

# Locus of Control and Self-Efficacy on Entrepreneurial Intentions in the Digital Age

Moh. Sarifudin S. Auna  
 University of Muhammadiyah Malang  
 sarif.aunaumm@gmail.com

**Abstract:** *The high rate of unemployment caused by the imbalance between population density and limited employment opportunity is a serious problem faced by developing countries like Indonesia. Currently, university graduates are dominating the highest unemployment rates in Indonesia. One of the alternative solutions to reduce unemployment rate is developing entrepreneurship, which may also increase competitiveness in the globalization era that impacts on the country's economic progress. This study was designed to investigate the influence of internal locus of control on entrepreneurial intentions mediated by self-efficacy. This research was conducted by using a quantitative approach with ex-post facto design. A total of 66 students were chosen incidentally from various faculties at University of Muhammadiyah Malang. The results showed that self-efficacy significantly and positively mediates the internal locus of control of entrepreneurial intentions with the perfect mediation model.*

*Keywords: internal locus of control, self-efficacy, entrepreneurial intentions*

## Introduction

The 4.0 industrial revolution brings rapid change. This revolution is marked by robotization and digitalization that affect various sectors of life (Prasetyo & Sutopo, 2017). With digitalization, less labor is needed, and competition for jobs is getting tougher, resulting in higher unemployment (Susanto, 2017). To deal with this challenge, human resource development in entrepreneurship is needed.

Developing digital-based entrepreneurship to support the digital economy and foster the industrial revolution 4.0 becomes one of the missions of the Indonesian government. Data shows that 64.8% of Indonesians are connected to the Internet, and at the same time, 135 million people have a net income (APJII, 2018).

The government estimates the implementation of industry 4.0 opens entrepreneurial opportunities to spur innovation and technological advancements, increase competitiveness, life satisfaction, economic prosperity and household wealth, and create jobs that lead to economic growth and national prosperity (Zbierowski, 2015; Carter, 2011; Holmgren & From, 2005; Ozaralli & Rivenburgh, 2016).

The initial step to increase the number of entrepreneurs is to grow intentions as entrepreneurs that can influence behavior for entrepreneurship (Maryati et al., 2017). The entrepreneurial intention is a thought that drives individuals to create businesses. An essential stage in that intention is the basis of a person's particular desire to do something or take action. This is the result of a conscious mind that directs one's behavior (Molino et al., 2018).

Entrepreneurial intentions can be influenced by internal factors, such as experience, personality, and

abilities, as well as external factors that include social, political, and economic factors (Bird, 1988; Rai, 2017). Previous entrepreneurial research found several internal factors such as five personalities (Soumyaja & Alexander, 2016; Obschonka & Stuetzer, 2017), entrepreneurial passion (Bao et al., 2017), creativity (Biraglia & Kadile, 2016), self-efficacy (Wang Wang et al., 2016), and locus of control (Molino et al., 2018). External factors include marital status, family and friend support, religion, culture, politics, and institutions (Remeikiene et al., 2013; Molino et al., 2018; Indarti & Kristiansen, 2003).

The theory of Planned Behavior states that intentions are intermediate variables that cause behavior from an attitude or other variables (Ajzen, 1991). This entrepreneurial intention can be measured by indicators choosing the path of business rather than working for others, choosing a career as an entrepreneur, and planning to start a business (Ramayah & Harun, 2005).

Someone with an internal locus of control realizes that he alone will influence entrepreneurial intentions. Internal locus of control can improve the self-efficacy of the learning process. This self-efficacy will strengthen one's intentions to strive to use all his abilities so that, in the end, he will behave entrepreneurially (Kristiansen & Indarti, 2004).

Based on the background, the research questions formulated are threefold.

1. Is there an influence of internal locus of control on entrepreneurial intentions?
2. Is there an effect of internal locus of control on self-efficacy?
3. Can self-efficacy mediate the influence of internal locus of control on entrepreneurial intentions?

## Methods

Total participants of 66 students were chosen from various faculties at University of Muhammadiyah Malang, Indonesia. The required sample was the students who had received entrepreneurship courses and/or those who had attended seminars or workshops on entrepreneurship. The number of male students who were chosen was ( $N=18$ ), and the number of female students was ( $N=48$ ). All of the samples were in the age of 18-23 years old. The sampling technique used was non-probability sampling or incidental sampling.

The measurement using the scale of entrepreneurial intentions was developed by Perwitasari (2017) with 5 items ( $\alpha = 0.941$ ). An example of the items is, "I prefer entrepreneurship rather than working for someone else." The entrepreneurial self-efficacy scale was also developed by Perwitasari (2017) (5 items,  $\alpha = 0.883$ ). An example of the items is, "I have the confidence to manage a business." On the other hand, the internal locus of control was developed by Afifah (2018) with 5 items ( $\alpha = 0.823$ ). An example of the item is, "whether or not I can be an entrepreneur depends on my ability."

The data were analyzed using mediated multiple regressions with the help of the PROCESS in SPSS version 21.0. The purpose of this analysis is to determine the effect of mediation variables.

## Result

Descriptive statistics for entrepreneurship show intention variables ( $M= 4.00$ ,  $SD= 0.60$ ), self-efficacy ( $M= 3.62$ ,  $SD= 0.63$ ), and internal locus of control ( $M= 4.20$ ,  $SD= 0.42$ ). Interrelation test results for different variables varied. The result of an internal locus of control with entrepreneurial intentions is ( $r= 0.195$ ), meaning that there is a positive relationship between internal locus of control and entrepreneurial intentions. The result for internal locus of control with self-efficacy is ( $r= 0.543$ ), meaning that there is a positive relationship between internal locus of control and self-efficacy. Self-efficacy with entrepreneurial intentions yields ( $r= 0.384$ ), meaning that there is a positive relationship between self-efficacy and entrepreneurial intentions.

Hypothesis 1 was rejected. Table 1 shows a result of ( $B=0.275$ ), which means there was no influence of the internal locus of control on entrepreneurial intentions with a value of  $R^2 = 0.038$ . The internal locus of control explained the variance of entrepreneurial intentions by 3.8%.

Hypothesis 2 was accepted. Table 1 displays a result of ( $B=0.809^*$ ), which means that there was an influence of internal locus of control on self-efficacy with a value of  $R^2 = 0.294$ . This means that the internal locus of control explained the variance of self-efficacy by 29.4%.

Hypothesis 3 was accepted. Table 1 reveals a result of ( $B=0.364^*$ ), which means there was a direct influence

of self-efficacy on entrepreneurial intentions with a value of  $R^2 = 0.147$ . It means that self-efficacy explained the variance of entrepreneurial intentions by 14.7%.

Hypothesis 4 was accepted. Table 1 shows a result of ( $B=0.302^*$ ), which means that self-efficacy was able to mediate the internal locus of control of entrepreneurial intentions with a value of  $R^2 = 0.037$ , contributing 3.7% on the internal locus of control of entrepreneurial intentions.

## Discussion

The characteristics of internal locus of control are the most crucial part in influencing one's actions. In this study, internal locus of control is not significant to entrepreneurial intentions. This is influenced by the lack of ability or lack of motivation in entrepreneurship. A person's lack of ability is caused by limited access to available information about entrepreneurship; thus, facilities are required to support one's achievement and encourage him to develop business ideas through seminars, training, or entrepreneurship courses (Indarti & Rostiani, 2008). On the other hand, the lack of motivation is caused by the mindset of Indonesian people that prefer to be employees because it provides a sense of security (Riyanti, 2010).

Previous studies found several factors inhibiting internal locus of control in achieving one's goals, including no access to capital, which is one of the essential things that support a person to become an entrepreneur (Shapero, 1982). The results of this study are relevant to the research of Indarti & Kristiansen (2003), which found that locus of control does not significantly influence entrepreneurial intentions. According to Kristiansen & Indarti (2004), social and cultural norms greatly influence entrepreneurial intentions in collectivist Indonesian society. Other factors include cultural characteristics, social relations, economic and political conditions, infrastructure, and institutions (Indarti & Rostiani, 2008; Tong et al., 2011; Denanyoh et al., 2015; Molino et al., 2018).

Internal locus of control can affect self-efficacy. According to Ashagi & Beheshtifar (2015), someone with an internal locus of control usually continues to learn because they have the view that the events that occur are caused by their actions. The results of this study will help increase self-efficacy in meeting the demands of the era. According to Bandura (1977) and Shapero (1982), self-efficacy has a strong influence on how someone acts and how the available knowledge and skills will be used. In other words, it is believed that people behave according to their beliefs about their ability to start a business.

The role of self-efficacy in this study is to strengthen the effect of internal locus of control on entrepreneurial intentions. Self-efficacy proves to significantly mediate the effect of internal locus of control on entrepreneurial

intentions. According to Afifah (2015), people who have an internal locus of control can increase their self-efficacy and feel that their potential can be utilized more creatively and productively so that they are motivated by intentions and then take action to become entrepreneurs.

### Conclusions

To conclude, the influence of internal locus of control on entrepreneurial intentions is not significant. However, self-efficacy can mediate the influence of internal locus of control on entrepreneurial intentions with a perfect mediated model with a contribution of 3.7%. It means that if a person is able to control events in his life and control himself internally (internal locus of control), he will be very confident in his ability (self-efficacy). This belief will trigger an intention to behave in an entrepreneurial manner (entrepreneurial intentions).

This research needs to be developed further by involving other variables that influence entrepreneurial intentions. Therefore, it is suggested that future researchers add more variables that affect entrepreneurial intentions.

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