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MICRO BUT MIGHTY: CRITICAL SUCCESS FACTORS FOR SUSTAINABLE URBAN MICRO-ENTREPRENEURSHIP IN TERENGGANU

Norafzan Awang[1*]
Mohamad Shaharudin Samsurijan[1]
Norbahiyah Awang[2]
Fatin Alia Zahri[1]
Azlinah Ambak[3]
Azmera Alwi[3]

[1]School of Social Sciences, Universiti Sains Malaysia, Penang, Malaysia (afzanawang211@gmail.com, msdin@usm.my, aliazahri91@gmail.com)
[2]Faculty of Computer & Mathematical Sciences, UiTM, Melaka, Malaysia (bahiyah399@uitm.edu.my)
[3]Faculty of Economic Management and Digital Technology, University College Bestari, Terengganu, Malaysia, (azlinahktb@yahoo.com, azmera@ucbestari.edu.my)
*Corresponding author: afzanawang211@gmail.com

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Abstract: *Micro-entrepreneurship is vital to inclusive development, yet its sustainability isemi-peripheral economies remains underexplored. This paper develops a context-sensitive framework of Critical Success Factors (CSFs) for urban micro-entrepreneurship in Terengganu, Malaysia, where institutional gaps, limited infrastructure, and cultural embeddedness create distinctive challenges. Guided by the Resource-Based View (RBV) and Institutional Theory, the framework integrates four domains: financial and entrepreneurial competencies, digital readiness and innovation, socio-psychological enablers, and institutional support. Unlike conventional CSF models from industrialized contexts, it highlights resilience, religious identity, and community trust as mediating resources of sustainability. Drawing on a synthesis of literature and contextual insights, the study reconceptualizes sustainability as the interaction of tangible and intangible factors, introduces socio-psychological enablers into RBV–Institutional Theory integration, and proposes localized interventions such as mosque-based mentoring and gender-sensitive digital inclusion. By situating entrepreneurship within localized realities, the study challenges urban-centric models and advances an agenda for resilient micro-enterprise sustainability.*

Keywords: *Micro-entrepreneurship; Critical Success Factors; Sustainability; Terengganu; Resource-Based View; Institutional Theory*

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Introduction

Micro-entrepreneurship has increasingly been recognized as a cornerstone of inclusive and sustainable development, especially in emerging economies where structural inequalities persist. In Malaysia, micro-enterprises—defined as firms with fewer than five employees—constitute more than 75 percent of all small and medium enterprises (SMEs) and contribute significantly to employment creation, household income, and social mobility (SME Corp Malaysia, 2023). Beyond their economic role, these enterprises act as vehicles for poverty alleviation, women's empowerment, and community resilience, making their sustainability a critical component of national development goals.

Despite this importance, the sustainability of micro-enterprises remains uneven across Malaysia. Empirical research consistently highlights financial literacy, entrepreneurial competencies, and access to credit as the main Critical Success Factors (CSFs) influencing micro-enterprise survival (Fazal et al., 2022; Ibrahim et al., 2024). However, most of these studies are concentrated in highly industrialized states such as Selangor, Johor, and Penang, where institutional ecosystems, infrastructure, and digital connectivity are relatively advanced. Applying such urban-centric frameworks to semi-peripheral states like Terengganu creates both theoretical and policy blind spots, as these regions operate under distinct socio-cultural and infrastructural constraints (Mahmood & Zahari, 2021; Ramli & Zain, 2023).

Terengganu provides a compelling context to explore these gaps. Located on Malaysia's East Coast, the state is characterized by a predominantly Malay-Muslim population, limited broadband penetration, and high reliance on informal financing and traditional community networks. Entrepreneurs often depend on family ties, rotating savings groups, and mosque-based initiatives, rather than formal financial institutions, to sustain their businesses. These localized practices suggest that sustainability in Terengganu cannot be adequately explained by conventional models focused on financial resources or institutional policies alone. Instead, sustainability here emerges as an interplay of tangible resources and intangible enablers, such as resilience, religious identity, and social trust embedded within cultural institutions (Joremi et al., 2023; Noor & Omar, 2024).

This study argues that mainstream CSF frameworks are limited in two ways. First, they under-theorize the role of socio-psychological enablers, treating factors such as resilience and motivation as secondary rather than central drivers of sustainability. Second, they fail to capture how regional disparities in infrastructure and institutional support reshape the applicability of conventional CSFs. Addressing these gaps requires a framework that integrates internal resources, external institutional structures, and culturally embedded psychological enablers into a holistic model of sustainability. In this study, sustainability refers primarily to the continued operation and growth of micro-enterprises, encompassing economic viability, psychological resilience, and socio-cultural embeddedness.

To address this, the paper develops a conceptual framework grounded in the Resource-Based View (RBV) and Institutional Theory. RBV emphasizes the role of firm-specific resources and capabilities in creating competitive advantage (Barney, 1991), while Institutional Theory explains how formal and informal rules, norms, and cultural structures shape entrepreneurial behavior (Scott & Scott, 2016). When combined, these perspectives enable a more comprehensive understanding of sustainability that accounts for both internal competencies and external institutional environments. Importantly, the framework also incorporates socio-

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psychological enablers—resilience, intrinsic motivation, and religious identity as critical forms of psychological capital that mediate the relationship between resources and institutions.

The objective of this paper is therefore twofold. First, it seeks to reconceptualize CSFs for sustainable micro-entrepreneurship by elevating socio-psychological enablers alongside financial, digital, and institutional factors. Second, it aims to propose a context-sensitive framework tailored to semi-peripheral regions, offering both theoretical contributions and practical insights for policymakers. By situating the analysis within the unique socio-cultural and infrastructural realities of Terengganu, the study challenges the dominance of urban-centric CSF models and provides a blueprint for more inclusive and resilient entrepreneurship.

The novelty of this study lies in three areas. Theoretically, it positions psychological resilience and religious identity as central, rather than peripheral, determinants of sustainability in micro-enterprises. Conceptually, it integrates RBV and Institutional Theory with socio-psychological perspectives to develop a multi-dimensional framework. Practically, it highlights how localized interventions—such as mosque-based financial literacy programs or gender-sensitive digital training—can enhance sustainability where standardized national policies fall short.

In sum, this paper contributes to correcting the imbalance in entrepreneurship literature by embedding micro-entrepreneurship within the socio-cultural and infrastructural realities of semi-peripheral economies. It responds to the urgent need for frameworks that not only explain survival strategies but also guide the design of inclusive policies capable of strengthening grassroots resilience. The remainder of this paper is structured as follows: Section 2 outlines the theoretical foundations; Section 3 develops the conceptual framework; Section 4 discusses its implications; Section 5 presents propositions for future empirical research; and Section 6 concludes with practical recommendations and theoretical contributions.

Theoretical Foundations

Resource-Based View (RBV)

The Resource-Based View (RBV) has long been a dominant framework in strategic management and entrepreneurship. It emphasizes that firms achieve competitive advantage not solely through external opportunities but through the unique configuration of internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). For micro-enterprises, particularly in resource-constrained environments, RBV offers a compelling lens to explain survival and growth. Unlike larger firms that can leverage significant financial and technological resources, micro-entrepreneurs often depend on intangible competencies such as creativity, adaptability, and financial literacy to sustain their businesses (Fazal et al., 2022).

In semi-peripheral regions like Terengganu, RBV becomes even more relevant. Formal access to capital and institutional infrastructure is often limited, requiring entrepreneurs to optimize non-material resources such as resilience, trust networks, and religious identity. Recent studies affirm that psychological capital including self-efficacy, optimism, and intrinsic motivation constitutes critical intangible resources that significantly influence entrepreneurial performance (Joremi et al., 2023; Noor & Omar, 2024). By extending RBV to include psychological and cultural resources, this study redefines competitive advantage in micro-enterprises as a function of both tangible and intangible capital embedded within localized contexts.

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Institutional Theory

While RBV explains the role of internal resources, Institutional Theory highlights how organizational behavior is shaped by external structures of rules, norms, and cultural expectations (Scott, 2013)For micro-enterprises, institutional forces include regulatory frameworks, financial programs, cultural institutions, and informal norms that collectively legitimize or constrain entrepreneurial activities. In Malaysia, agencies such as Amanah Ikhtiar Malaysia (AIM), MARA, and SME Corp play significant roles in providing microcredit and training. Yet, standardized delivery mechanisms often fail to align with regional realities, limiting their effectiveness in semi-peripheral regions (Mahmood & Zahari, 2021).

Terengganu illustrates this mismatch clearly. Programs designed for urban areas often overlook localized socio-cultural practices, such as reliance on rotating savings groups (*kutu*) or mosque-based financial mentoring. This creates a dual dynamic: institutions can empower micro-entrepreneurs by providing resources, but they can also constrain innovation when policies are rigid or misaligned. Recent scholarship stresses that localized institutional adaptation—such as embedding entrepreneurship training in religious or community centers—enhances legitimacy and sustainability (Daud & Hamid, 2023; Ramli & Zain, 2023). Hence, Institutional Theory provides the basis to analyze both the enabling and constraining roles of formal and informal institutions in shaping micro-entrepreneurial sustainability.

Socio-Psychological Perspectives

A growing body of research argues that financial and institutional explanations alone cannot fully account for entrepreneurial sustainability. Socio-psychological perspectives highlight the role of resilience, intrinsic motivation, and spiritual orientation in driving persistence under adversity. For example, studies of B40 women entrepreneurs show that religious identity and community trust not only provide moral grounding but also function as coping mechanisms in balancing economic necessity with caregiving responsibilities (Noor & Omar, 2024). Similarly, zakat-recipient entrepreneurs (*asnaf*) demonstrate entrepreneurial resilience when spiritual values reinforce their sense of purpose and obligation (Joremi et al., 2023).

These findings align with broader research on psychological capital, which positions resilience and optimism as predictors of long-term performance (Sharma & Rautela, 2022). In Terengganu, where cultural embeddedness and religious institutions play pivotal roles, socio-psychological enablers are not peripheral but central. They shape entrepreneurs' definitions of success, influence risk-taking behavior, and foster persistence despite limited external support. By integrating these enablers into the analysis, this study extends RBV and Institutional Theory, showing that sustainability in micro-enterprises is as much a socio-cultural and psychological process as it is an economic one.

Toward an Integrated Framework

The Resource-Based View (RBV) emphasizes internal capabilities such as entrepreneurial skills and financial literacy (Barney, 1991), while Institutional Theory focuses on how external structures and cultural norms shape entrepreneurial behavior (Scott, 2013). However, both frameworks often overlook socio-psychological enablers like resilience, intrinsic motivation, and religious identity, which are critical in semi-peripheral contexts. This paper integrates all three perspectives to develop a comprehensive framework for micro-enterprise sustainability in Terengganu. Sustainability is reconceptualized as a dynamic outcome shaped by internal resources, institutional support, and psychological mediators. This integrated model addresses

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limitations in conventional CSF approaches by embedding entrepreneurship within the socio-cultural realities of marginalized regions. The proposed framework rests on three propositions:

1. Internal resources (RBV): financial literacy, entrepreneurial skills, and psychological capital function as competitive advantages in resource-constrained contexts.
2. External institutions (Institutional Theory): policies, NGOs, and cultural norms shape opportunities and constraints, requiring localized adaptation.
3. Socio-psychological enablers: resilience, religious identity, and intrinsic motivation mediate the relationship between resources and institutions.

This integration is novel in two ways. First, it challenges the dominance of urban-biased CSF models by situating micro-entrepreneurship within the lived realities of semi-peripheral regions. Second, it reconceptualizes sustainability as the outcome of dynamic interactions between tangible and intangible factors. As such, the framework not only advances theory but also provides a practical foundation for designing context-sensitive policies that address both structural and psychological dimensions of entrepreneurship.

Conceptual Framework of Critical Success Factors (CSFs)

Rationale for a New Framework

Existing studies on micro-entrepreneurship often focus narrowly on financial resources and institutional support. While valuable, these perspectives underestimate the influence of intangible drivers such as resilience, intrinsic motivation, and religious identity, which are particularly salient in semi-peripheral regions like Terengganu. Moreover, conventional CSF frameworks are derived from industrialized regions with advanced infrastructure, producing an urban bias that limits their applicability in less developed contexts (Ibrahim et al., 2024; Ramli & Zain, 2023). This study addresses these limitations by developing an integrated conceptual framework that situates sustainability within the unique socio-cultural and infrastructural realities of Terengganu

Four Interdependent Domains of CSFs

Domain 1: Financial and Entrepreneurial Competencies

Financial literacy, budgeting, and cash-flow management are widely recognized as essential predictors of survival and growth (Fazal et al., 2022). In Terengganu, however, financial practices extend beyond formal mechanisms to include community-based financing such as *kutu* (rotating savings groups). Entrepreneurial competencies such as risk management, opportunity recognition, and adaptive problem-solving are also crucial, particularly where capital pools are limited. Thus, sustainability in Terengganu depends not only on technical financial skills but also on the ability to leverage informal trust-based networks.

Domain 2: Digital Readiness and Innovation Capability

Digitalization has become central to entrepreneurial sustainability. Platforms like Shopee, Lazada, and social media create opportunities for market expansion (Jundulloh & Nasution, 2024). Yet, broadband penetration in Terengganu lags behind urban centers (MCMC, 2023), creating a digital divide. Micro-entrepreneurs must rely on informal digital practices, such as WhatsApp-based sales or family-led e-commerce initiatives. Innovation capability—whether experimenting with home-based food delivery or mobile-first marketing—often emerges from necessity rather than formal training. This localized interpretation of digital readiness highlights the need for context-sensitive measures of innovation capacity.

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Domain 3: Socio-Psychological Enablers

Perhaps the most underexplored determinant of sustainability lies in psychological and cultural resources. Resilience, intrinsic motivation, and religious identity reinforce persistence in the face of adversity (Joremi et al., 2023). For women entrepreneurs balancing caregiving with business activities, faith-based orientation strengthens commitment to enterprise survival (Noor & Omar, 2024). In Terengganu, entrepreneurs frequently interpret business activity as an extension of religious duty and social responsibility. By elevating these enablers to the same level of importance as financial and digital competencies, this study reframes sustainability as a socio-cultural and psychological process.

Domain 4: Institutional and Policy Support

Institutional support remains a critical enabler but is often misaligned with local realities. National programs such as AIM and MARA provide microcredit and training but are sometimes overly standardized, limiting their effectiveness in Terengganu (Mahmood & Zahari, 2021). Localized initiatives, such as mosque-based mentorship and gender-sensitive digital training, show greater promise (Daud & Hamid, 2023). Thus, institutional support must move from "one-size-fits-all" policies to context-specific strategies that embed entrepreneurship within community and cultural institutions.

Integrated Conceptual Model

The four domains are not independent; they function as interdependent drivers of sustainability. Financial and entrepreneurial competencies equip micro-entrepreneurs with the skills to manage scarce resources. Digital readiness enables them to expand markets despite infrastructural constraints. Socio-psychological enablers provide the resilience and motivation necessary to persist under uncertainty. Institutional support legitimizes entrepreneurial activity and provides external resources, but only when adapted to local contexts.

The framework is guided by the Resource-Based View (RBV), which situates competencies and psychological capital as internal resources, and by Institutional Theory, which explains how policies and cultural norms shape opportunities. Socio-psychological enablers act as mediators that bridge the gap between resources and institutions, ensuring that sustainability emerges not only from economic factors but also from cultural and psychological embeddedness.

Visual Representation

This framework conceptualizes sustainable urban micro-entrepreneurship in Terengganu as the outcome of the interaction between financial competencies, digital readiness, and institutional support, mediated by socio-psychological enablers. Financial literacy and entrepreneurial skills are well-established predictors of micro-enterprise survival and growth (Fazal et al., 2022). Digital readiness, including adoption of online platforms, can enhance competitiveness, though infrastructural gaps in regions like Terengganu limit its effectiveness (Jundulloh & Nasution, 2024; MCMC, 2023). Institutional mechanisms, such as microcredit and training programs, provide important resources but must be adapted to local socio-cultural realities to achieve impact (Mahmood & Zahari, 2021; Ramli & Zain, 2023). The model advances by elevating socio-psychological factors resilience, intrinsic motivation, and religious identity as mediators that strengthen entrepreneurial persistence in resource-constrained settings (Joremi et al., 2023; Noor & Omar, 2024). In doing so, it reconceptualizes sustainability as a dynamic process shaped by the interplay of tangible, institutional, and psychological enablers.

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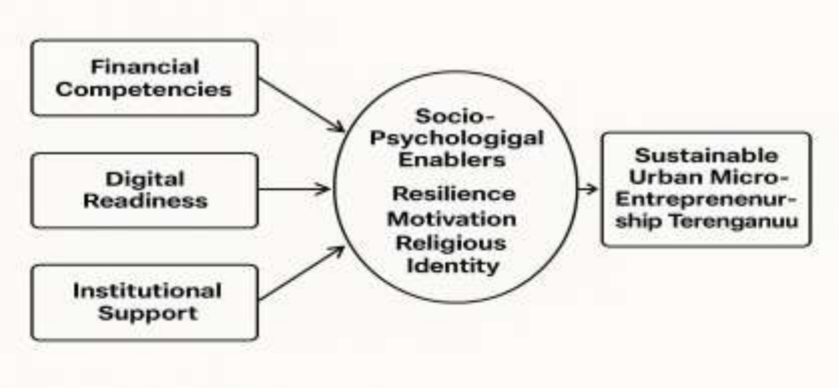

Figure 1: Conceptual framework

Implications of the Conceptual Framework

Theoretical Implications

This study contributes to entrepreneurship literature in three key ways. First, it elevates socio-psychological enablers resilience, intrinsic motivation, and religious identity from peripheral to central drivers of sustainability. Previous models often treated these factors as secondary to financial or institutional resources, but this framework positions them as critical forms of psychological capital shaping long-term entrepreneurial survival (Joremi et al., 2023; Noor & Omar, 2024).

Second, the framework reconceptualizes sustainability as a dynamic interaction between internal and external factors. Guided by the Resource-Based View (RBV) and Institutional Theory, it demonstrates that internal competencies such as financial literacy or resilience only translate into sustainability when paired with supportive institutional structures like localized microcredit or culturally relevant training programs. This dual perspective challenges the siloed treatment of resources and institutions in existing CSF literature.

Third, by embedding the framework within the socio-cultural context of Terengganu, the study addresses the urban bias in entrepreneurship theory. Most CSF models are derived from highly industrialized regions, creating limited applicability in semi-peripheral economies. This context-sensitive approach expands theoretical generalizability and strengthens the relevance of CSF models to diverse regional realities.

Practical Implications

At the practical level, the framework provides several insights for policymakers, NGOs, and development agencies. First, it emphasizes that one-size-fits-all policies are inadequate for micro-entrepreneurship in semi-peripheral economies. Instead, interventions must be localized to account for community trust networks, religious institutions, and gender-specific challenges (Daud & Hamid, 2023).

Second, entrepreneurship development programs should adopt "Microfinance Plus" models, where access to capital is paired with financial literacy, digital training, and ongoing mentorship. Evidence indicates that credit alone rarely sustains enterprises; it is the integration of skills, support, and trust that ensures long-term impact (Ramli & Zain, 2023).

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Third, digital inclusion strategies must move beyond infrastructure provision. While broadband expansion is essential, equally important are culturally relevant digital training modules, peer-led mentorship in local dialects, and mobile-first platforms accessible to women and youth in the B40 group.

Finally, religious and community institutions should be mobilized as delivery partners. Mosque-based mentorship, neighborhood cooperatives, and family trust networks already provide informal support systems. Faith-based programs have been shown to enhance legitimacy, increase trust, and improve program participation in various development contexts (Jiang, 2023; Salvi et., al 2023). Embedding entrepreneurial interventions within such culturally resonant institutions ensures not only better outreach but also stronger alignment with local value systems, particularly in predominantly Muslim regions like Terengganu.

Conceptual Propositions

Conceptual papers must extend beyond descriptive frameworks to generate propositions that guide empirical validation. Derived from the integrated framework of RBV, Institutional Theory, and socio-psychological perspectives, this study advances four propositions that capture the complex drivers of micro-entrepreneurial sustainability in semi-peripheral economies.

Proposition 1: Financial and Entrepreneurial Competencies with Institutional Moderation

Micro-entrepreneurs with higher financial literacy and entrepreneurial competencies will demonstrate greater business sustainability, but this relationship will be moderated by the availability of localized institutional support.

This proposition reflects the RBV argument that internal resources drive performance but require institutional alignment for full effect (Barney, 1991). In Terengganu, budgeting skills or risk-management capacities may not translate into sustainability without access to localized microcredit or advisory services (Mahmood & Zahari, 2021). Thus, competencies alone are insufficient unless institutions bridge structural gaps.

Proposition 2: Digital Readiness and Innovation under Contextual Constraints

Digital readiness and innovation capability will positively influence sustainability, but their impact will be weaker in regions with limited broadband penetration and low digital literacy.

While studies confirm that digitalization is a strong determinant of micro-enterprise survival (Jundulloh & Nasution, 2024), regional disparities create uneven outcomes. In Terengganu, entrepreneurs often adopt informal digital practices such as WhatsApp marketing rather than formal e-commerce platforms. This suggests that digital readiness is necessary but not universally sufficient; infrastructural and cultural contexts shape its effectiveness (MCMC, 2023).

Proposition 3: Socio-Psychological Enablers as Mediators

Resilience, intrinsic motivation, and religious identity will mediate the relationship between financial/institutional resources and business sustainability.

This proposition integrates socio-psychological perspectives into RBV and Institutional Theory. Financial literacy or institutional support may provide opportunities, but persistence in adversity often depends on psychological capital. Evidence from B40 women entrepreneurs and

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asnaf entrepreneurs highlights how resilience and faith transform constraints into entrepreneurial persistence (Joremi et al., 2023; Noor & Omar, 2024). Hence, sustainability emerges from the interaction between external enablers and internal psychological strength.

Proposition 4: Institutional and Policy Support with Cultural Adaptation
Institutional and policy support will enhance micro-enterprise sustainability only when adapted to local socio-cultural and infrastructural conditions.

Institutional Theory emphasizes that formal rules and structures must resonate with community norms to be effective (Scott & Scott, 2016). In Terengganu, rigid eligibility criteria and standardized training often reduce participation. By contrast, culturally embedded initiatives such as mosque-based mentorship or gender-sensitive digital hubs increase legitimacy and participation (Daud & Hamid, 2023). This proposition highlights that institutional success depends not merely on resource provision but on cultural adaptation

Limitations and Future Research Directions

Limitations

As a conceptual paper, this study has several inherent limitations. First, its regional focus on Terengganu limits generalizability to other Malaysian states or international contexts. While this localized emphasis strengthens contextual depth, it narrows the scope for broader applicability. Second, the framework remains theoretical and has not been empirically validated. Without survey data, case studies, or longitudinal tracking, the causal pathways between resources, institutions, and socio-psychological enablers remain speculative. Third, the study is bounded by its theoretical lenses Resource-Based View (RBV) and Institutional Theory. Although these perspectives provide strong explanatory power, additional frameworks such as Social Capital Theory or the Theory of Planned Behavior could further enrich understanding of micro-entrepreneurial dynamics.

Future Research Directions

Future scholarship can advance this framework in several ways. First, empirical validation is essential. Surveys using Structural Equation Modeling (SEM) or Partial Least Squares (PLS-SEM) could test the mediating role of socio-psychological enablers between financial resources, institutional support, and sustainability outcomes. Second, longitudinal studies could examine how the relative importance of CSFs evolves across different stages of the entrepreneurial lifecycle start-up, growth, crisis response, and maturity. Such approaches would illuminate how resilience or digital readiness becomes more or less salient over time.

Third, comparative studies across regions—such as Kelantan, Pahang, or even rural Indonesia could test the transferability of the framework to other semi-peripheral economies. Cross-country comparisons would reveal whether the role of religious identity and cultural embeddedness is uniquely Malaysian or more broadly applicable. Fourth, qualitative deepening is needed. Phenomenological or ethnographic studies with women entrepreneurs, *asnaf* micro-entrepreneurs, or youth-led enterprises could capture nuanced experiences of resilience, identity, and motivation.

Finally, policy-oriented action research could experiment with localized interventions, such as mosque-based entrepreneurship training or digital literacy hubs, and evaluate their effectiveness against standardized national programs. Such collaborations between researchers,

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policymakers, and NGOs would ensure that theoretical insights are translated into practical solutions.

Conclusion

This study develops a novel conceptual framework of Critical Success Factors (CSFs) for sustainable urban micro-entrepreneurship in Terengganu, Malaysia. It argues that sustainability cannot be explained solely by financial or digital resources but must be understood as the outcome of interactions among internal competencies, institutional structures, and socio-psychological enablers embedded within local culture. By integrating the Resource-Based View (RBV), Institutional Theory, and socio-psychological perspectives, the framework expands the theoretical understanding of entrepreneurship beyond conventional economic explanations.

The first contribution of this paper lies in elevating resilience, intrinsic motivation, and religious identity as central rather than peripheral drivers of entrepreneurial survival. While financial literacy and digital readiness remain essential, they are insufficient without the psychological capital that enables persistence under resource constraints. The second contribution is conceptual: the framework reconceptualizes sustainability as a co-determined process where internal resources and external institutions interact dynamically. This dual perspective challenges the siloed approaches of prior CSF models. The third contribution addresses regional bias by situating the framework in the semi-peripheral context of Terengganu, thereby extending the generalizability of entrepreneurship theory to diverse socio-cultural environments.

Practically, the framework offers policymakers and development agencies a blueprint for designing context-sensitive interventions. Programs that combine financial training with digital literacy, mentorship, and community engagement are more likely to succeed than one-size-fits-all initiatives. Embedding entrepreneurial support in religious and community institutions further enhances legitimacy and participation. By emphasizing both structural and psychological dimensions, the framework provides actionable insights for strengthening resilience and inclusivity in semi-peripheral economies.

In conclusion, this paper reframes micro-entrepreneurship as not merely an economic endeavor but a socio-cultural and psychological process. It challenges urban-centric models, highlights the mediating role of resilience and religious identity, and underscores the necessity of localized policy design. Future research should empirically validate the propositions advanced here, enabling stronger theoretical refinement and practical innovation. By linking theory with context-sensitive practice, the framework contributes to building more inclusive, resilient, and sustainable pathways for micro-entrepreneurship in Malaysia and other emerging economies.

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