

Factors That Influence the Business Success of Young Entrepreneurs in SMEs In Malaysia

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ABSTRACT - This study examines the factors influencing the business success of young entrepreneurs in Small and Medium Enterprises (SMEs) in Malaysia. Despite the growth of SMEs in Malaysia, limited research has specifically focused on young entrepreneurs as a distinct group with unique challenges and capabilities. The study aims to determine the influence of financial literacy, innovation, business networking and entrepreneurial attitude on business success. A quantitative research design was employed. Primary data were collected using a structured questionnaire distributed via Google Forms to 200 young entrepreneurs aged 18-30 operating SMEs in the Klang Valley. The sampling technique applied was simple random sampling. Data were analysed using SPSS version 27 including descriptive statistics, reliability analysis, Spearman correlation and multiple linear regression. The findings indicate that financial literacy is the most significant predictor of business success ($\beta = 0.35$, $p < 0.001$), followed by innovation ($\beta = 0.29$, $p = 0.002$), networking ($\beta = 0.21$, $p = 0.015$), and entrepreneurial attitude ($\beta = 0.18$, $p = 0.032$). The model explains 62% of the variance in business success ($R^2 = 0.62$). The results highlight the importance of strengthening financial capability and innovation skills among young entrepreneurs. The study contributes to entrepreneurship literature by focusing specifically on young SME entrepreneurs and offers practical implications for policymakers and support agencies.

INTRODUCTION

Small and Medium Enterprises (SMEs) play a vital role in Malaysia's economic growth, employment generation, and innovation development. In recent years, youth participation in entrepreneurship has increased significantly. However, business sustainability among young entrepreneurs remains a challenge due to limited experience, financial constraints, and market competition. Previous studies have generally examined SME success without distinguishing young entrepreneurs as a unique subgroup. Furthermore, many studies focused primarily on external factors such as government support, while limited research has examined the combined influence of internal capabilities such as financial literacy, innovation, networking, and entrepreneurial attitude within a single regression model. The study's context, scope, problem statement, research question, and objectives are all presented in-

depth in this chapter. It also examines the importance of the study, highlighting any potential ramifications and contributions.

PROBLEM STATEMENT

In recent years, the development of young entrepreneurship has attracted increasing attention due to its potential to drive economic growth and employment opportunities. An entrepreneur is someone who looks for new chances and is prepared to take a risk in order to make money (Khan S. & Kothari, 2020). However, insufficient emphasis has been placed on this area within existing literature, as most studies have primarily focused on entrepreneurs in Small and Medium-Sized Enterprises (SMEs) rather than on the specific processes through which young entrepreneurs establish and sustain their ventures. Despite substantial efforts from the government and higher education institutions (HEIs) to promote entrepreneurial culture among youth, the future of entrepreneurship in Malaysia remains uncertain. The recent pandemic has further altered consumer habits and business dynamics, leading to high unemployment and business failures that have disrupted the national economy. Furthermore, Changes in people's consumption habits and lifestyles have been brought on by the recent epidemic (Mazhar et al., 2021). In the midst of unemployment and failures of businesses that have significantly impacted the economy as a whole (Purbasari et al., 2021).

The country's young people continue to hold the most sway over the idea of entrepreneurship (Hoang et al., 2020). Moreover, parents and educational institutions have not adequately prioritized entrepreneurship as a viable career pathway. Although the education sector plays a critical role in nurturing entrepreneurial mindsets (Hameed and Irfan, 2019), current programs tend to emphasize career preparation rather than fostering practical business development skills. Consequently, a gap persists between the objectives of entrepreneurship education and its actual implementation, resulting in limited real-world exposure and experience among young entrepreneurs. To bridge this gap, it is crucial to integrate theoretical understanding with hands-on entrepreneurial learning to equip young entrepreneurs with the competencies necessary for sustainable business success. Most of these young people start firms, which in turn creates job chances for other people (Wardana et al., 2020).

OBJECTIVE

The primary objective of this study is to examine the relationship between key entrepreneurial factors and the business success of young entrepreneurs in Malaysia's Small and Medium Enterprises (SMEs). Specifically, the study aims to:

- 1.1. Determine the influence of social networks on the business success of young entrepreneurs.
- 1.2. Examine the influence of digital knowledge on the business success of young entrepreneurs.
- 1.3. Assess the influence of business experience on the business success of young entrepreneurs. 1

This study focuses on identifying essential factors that encourage young entrepreneurship and contribute to sustainable business achievement. The research targets Malaysian young entrepreneurs, particularly those in the Klang Valley, who have successfully established their own enterprises, given the growing number of youth-led businesses supported by government initiatives and entrepreneurship development programmers.

LITERATURE REVIEW

Previous studies have examined the various factors that contribute to business success among young entrepreneurs in Malaysia's SME sector. Three key dimensions have been identified as critical determinants: social networks, digital knowledge, and business experience. These dimensions are analysed in terms of their internal influences such as individual skills, motivation, and entrepreneurial values, as well as external influences including institutional support, market opportunities, and the digital ecosystem. Foundational theories such as the Theory of Planned Behavior and Expectancy Theory are

often employed to explain how entrepreneurial motivation acts as a driving force of business success, emphasizing the dynamic interaction between intention, opportunity, and capability in shaping long-term entrepreneurial achievement.

YOUNG ENTREPRENEURSHIP IN MALAYSIA

Young entrepreneurship refers to the involvement of the younger generation, particularly those aged between 18 and 40, in business creation and management activities that are oriented toward innovation, technology, and economic value addition. In the Malaysian context, youth entrepreneurship development has become a key agenda within the national strategy to strengthen the small and medium enterprise (SME) sector, which contributes more than 38% to the country's Gross Domestic Product (GDP) (SME Corp Malaysia, 2023). According to the report, the government has introduced various initiatives such as the Young Entrepreneur Fund, Tunas Usahawan Belia Bumiputera (TUBE), and the Digital Youth Entrepreneurship Programme to encourage the active participation of young people in business activities.

However, despite the numerous support programmes available, the participation rate of youth in entrepreneurship in Malaysia remains lower compared to other ASEAN countries such as Singapore and Thailand (Yusoff & Halim, 2022). Therefore, understanding the factors that influence the success and entrepreneurial intentions of young people is crucial to ensuring the sustainability of innovation-driven and competitive economic development. Hassan et al. (2020) emphasized that entrepreneurial education, financial support, and market availability are among the most significant factors shaping entrepreneurial intentions among youth in Malaysia. Exposure to entrepreneurship-related subjects at universities not only enhances self-confidence but also strengthens the desire to start one's own business. Furthermore, access to financing and a positive perception of market opportunities serve as key catalysts that motivate young people to venture into entrepreneurship.

SOCIAL NETWORK

Social networks are widely recognized as a crucial determinant of entrepreneurial success, particularly among young entrepreneurs operating within small and medium enterprises (SMEs). According to Laila (2025), social networks encompass both formal and informal relationships including family members, friends, professional peers, former colleagues, and digital connections through social media platforms that provide access to essential resources and business opportunities. These connections form the backbone of social capital, which enhances entrepreneurs' abilities to gather market information, obtain funding, and build reputational credibility (Putri et al., 2024). In the Malaysian context, where young entrepreneurs often face limited financial capital and business experience, social networks serve as an important source of both tangible and intangible support (Fu, 2024). Studies have shown that networking activities allow entrepreneurs to access mentorship, gain exposure to potential investors, and create collaborations that strengthen their competitive advantage (Singh et al., 2022).

Furthermore, the integration of digital social networks such as Facebook, Instagram, WhatsApp, and LinkedIn have transformed how entrepreneurs promote their products and engage with customers (Di Stefano et al., 2023). Through these platforms, entrepreneurs not only market their products at lower costs but also receive real-time feedback that enhances innovation and customer satisfaction. Moreover, social networks foster legitimacy and reputation in the marketplace. According to Singh et al. (2022), strong network cooperation enhances SMEs' credibility and fosters long-term partnerships that lead to sustainable business growth. For young entrepreneurs, who often lack a proven business track record, endorsement from network connections provides valuable validation, increasing the likelihood of customer and investor confidence. However, as Putri et al. (2024) cautioned, excessive dependence on closed or homogeneous networks (such as family-based ties) can limit access to diverse market information and hinder innovation.

DIGITAL KNOWLEDGE

In understanding how digital knowledge impacts the business success of young entrepreneurs in small and medium enterprises (SMEs), two main theories are often used as the foundation the Resource-Based View (RBV) and Dynamic Capabilities (DC). According to the RBV perspective, digital knowledge

is considered an intangible asset that is difficult for competitors to imitate and provides a long-term competitive advantage when it is unique and strategically leveraged (Al-Omouh et al., 2021). In the context of Malaysian SMEs, digital skills such as the ability to use social media, electronic payment systems, and customer data analytics have become key competitive resources that enhance market reach and operational efficiency (Pawenang et al., 2024). Conversely, the Dynamic Capabilities theory emphasizes a firm's ability to adapt, reconfigure, and exploit digital technologies in response to rapid market changes (Khin & Ho, 2020).

Through such capabilities, firms can identify new opportunities, develop flexible digital systems, and restructure their business models to become more agile. For instance, during Malaysia's Movement Control Order (MCO) amid the COVID-19 pandemic, many local SMEs with strong dynamic capabilities swiftly shifted to online sales and e-commerce platforms, thereby maintaining their revenue streams despite operational restrictions (Bakar et al., 2023). Empirical evidence shows that the diversity of digital competencies including technological literacy, digital marketing skills, and adaptation to e-commerce platforms has a positive relationship with marketing performance, sales growth, and the financial resilience of SMEs (Rakib et al., 2024). These studies confirm that competitive advantage no longer depends solely on physical capital or location, but rather on the strategic ability to manage digital resources and the organizational efficiency to adapt to technological changes and evolving customer demands.

Business Experience

Business experience is one of the key factors determining the success of young entrepreneurs, particularly in the small and medium-sized enterprises (SME) sector. It encompasses the duration of exposure to entrepreneurial activities, the ability to manage risks, learning from failures, and understanding the market and customers (Gashi et al., 2023). In the context of SMEs in Malaysia, business experience helps young entrepreneurs adapt to market dynamics, manage resources more efficiently, and build strategic networks to expand their businesses. Empirical studies show that the longer an entrepreneur is involved in business activities, the higher their level of management effectiveness and ability to make complex decisions (Rahman et al., 2022). Experience shapes practical wisdom that cannot be gained solely through formal training but rather through trial-and-error processes and real market interactions.

For instance, a study by Al-Abrow et al. (2022) found that extensive business experience strengthens entrepreneurs' ability to innovate and adapt marketing strategies in response to volatile market pressures. According to Sofian et al. (2021) conducted a study titled "Experience is the Best Teacher: Apprenticeship-Based Learning in Entrepreneurial Development". Investigating was the primary goal of the study how stakeholders engaged in entrepreneurship programs could implement apprenticeship-based education and assess its impact on young people preparation to launch their own enterprises. The study's intriguing results emerged from case study of entrepreneurial apprenticeship-based education for young people.

Underpinning Theory

In the context of IS studies, Gregor (2002) refers to underlying ideas as theories used to comprehend social situations. Entrepreneurs, on the other hand, utilize effectuation as a process theory to establish new ventures. In this study, the researchers utilize effectuation theory, as defined by Saras Sarasvathy (2001), which involves cycle effectuation is a methodology utilized in the entrepreneurship process for decision-making and implementing actions.

Table 4.1: Definition of Term

Terms	Definition	Sources
Youth	Youth are perceived as agents of transformation on a global scale, in both developed and developing countries.	Mudasiru & Fatai (2020)
Entrepreneur	<p>Entrepreneurs as individuals are constantly seeking business opportunities that might go unnoticed by others. They exhibit innovativeness, imagination, and creativity in their operations.</p> <p>An entrepreneur is an individual who acquires factors of production at a set price, utilizes them to develop new innovations and subsequently sells them at a fluctuating price in the future. Due to this inherent unpredictability, entrepreneurs must shoulder the risk of either making a profit or incurring a loss.</p>	<p>Kirzner (1979)</p> <p>Richard Cantillon (1931)</p>
Social Network	Social networks are places where users can connect with others and share personal information in order to establish a personal network.	Lenhart, and Madden (2007)
Digital Knowledge	Digital literacy is the technical ability to access, compile, comprehend, and disseminate information.	Bawden (2001)
Business Experience	Business experience gained prior to starting a new venture plays a crucial role in shaping an individual's ability to make strategic decisions and manage operations effectively.	Chen et al. (2024)

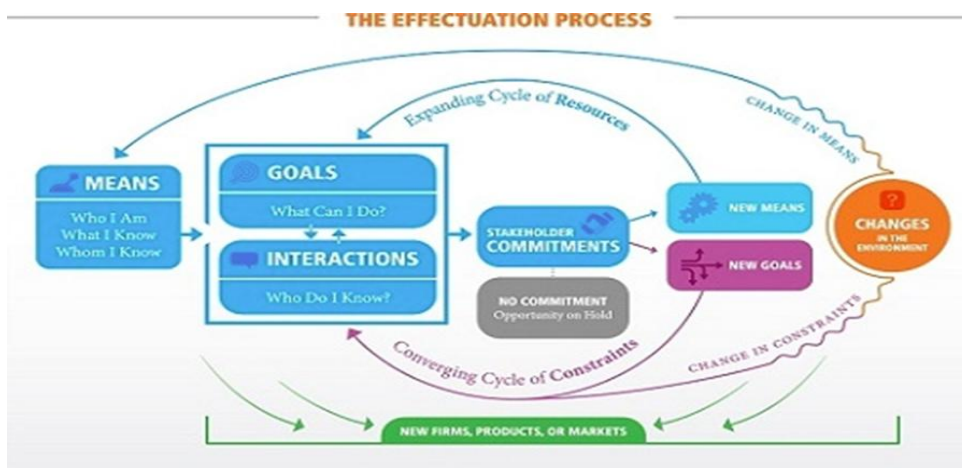


Figure 4.1: Cycle Effectuation

In this study, the "Who I Am, What I Know, and Who I Know" assumptions are used to illustrate the operation of effectuation theory, which is based on the above-described image. When launching a business, young entrepreneurs should focus primarily on the three terms described above. This is due to the three terms' relationships with the study's independent variables. The explanation for "Who I Am" relates it to the business experience, where young people must first know themselves. Young individuals who are interested in entrepreneurship need to be aware of who they are by evaluating their qualities and skills. Young people with a kind disposition and the capacity to connect with others, for instance, will employ these traits in any activity that calls for contact with people, including working in a group. This is so that someone can inspire the other team members.

Research Framework

In the context of IS studies, Gregor (2002) refers to underlying ideas as theories used to comprehend social situations. Entrepreneurs, on the other hand, utilize effectuation as a process theory to establish new ventures. In this study, the researchers utilize effectuation theory, as defined by Saras Sarasvathy (2001), which involves cycle effectuation is a methodology utilized in the entrepreneurship process for decision-making and implementing actions. Using the aforementioned literature review as a framework, this study proposes to investigate the connection between social networks, digital knowledge, business experience, and the success of young entrepreneurs in Small and Medium Enterprises (SMEs) in the Malaysian context. Hence, the following research framework is constructed as in figure 4.2.

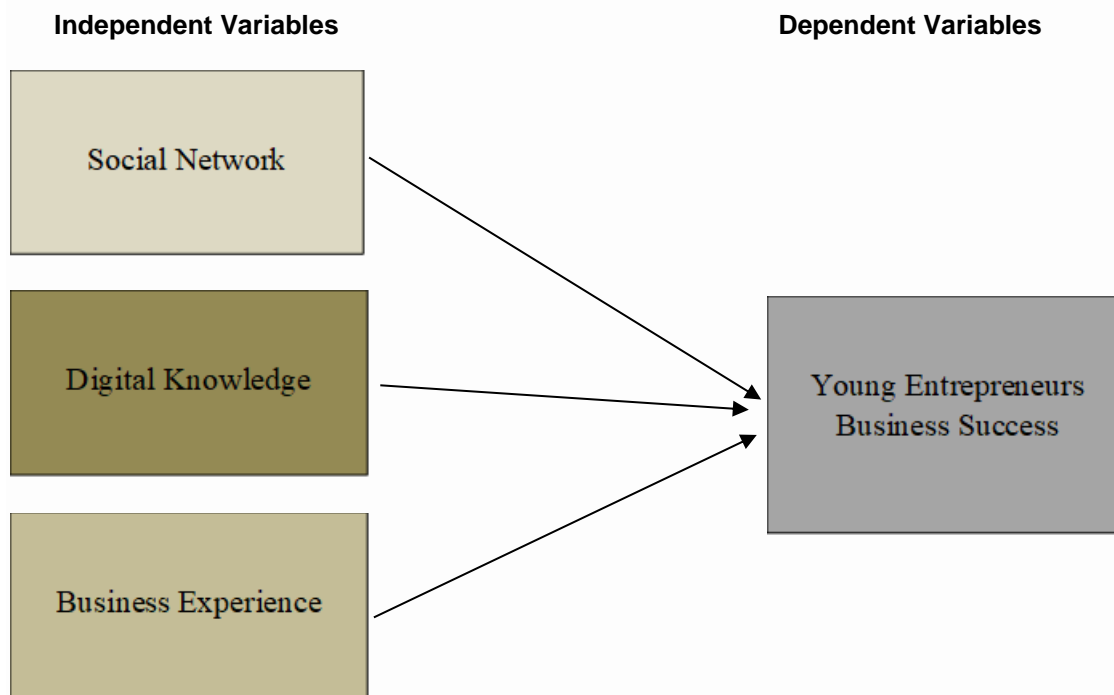


Figure 4.2: Research Framework

RESEARCH HYPOTHESIS

To evaluate the relationship between the dependent variable and the independent components, three hypotheses have been developed for this study.

H1: There is a positive correlation between social networks and the young entrepreneur business success.

H2: The success of young entrepreneurs in their respective businesses demonstrates a positive correlation with their level of digital knowledge.

H3: Young entrepreneurs' success in their respective businesses exhibits a positive correlation with their level of business experience.

METHODS AND MATERIALS

For this study, primary data were collected through surveys using structured questionnaires distributed via Google Forms. Respondents were required to complete all sections of the questionnaire, which included information on the research topic, objectives, and a confidentiality statement. The target population comprised Malaysian youth aged 18 to 30. Using random sampling, 200 young individuals from the Klang Valley representing diverse genders, ethnicities and educational backgrounds were selected to examine factors influencing the business success of young entrepreneurs in Malaysian SMEs. Data were analyzed using SPSS version 27, a software widely used for statistical analysis and data management. Various analytical techniques including descriptive analysis, reliability testing, Spearman correlation, multiple linear regression and expert validity analysis, were applied to identify relationships and measure the strength of associations among variables.

Presenting the conclusions and results gleaned from the survey replies will be the primary focus of this chapter. The Statistical Package for the Social Sciences (SPSS), software created for this purpose, was used to analyse the acquired data. The analysis's primary goal was to assess the questionnaire's questions, which were given to study participants to complete.

Table 1. Spearman Correlation for Social Network

		Correlations		
			Mean DV	Mean IV 1
Spearman's rho	Mean DV	Correlation Coefficient	1.000	.371**
		Sig. (2-tailed)	.	.000
		N	200	200
	Mean IV 1	Correlation Coefficient	.371**	1.000
		Sig. (2-tailed)	.000	.
		N	200	200

** . Correlation is significant at the 0.01 level (2-tailed)

The association seen in the table above is significant and reasonably strong ($r = 0.371$, $N = 200$) between social networks and young entrepreneurs' business success in Malaysia. This finding indicates that social networks play a crucial role as essential elements for young business owners to be successful in their ventures.

Table 2. Spearman Correlation for Digital Knowledge

		Correlations		
			Mean DV	Mean IV 2
Spearman's rho	Mean DV	Correlation Coefficient	1.000	.245**
		Sig. (2-tailed)	.	.000
		N	200	200
		Correlation Coefficient	.245**	1.000
		Sig. (2-tailed)	.000	.
		N	200	200

According to the aforementioned table, there is a moderately significant and positive association ($r = 0.245$, $N = 200$) between digital knowledge and young entrepreneurs' business success in SMEs in Malaysia. The significance of this link is confirmed by the p-value of 0.000 (p-value 0.01). This finding indicates that digital knowledge is positively associated with the success of young entrepreneurs' businesses in Malaysia.

Table 3. Spearman Correlation for Business Experience

		Correlations		
			Mean DV	Mean IV 3
Spearman's rho	Mean DV	Correlation Coefficient	1.000	.228**
		Sig. (2-tailed)	.	.001
		N	200	200
	Mean IV 3	Correlation Coefficient	.228**	1.000
		Sig. (2-tailed)	.002	.
		N	200	200

There is a weak correlation, according to Table 6.3 of the "Spearman Correlation Analysis" ($r = 0.228$, $N = 200$) between 'business experience' and 'young entrepreneurs' business success in Malaysia'. The statistically significant p-value of 0.001 indicates that this relationship is not due to random chance. However, due to the low correlation coefficient, it suggests that the degree to which the connections between 'business experience' and 'young entrepreneurs' business success' is not substantial.

RESULTS AND DISCUSSION

Prior research by Zhang et al. (2021) revealed that social capital, including social networking, exerts a positive influence on nascent entrepreneurial behavior through the mediating effects of self-efficacy and entrepreneurial passion. This finding aligns with the present study, according to the data in Table 6.1 which also demonstrates a significant and moderately positive correlation between social networks and the business success of young entrepreneurs ($r = 0.371$, $N = 200$). Together, these results underscore the crucial role of social connections in fostering entrepreneurial development not only as a source of emotional and informational support but also as a catalyst that strengthens confidence and motivation among young business founders.

According to the data presented in Table 6.2, the success of young entrepreneurs in their respective businesses exhibits a positive correlation with their level of digital knowledge. The Spearman's correlation coefficient ($r = 0.245$, $N = 200$) indicates a moderate association between the independent variable (digital knowledge) and the dependent variable (young entrepreneurs' business success). The significance value ($p = 0.000$) is below the 0.01 threshold, confirming that the relationship is statistically significant. These findings suggest that higher levels of digital knowledge contribute to greater entrepreneurial success among young business owners. This result aligns with prior research by, Al-Omouh et al. (2021) emphasized that digital literacy enables SMEs to enhance their operational efficiency, customer interaction, and strategic decision-making. Likewise, Rakib et al. (2024) and Krajčik et al. (2023) reported that entrepreneurs who effectively utilize digital technologies such as e-commerce platforms, data analytics, and social media marketing tend to achieve higher sales growth, better market positioning, and stronger financial resilience.

This study examined the relationship between professional experience and the business success of young entrepreneurs. The results of the Spearman's correlation analysis, as presented in Table 6.3, revealed a correlation coefficient of ($r = 0.228$, $N = 200$), indicating a weak positive association between prior business experience and entrepreneurial success. The significance value ($p = 0.001$) is below the 0.01 threshold, suggesting that the relationship is statistically significant but not strong in magnitude. These findings imply that while business experience contributes to young entrepreneurs' success to some extent, it may not be the primary determinant of performance outcomes. Comparable findings were reported in previous studies. Gashi et al. (2023) highlighted that entrepreneurial experience enhances problem-solving and decision-making abilities, but its effect on firm performance tends to be modest compared to innovation and market adaptability. Similarly, Al-Abrow et al. (2022) found that extensive business experience supports entrepreneurs in managing uncertainty and developing resilience, yet rapid technological and market shifts often diminish the long-term impact of prior experience.

CONCLUSIONS

This study is focused on identifying the elements that have a major impact on young entrepreneurs' and businesses' success. The theoretical basis for this study is based on Saras Sarasvathy's (2001) effectiveness theory, which describes the procedure entrepreneurs use when starting new enterprises. Young entrepreneurs' business performance is the dependent variable being examined, whereas social networks, digital knowledge, and business experience are the independent factors. Data was gathered using a method that is quantitative akin to prior research, via a survey sent to 250 respondents. However, after conducting a normality test, only 200 responses were considered valid for further analysis. The analytical process included a reliability test, a descriptive analysis, a Spearman correlation, a multiple linear regression, and an expert validity analysis. All independent and dependent variables shown adequate reliability, according to the variable analysis's findings, with Cronbach Alpha coefficients greater than 0.6. Consequently, according to the study's findings the dependent variable and two independent variables social network and digital knowledge have a moderately close association. However, the relationship with the business experience variable was observed to be very low. As a result, it is advised that future researchers carry out comparable studies utilising alternative sampling strategies and incorporate more independent variables to enrich the understanding and breadth of knowledge in this field.

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CONFLICT OF INTEREST

The authors declare no conflicts of interest.

AUTHORS CONTRIBUTION

Mohd Zulazahar A.R.Rahim.: Conceptualization, Methodology, Writing, Original draft. **Rosmini Ismail.:** Data curation, Visualization, Investigation. **Mohd Danial Afiq Khamar Tazilah.:** Supervision, Software, Validation.

AVAILABILITY OF DATA AND MATERIALS

Data available on request from the authors.

DECLARATION OF GENERATIVE AI

During the preparation of this work, the author(s) used ChatGPT to enhance the clarity of the writing. After using the ChatGPT, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

ETHIC STATEMENTS

Not applicable

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