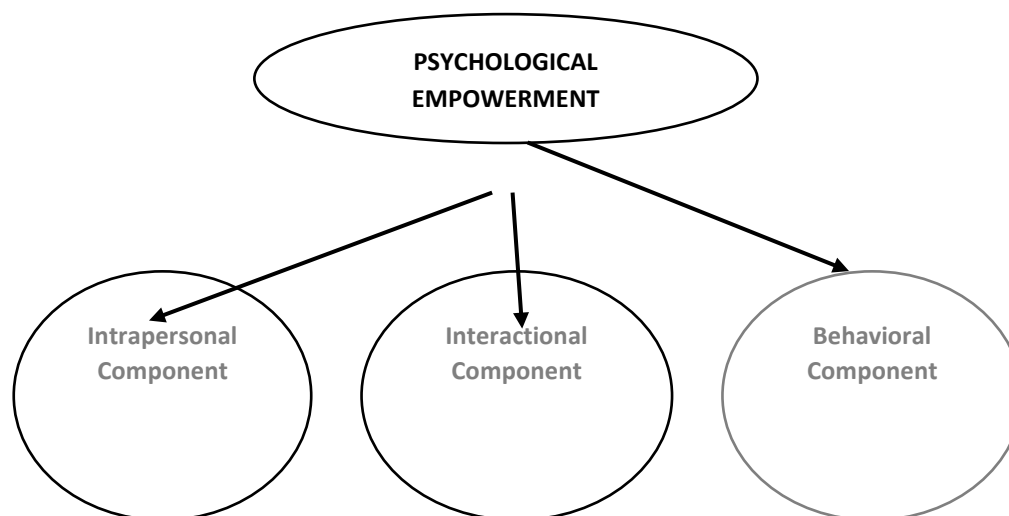


Figure 1. Psychological Empowerment

Psychological empowerment catalyzes the development of self-efficacy among employees by focusing on identifying and ameliorating inefficiencies within the organization (Soleimani & Dana, 2021). It manifests in the workforce as employees perceive their job functions as meaningful and recognize the necessity of utilizing their unique skills and competencies (Meng & Sun, 2019). Further, it enables them to make autonomous decisions relevant to their roles and instills confidence in their capacity to impact the achievement of the organization's goals significantly (Gao et al., 2020).

Women's empowerment within Small and Medium Enterprises encompasses an evaluation of female entrepreneurs' perceptions of empowerment and its interplay with their entrepreneurial endeavors. Psychological empowerment comprises three dimensions: (1) Meaning drives a robust commitment and focusing energy (Spreitzer, 1995). (2) Competencies refer to self-efficacy or an individual's belief in their capacity to carry out tasks successfully (Bandura, 2010). Competence relates to perseverance and effort in challenging situations and the skills to overcome them (Spreitzer, 1995). (3) Self-determination refers to the attainment of autonomy and perception of agency in initiating work behaviors and maintaining the work process. (Deci et al., 1989).

### **Entrepreneurial Orientation**

Entrepreneurial Orientation plays a pivotal role in catalyzing entrepreneurial activities within organizations, and it has been positively associated with enhanced organizational performance (Durst et al., 2021). Entrepreneurial orientation is an individual's tendency to innovate and become more proactive, thus being willing to take risks in initiating or managing a business (Lumpkin & Dess, 1996a). Entrepreneurship

comprises the various processes, methods, and decision-making activities involved in establishing new ventures that introduce products, services, technological advancements, markets, or novel business models that were previously non-existent (Covin & Wales, 2019).

Previous studies have conceptualized entrepreneurship as a dynamic variable that can vary in intensity based on several determinants. Within the initial analytical framework proposed by the author, three principal elements are posited as critical to entrepreneurship: the ambient environment, organizational structure, and the strategy formulation process (Basso et al., 2009). In his seminal work, Miller integrated the psychological construct of locus of control concerning senior executives within the corporate domain. He delineated three defining criteria—innovation, proactiveness, and risk-taking—which he identified as central components of the 'strategy-making' process in entrepreneurship (Miller, 1983). The measurement of entrepreneurial orientation has been conducted using three distinct variables: innovativeness, proactiveness, and risk-taking (Miller, 2011). The first dimension, innovativeness, refers to factors that support and inspire new ideas, investigation, and creativity (Rauch et al., 2009)(a). The second dimension is risk-taking, which pertains to the extent to which an entrepreneur is willing to take risks and commit substantial resources (Miller & Friesen, 2015). The final dimension is proactiveness, which involves pursuing new opportunities that may or may not complement existing business activities to improve them (Lumpkin & Dess, 1996b).

### **Relationship between Psychological Empowerment and Entrepreneurial Orientation**

Social exchange theory posits that social interactions are fundamentally transactional, where individual interactions generate obligations. This perspective implies that within these exchanges, reciprocity and the balance of costs and benefits are critical drivers of social behavior (Durst et al., 2021). Within the framework of social exchange theory, these interactions are inherently interdependent and frequently contingent upon the actions and responses of others. Such interplay highlights the interactive process where each party's behavior is often influenced by and predicated on the reciprocal actions of their counterparts (Molm, 1994). The relationship between an individual and their environment is characterized by mutual reciprocity and commitment. This interdependence suggests that both the person and the environment are active participants in an ongoing exchange that shapes and is shaped by the actions and obligations of each (Thomas & Gupta, 2021). Women entrepreneurs within Small and Medium Enterprises proactively seek to surmount economic adversities by leveraging and empowering their resources, enabling them to engage effectively in entrepreneurial ventures.

Entrepreneurship is commonly acknowledged as a critical mechanism for stimulating business expansion, augmenting financial rewards and incentives, and catalyzing innovation through the development of novel products, services, and business models (Lumpkin & Dess, 1996; Miles & Covin, 2002; Zahra, 1991 at (Safari et al., 2010). Entrepreneurship can engender an ecosystem in which business productivity is heightened. To cultivate successful entrepreneurial endeavors, it is essential to furnish individuals possessing entrepreneurial propensities with access to environments and networks conducive to entrepreneurial activities. Cuero (2005) posits that a thorough comprehension of entrepreneurial activities within a national context requires the analysis of psychological attributes, non-psychological determinants, and the prevailing environmental conditions (Safari et al., 2010). Psychological empowerment among clerical personnel is a key psychological attribute that can contribute to the establishment of conducive work environments (Theme, 2018). The empowerment mechanism serves as a managerial approach that integrates into numerous management processes (DiLiello & Houghton, 2006).

Contemporary scholars are expanding their exploration into a multidimensional concept of empowerment, which encapsulates psychological experiences and cognitive processes. This progressive conceptualization adopts a framework highlighting the significance of an individual's subjective experiences and perceptions (Yuan, 2022). From this viewpoint, 'psychological empowerment' is defined as encompassing essential psychological experiences individuals encounter within their work environment. Such experiences are classified into four principal dimensions: meaning, influence, competency, self-determination, and trust

(Spreitzer, 1995). Prior studies have demonstrated a correlation between psychological empowerment and entrepreneurial success, with the dimension of meaningfulness exhibiting the most substantial association (Safari et al., 2010). Psychological empowerment is consequential in shaping women's entrepreneurship in Saudi Arabia. (Hasan et al., 2022). Similarly, research on Indian workers found that the dimensions of psychological empowerment significantly affect entrepreneurial behavior, with the competency dimension demonstrating the strongest correlation (Sengar et al., 2020). Furthermore, (Fuad et al., 2022) observed that the psychological empowerment of women significantly influences the success of women entrepreneurs in Malaysia. This demonstrates the equivalent potential for occurrence among SME participants in Indonesia.

### 3. Research Methodology

The research design was descriptive research with a quantitative, non-experimental approach. This study was done on 796 female SME actors in Indonesia's West Java Province, West Sumatra Province, and Yogyakarta Special Region Province. They were chosen based on a quota. In our study, we utilized a five-point Likert scale to measure all variables except demographic variables such as age and geographical background. The Likert scale ranged from 1, representing "strongly disagree" or "never," to 5, meaning "strongly agree" or "always." The questionnaires were initially developed in English and subsequently translated into Indonesia to suit the participants' language preferences. A back-translation procedure followed the guidelines to ensure the measures' equivalence (Brislin, 1980).

The instruments used are the Women's Empowerment Questionnaire (Digan et al., 2019) and the Individual Entrepreneurial Orientation measuring instrument (Lumpkin & Dess, 2001). The Women's Empowerment Questionnaire has a reliability of 0.864 when tested using Cronbach's Alpha to see the internal consistency of items from the measuring instrument. The individual entrepreneurial orientation measuring instrument has a Cronbach's alpha of 0.890, which means it is reliable. The data analysis method used is Structural Equation Modeling (SEM) to get the relationship between the two variables.

In this study, the sampling technique used is the Non-Probability sampling technique. In contrast to the Probability sampling technique, the Non-Probability Sampling technique is taken non-randomly. In other words, the samples taken in the study did not have an equal chance of becoming research samples (Sugiyono, 2016). More specifically, the research method researchers use is the quota sampling method. In quota sampling, researchers choose samples that are easy to obtain (Iliyasu & Etikan, 2021). The quota sampling method is used to select research samples, which makes the research more accurate. It can be generalized to the entire population. In this case, it is also necessary to know that the population for sampling is selected based on the characteristics and unique characteristics of the population members, namely women and SME actors. Each province has a quota of 250 respondents, so all respondents are 750.

Table 1. Quota Sample

No	Province	Number of Respondent Quotas
1	West Java	250
2	West Sumatera	250
3	D.I. Yogyakarta	250

During the offline field data collection, 796 respondents were gathered. Subsequently, the respondent data was filtered depending on their availability to answer. In this instance, informed consent was obtained before completing the research provided by the researcher.

Table 2. Demographic

Category	Frequency	Percentage
<b>Gender</b>		
Female	796	100%
<b>Age</b>		
< 20 yo	12	1.5%
20 – 25 yo	136	17.3%
25 – 35 yo	205	26.0%
35 – 45 yo	232	29.5%
45 – 60 yo	183	23.3%
> 60 yo	19	2.4%
<b>Province</b>		
DI. Yogyakarta	223	28%
Jawa Barat	321	40.3%
Sumatera Barat	252	31.7%

#### 4. Results

The results of the descriptive analysis indicate that all dimensions of women's empowerment significantly align with the high category. Notably, the self-determination dimension registered a higher mean than the other three dimensions, suggesting that female employees in Small and Medium Enterprises possess a positive attitude towards their autonomy in decision-making processes and professional roles. Concurrently, entrepreneurial orientation within these enterprises was rated highly in proactiveness, indicating a propensity among SME players to seek out and capitalize on emerging opportunities proactively and engage actively in competitive market environments. According to the research findings, as presented in Table 3, women's empowerment has a significant impact on entrepreneurial orientation, accounting for a contribution value of 45.5%, with the nature of the relationship being positive.

Table 3. Regression Coefficients

Regression coefficients (Estimate means Coefficient Correlation)										
Predic tor	Outco me	Estim ate	Std. Error	z- value	p	95% Confidence Interval		Standardized		
						Lower	Upper	All	LV	End o
WE	EO	0.455	0.026	17.434	<.001	0.404	0.506	0.5	0.5	0.5
								0.4	0.4	0.4
								0.8	0.8	0.8

Based on the results of the analysis, it is known that in the coefficient of determination between dimensions, there are only two dimensions that have a significant influence, competence, and persistence ( $R^2 = 0.775$ ;  $p = 0.007$ ) also competence and passion ( $R^2 = 0.504$ ;  $p = 0.052$ ). The competence dimension of psychological empowerment contributes the most to the formation of the proactiveness dimension of entrepreneurial empowerment, so it can be interpreted that the favorable psychological conditions possessed by women SME actors have the most considerable influence on the sense of being able to achieve success in starting and implementing entrepreneurial businesses as a job as seen at figure 1.

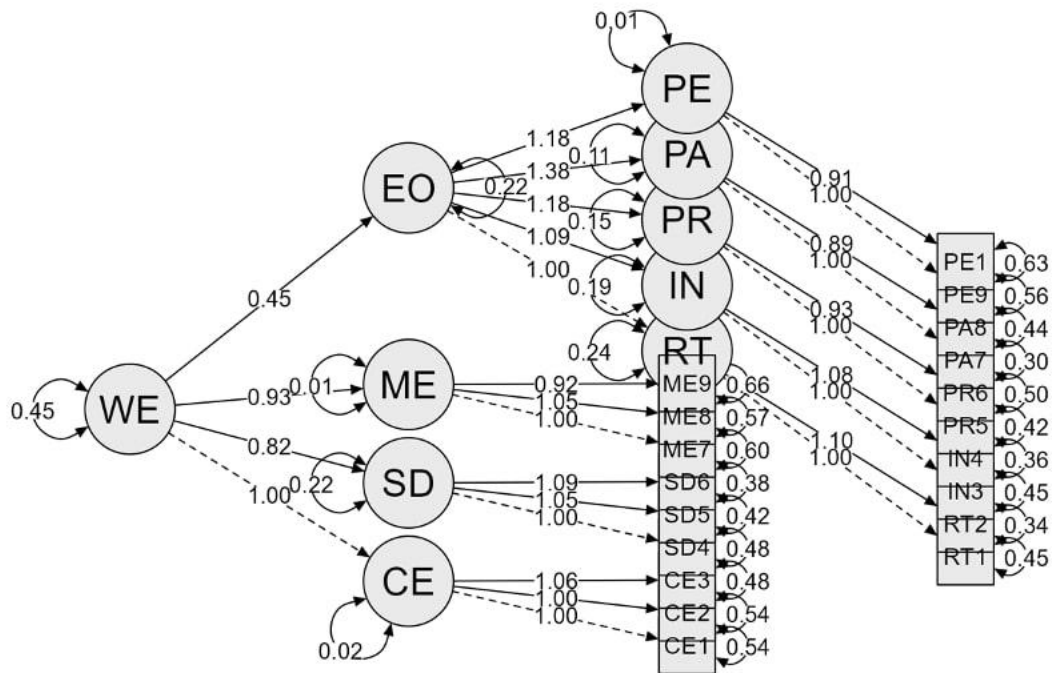


Figure 2. Variables Analysis

The whole model showed an appropriate fit to the data according to recommended cut-off values for the CFI, ( $\chi^2 = 342.653$ ,  $df = 143$ ,  $p < .00$ ,  $TLI = .974$ ,  $SRMR = .060$ ,  $CFI = .978$ ,  $RMSEA = .04$ ) which highlights the contrast or distinction between an independent model and the specified model (Bentler, 1990), the RMSEA, to measure the deviation that occurs in the value of a model parameter with its population covariance matrix (Hu & Bentler, 1999), and the SRMR, to see the standardized residuals difference between the predicted and observed variances and covariances in the model (Pavlov et al., 2021).

## 5. Discussion

This study concentrates on the role of psychological empowerment in shaping entrepreneurial orientation among Women-Owned Small and Medium Enterprises. The survey conducted as a part of this research has unveiled a burgeoning scholarly interest in promoting women's entrepreneurship (Rusydia & Izza, 2022). To develop a nuanced understanding of women's contributions to the economy, it is essential to consider the social context in which women operate. Historically, the prevailing belief has been that middle-class women are expected to focus on domestic roles, particularly child-rearing, within the private sphere of the home. Conversely, in lower socioeconomic groups, the financial necessity driven by insufficient male incomes often compels women to enter the labor force. This economic imperative is seen as a catalyst for women's workforce participation. In rural areas, women have been found to pursue financial autonomy through establishing sole proprietorships. This trend toward entrepreneurship is significant, notwithstanding the potential discord between entrepreneurial ventures and traditional gender norms regarding acceptable work for rural women (Egan, 1997) (Arifin & Rachma, 2018). The study by Paramashivaiah & Puttaswamy elucidates that the entrepreneurial activities undertaken by rural women are affected by a confluence of socioeconomic and psychological factors (Paramashivaiah & Puttaswamy, 2018). This analysis suggests that



the environmental context and the resources at women's disposal substantially enhance their entrepreneurial capabilities.

It is imperative to offer educational and literacy initiatives to raise awareness about the various obstacles hindering women's participation in business (Chandra, 2022). A substantial engagement from a broad coalition of parties—including policymakers and government bodies—is expected to strengthen the support structure for female entrepreneurship notably. Such a commitment is directed towards enabling economic empowerment through encouraging innovation, especially in growing digitalization. It also emphasizes enhancing the educational framework and implementing strategies designed to capitalize on the potential of women entrepreneurs effectively. The anticipated benefits of these endeavors include job creation and overall socio-economic improvement.

Addressing gender disparities is crucial for development and policymaking (Abdulkadri et al., 2022). The advocacy for gender equality is posited to bolster economic productivity considerably, ameliorate developmental outcomes for succeeding generations, and ensure a more equitable representation in institutional and policy domains. Despite the advancements achieved by various countries, persistent gender inequalities remain, pointing to a clear need for sustained and focused public sector efforts. The study indicates that substantial gains in development can be realized through the enactment of remedial policies that strategically confront persistent gender gaps, particularly those with the most profound influence on collective well-being. Previous research presents a conceptualization of development as a progressive endeavor fundamentally committed to expanding the liberties enjoyed by all individuals, irrespective of gender (Tully, 2013). Within this framework, the pursuit of gender equality is not solely an end in itself but a vital aspect of the broader development agenda, equating in significance with the reduction of income poverty. Measures to counteract gender-based disparities must therefore be crafted with a nuanced understanding of the contributing factors beneath these inequalities while concurrently considering the intricacies of the domestic political economy. The advocacy of gender equality is reported to yield a twofold advantage: it enhances economic efficiency and brings about many positive developmental outcomes.

The understanding of the evolution of gender equality in the context of development is most effectively achieved by examining the reactions of households to the operations and organization of markets and institutions (Elson, 2012). These institutions encompass formal entities, such as laws, regulations, and the provision of government services, and informal aspects, including gender roles, norms, and social networks. Markets and institutions have a crucial role in shaping the incentives, desires, and restrictions individuals within a family encounter and influencing their ability to express their opinions and negotiate effectively. The interaction between household decision-making, markets, and formal and informal institutions significantly shapes gender-related outcomes. This approach additionally elucidates the impact of economic growth, namely increased incomes, on gender outcomes through its influence on market dynamics, institutional functioning, and family decision-making processes.

The results of the study indicate that there is a substantial relationship between psychological empowerment and women's entrepreneurial orientation. Psychological empowerment refers to the subjective perception of persons having autonomy, competence, and control over their personal and professional spheres. Research indicates that psychological empowerment, characterized by an individual's increased perception of self-efficacy and control, correlates positively with a woman's propensity to initiate and sustain entrepreneurial activities. Women who experience a heightened sense of psychological empowerment often exhibit greater confidence in their entrepreneurial competencies and demonstrate a readiness to undertake calculated risks associated with business ventures. This empirical linkage underscores the importance of promoting psychological empowerment as a pathway to galvanize women's participation in entrepreneurship (Safari et al., 2010).

Women's empowerment refers to the capacity of women to exercise agency and make autonomous decisions in all aspects of their lives. One of the options entails making a well-informed selection regarding the business or entrepreneurial endeavor aimed at dismantling social and economic barriers (Digan et al.,

2019). The ownership of women's empowerment by women SME players leads to positive and beneficial outcomes. Most women employed in Small, and Medium Enterprises (SMEs) hold a favorable perception regarding their agency and capacity to exercise autonomy in matters about their employment. The significant degree of women's empowerment among women SME actors can be attributed to their favorable attitudes and self-assurance in performing their tasks. The corpus of empirical evidence suggests that a substantial proportion of female participants operating within small and medium-sized enterprises report experiencing a form of self-empowerment rooted in their entrepreneurial pursuits. These women cite many contributory elements to their sense of achievement as business owners. Key among these is the ability of their businesses to generate income and provide employment, which in turn facilitates attracting clientele, fostering a positive community reputation, and ensuring business longevity. Moreover, involvement in entrepreneurship serves as a conduit for self-discovery and the realization of their latent potential. The presence of an optimistic outlook and self-assurance among women company owners has a favorable influence on women's inclination to empower themselves, hence fostering a significant level of empowerment among small, and medium-sized enterprise (SME) participants in Indonesia.

There is a lack of evidence to suggest that variations in age and urban location substantially impact the levels of women's empowerment and entrepreneurial orientation. Therefore, it can be argued that age and city differences are not significant factors, as the results indicate that these two moderating variables do not have a substantial impact. The findings of this study also suggest that economic growth in Indonesia exhibits a relatively equitable distribution among cities. That age does not significantly impact women's ability to engage in business activities, particularly within the context of Small and Medium Enterprises (SMEs).

Existing literature indicates a positive correlation between women's empowerment and various socio-economic outcomes, such as enhanced productivity, poverty reduction, economic growth, and improved work efficiency (Meng & Sun, 2019). Research conducted on women's empowerment in Indonesia has demonstrated that such initiatives can enhance women's self-assurance, enabling them to cultivate their skills and ingenuity to meet their everyday requirements (Nasution & Marthalina, 2018). Furthermore, promoting women's empowerment is imperative to enhance the financial status of women who belong to the low-income bracket, thus contributing to a decrease in the overall population residing below the poverty threshold (Mulyadi, 2016). Organizations that exhibit a greater degree of women empowerment within their leadership ranks tend to have superior financial performance compared to those with a lesser degree of women empowerment (Digan et al., 2019). Given a significant level of women's empowerment, it becomes plausible that women engaged in miniature, and medium enterprises (SMEs) might enhance their job efficiency and productivity, foster the development of their skills and creativity in meeting their daily requirements, consistently augment women's income, and contribute to overall economic growth.

Based on the results of the descriptive analysis between dimensions, it is found that all sizes of women's empowerment are included in the high category, and the self-determination dimension has a higher average among the other three dimensions. Self-determination is crucial in a person's empowerment and overall well-being, regardless of gender. When individuals, including women, have a strong sense of self-determination, they have a firm belief in their abilities and a clear understanding of their goals and values (Raspati & Kadiyono, 2023).

To promote gender equality, policymakers should direct their efforts towards five distinct priorities. These priorities include mitigating the disproportionate mortality rates among females; eradicating any lingering gender disparities in education; enhancing women's access to economic opportunities, thereby improving their earnings and productivity; ensuring equitable representation and influence for women in households and societies; and curbing the perpetuation of gender inequality from one generation to the next.

To redress gender disparities in income and economic participation, a comprehensive and multifaceted approach is imperative. Interventions should aim to alleviate the burden of unpaid care and domestic work that disproportionately falls on women, impeding their full engagement in economic activities. Policies may include the provision of subsidized childcare, expanded access to financial services and credit for women

entrepreneurs, and equal opportunities to utilize productive assets. Moreover, efforts should focus on eradicating systemic biases and addressing the information gap concerning women's economic contributions. Bridges must be built between multiple stakeholders to facilitate these reforms effectively, necessitating collaboration between governmental bodies, international development entities, the private sector, civil society, and academia across both developing contexts and high-income countries.

## 6. Conclusion

Empirical investigation reveals a significant positive correlation between psychological empowerment and entrepreneurial orientation among women in Indonesia's SME sector. This correlation indicates that increased levels of psychological empowerment—characterized by self-efficacy, perceived control over work and decisions, and outcome expectancy—translate into a heightened desire and readiness to pursue entrepreneurship. Women engaged in SMEs who believe in their capabilities and perceive a greater degree of autonomy in their actions are more likely to demonstrate a proactive, innovative, and risk-taking approach conducive to entrepreneurial success. The study uncovers that business productivity levels falling short of targeted goals may stem from an array of underexplored sources. These findings hold considerable practical implications for crafting small and medium-sized enterprise development policies. Specifically, the enhancement of psychological empowerment stands out as a cornerstone upon which to base government-provided training programs to advance SMEs led by women. Such initiatives to bolster psychological empowerment are posited to amplify entrepreneurial orientation among SME participants, thereby nurturing their confidence and motivation to establish and operate new business ventures.

The limitation of this study is the lack of a comprehensive sample used to describe the diversity of Indonesia, which consists of 34 provinces. This study also does not examine cultural influences, which are environmental factors that affect individual cognitive processes and can play a role in the formation of psychological capacity and shape the entrepreneurial orientation of women-owned SMEs in Indonesia. Future research is encouraged to incorporate a more comprehensive sampling strategy and to consider cultural variables to offer a more holistic understanding of the factors affecting women's entrepreneurship in Indonesia.

## Disclosure Statement

The authors report that there are no competing interests to declare.

## Contributor Role

ALK is responsible for conceptualizing, validating, investigating, allocating resources, writing the original draft, reviewing & editing

ABFC is responsible for methodology, data curation, formal analysis, and visualization

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