The Effect of Locus of Control and Social Capital on Digital Literacy through Knowledge Acquisition as an Intervening Variable
(Study on Micro and Small Enterprises in East Java)

Angelina Helen Cendra Kartika Yamahuchi[(✉)], Kusdi Raharjo, and Tri Wulida Afrianty

Brawijaya University, Malang, Indonesia
angelinahelen09@student.ub.co.id

Abstract. This research is a research with a Quantitative Method approach. This type of research is included in the type of Explanatory Research. To explain and analyze the influence of Locus of Control, Social Capital on Digital Literacy through Knowledge Acquisition in MSEs. The population in this study is micro and small businesses domiciled in East Java Province. The sample unit of this study is an organization, namely small micro businesses in East Java. The sample selection in this study is using the Non Probability Sampling technique, namely the Purposive Sampling method. Data was collected by using a questionnaire survey method, then the data will be analyzed using PLS-SEM analysis with Smart-PLS 3.2.9 software. This study involved 293 MSEs as respondents and spread across 38 districts/cities in East Java. The results showed that the internal factors of individual MSE actors were Internal Locus of Control, with the higher locus of control and external factors, namely social capital, will have an influence on the ability of MSE actors to enable the knowledge gained in developing their business. Knowledge Acquisition is also proven to be able to improve good digital literacy skills by being able to read and process information from various media on the internet, smartphones, and other digital sources so that they can practice the digital skills they have regularly.

Keywords: Locus of Control · Social Capital · Digital Literacy · Knowledge Acquisition · Micro and Small Enterprises
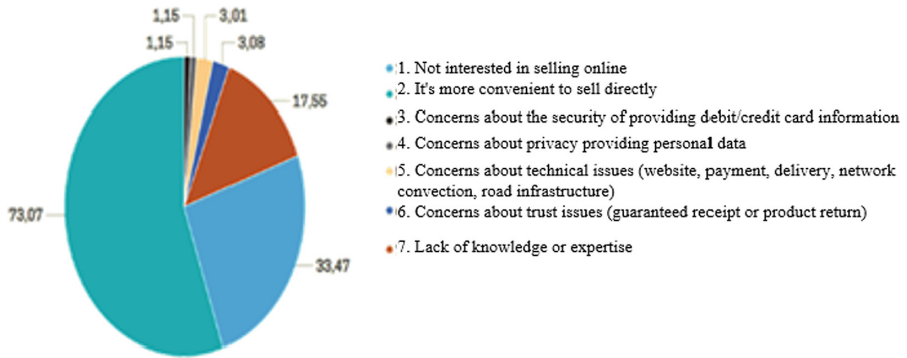
1 Introduction

The COVID-19 pandemic has affected the entire economy, especially Micro and Small Enterprises (MSEs), one of the most affected sectors [1]. This is understandable because MSEs account for 99.99% of total businesses in Indonesia, absorb 97% of the workforce, and contribute 61% to Gross Domestic Product/GDP [2]. The contribution of the MSE sector in determining Gross Domestic Product and increasing the country's foreign exchange is also increasing every year. The pandemic has also caused anxiety for MSE actors. This situation has also caused business conditions to deteriorate from before the pandemic.

1,15   3,01
1,15   3,08
17,55
73,07
33,47

• 1. Not interested in selling online
• 2. It's more convenient to sell directly
• 3. Concerns about the security of providing debit/credit card information
• 4. Concerns about privacy providing personal data
• 5. Concerns about technical issues (website, payment, delivery, network
  convection, road infrastructure)
• 6. Concerns about trust issues (guaranteed receipt or product return)
• 7. Lack of knowledge or expertise

Fig. 1. Barriers to MSMEs.

According to data from the Central Bureau of Statistics (Fig. 1), the small number of business units that join e-commerce, 73.07%, is mostly due to the fact that they feel more comfortable selling directly, in addition to not being interested in selling online. The low acquisition of knowledge or skills, at 17.55%, is the third most common reason that hinders business units from joining e-commerce. The biggest challenge for MSMEs to recover from the COVID-19 pandemic is due to the lack of knowledge of running a digital-based business [3]. This research has a research problem in low Knowledge Aquisition, where Micro and Small Enterprises are run by Human Resources who have limitations in human resource knowledge which causes Micro and Small Enterprises to have difficulty developing. This knowledge is a common obstacle for Micro Small Enterprises because the operational aspects of the business cannot run effectively and efficiently due to limited knowledge and experience. Problems with Knowledge Aquisition can be caused by the lack of willingness and limited ability of micro and small business actors. There may also be problems with individuals from business actors in an organizational network such as lack of association (*kuper*) where there is a lack of insight at the time of knowledge acquisition and lack of updated information and knowledge. Such people are usually calculated in terms of interaction, have confidence if the opinion of the individual feels accepted in the network. Only a few MSEs can take advantage of the acquisition of knowledge obtained from the internet media, this is due to limited knowledge or business actors do not have sufficient knowledge. For this reason, MSMEs often experience delays in their development. MSEs tend to have a short-term orientation in making decisions in their business. Therefore, it is very necessary to make strategic efforts that have benefits in improving the performance and sustainability of MSMEs. There are efforts made by enriching the knowledge of MSME actors on knowledge such as entrepreneurship training so that their management and accountability can be better accounted for. The acquisition of knowledge and skills from training activities attended by MSME actors will be very complete if supported by the availability of business facilities according to their needs. The provision of business facilities for MSME actors will have an impact on increasing their motivation to continue working and improve business results in order to improve their standard of living in a better direction. A business owner will also not be able to control the business and

develop it if they do not understand what they are actually doing. When business actors do not really master the knowledge gained, this will certainly hinder the progress of the business being carried out and can even have an impact on not a small loss. The existence of an undeveloped mindset of MSMEs makes it difficult to open themselves to progress, the problem of the ability to conduct e-commerce-based sales.

One of the first steps that can be used as an effort in realizing effective business development for MSEs is to conduct more in-depth research on digital literacy, in this case linking it to Knowledge Acquisition, Locus of Control, and Social Capital for micro and small business actors. Researchers want to know the extent to which Locus of Control, and Social Capital have a direct and indirect effect, as well as Knowledge Acquisition which can support entrepreneurial activities in MSEs, and assist MSEs in identifying and exploiting opportunities in increasing the application of digitalization for micro and small business actors.

2   Methods

This research is a research with a quantitative method approach, with the type of research Explanatory Research, using non-probability sampling with purposive sampling technique. Sub-groups in this study are individuals from micro and small business actors in East Java Province whose proportions are determined based on external data by obtaining official databases from the Government, including the Ministry of Cooperatives and SMEs of the Republic of Indonesia and the Office of Cooperatives and SMEs of the Republic of Indonesia. Office of Cooperatives and SMEs of East Java. In this study, 700 questionnaires were distributed to research respondents, with 307 respondents who filled out and returned the questionnaire, then the research team processed the respondent's data and 293 respondent data could be processed for research.

The location of this research will be conducted on Micro Small Business Actors in East Java. The population in this study are micro and small business actors domiciled in East Java Province. The population of respondents is divided based on education, number of workers, age of owner, year of establishment, business location, and type of business. The number of samples is 293 samples which are divided into 38 districts/cities in East Java. Researchers have criteria in the study of Micro, Small and Medium Enterprises that have a minimum workforce of 1 to 4 people and for Small Businesses that have at least 5 to 19 members including the owner of the small business and also Micro Small Business registered with the Provincial Cooperatives Office and East Java MSEs.

In this study the researchers used 5 indicators with the format:

- Strongly Disagree: Score 1
- Disagree: Score 2
- Doubtful: Score 3
- Agree: Score 4
- Strongly Agree: Score 5

In this study, the questionnaire was distributed by contacting several WhatsApp contacts owned by the researcher from some of the contact information provided by several people. The distribution is through information that is disseminated through Direct

Massage and Personal Chat on the researcher's social media, starting from whatsapp, instagram, facebook, and others which allow all to help in finding the right sample in filling out the questionnaire that has been created and has been distributed then distribute the online questionnaire. Via google forms.

In this study to analyze the model using analysis Partial Least Square-Structural Equation Modeling (PLS-SEM) with the software used is Smart PLS 3.2.9. The reason for using the software is because PLS-SEM can estimate more efficiently a complex model with a small sample as in this study. Second, PLS-SEM can simultaneously test multiple dependencies as in this research model. Third, PLS-SEM in accordance with this research model that uses variables that cannot be measured directly (unobserved variable/latent variable).

3   Findings

This study produces several findings, namely locus of control has confidence, especially in micro and small business actors in East Java province on their abilities, and social capital owned by small business actors in East Java province has an impact and influence on increasing knowledge acquisition, where in increasing the acquisition of this knowledge has an impact on increasing digital literacy owned by small businesses in East Java Province. Digital literacy is also one of the first steps for Micro and Small Enterprises to adapt to changes in the business environment that are increasingly dynamic in this new normal era. The ability to manage various information and knowledge is also proven to be able to improve Digital Literacy. Both internal factors of individual MSE actors such as higher locus of control, and external factors such as social capital will affect the ability of MSE actors to optimize the knowledge gained for business development.

Based on the problems that have been formulated, the results of the analysis and also the hypothesis testing that has been carried out in the previous chapter, the results of this study are as follows:

- The results of this study prove that Locus of Control has a positive and significant influence on Knowledge Acquisition.
- The results of this study indicate that Social Capital has a positive and significant influence on Knowledge Acquisition.
- The results of this study prove that Locus of control has a positive and significant influence on Digital Literacy.
- The results of this study indicate that Social Capital has a positive and significant influence on Digital Literacy.
- The results of this study prove that Knowledge Acquisition has a positive and significant influence on Digital Literacy.
- The results of this study prove that Locus of Control has a positive and significant influence on Digital Literacy through Knowledge Acquisition as a mediating variable.
- The results of this study prove that Social Capital has a positive and significant effect on Digital Literacy through Knowledge Acquisition as a mediating variable.

The relationship between Social Cognitive Learning Theory and Locus of control, namely that locus of control is one of the personal factors of individuals that can influence

individual behavior in learning, namely in this study the acquisition of knowledge. In this study, social capital is an external factor that can play a role or can contribute to the acquisition of knowledge that occurs in the East Java MSE organization. Based on cognitive learning theory or cognitive learning theory, learning that occurs in individuals can produce digital literacy, which is a cognitive process that is influenced by individual internal factors and individual external factors.

Therefore, in this study digital literacy is a form that is produced through a learning process, namely Knowledge Acquisition. Where the nature of knowledge acquisition has a strategic role for the success of achieving digital literacy run by small and micro businesses in East Java.

4   Discussion

The analysis technique used in this research is data processing technique using the method, namely Structural Equation Modeling (SEM) based on Partial Least Square (PLS). PLS software in this study requires 2 stages in assessing the Fit Model of a research model. Where in PLS this has two stages, namely the first stage, namely evaluating the outer model or measurement model, the second stage is an evaluation of the inner model or structural model. Evaluate the research model to meet the criteria for a good construct where the outer loading value > 0.7; AVE value > 0.5; composite reliability value > 0.7; Cronbach's Alpha value > 0.7; and HTMT value < 0.9 [4]. Selection is done by selecting items that have a loading value < 0.7, if the removal of the item affects the validity and reliability results, the item will be removed from the model [4]. Other items already have a loading value above 0.7 and are declared valid. The Fig. 2 and Fig. 3 below shows that the results of the outer model evaluation in this study have met the requirements.

In testing the structural model or inner model, this is done to be able to see the relationship between the constructs of the significance value and R-square of the research model. This structural model is evaluated using R-square as the dependent construct of the t test as well as the significance of the structural path parameter coefficients.

Furthermore, to test the inner model using bootstrapping is used to determine the relationship between constructs and research hypotheses based on the calculation of the path coefficient. The relationship between variables is said to be valid if it has a T Statistics value > 1.96 and a P-Value < 0.05 [4].

Testing of this structural model is done by looking at the value of R-square which is a goodness-fit model test.

Table 1 shows that the R-square value for the Knowledge Acquisition (Y1) variable of 0.451 is in the Moderate category and the R-square value indicates that 45.10% of the variable while the remaining 54.90% is influenced by other variables outside the study. Then the R-square value for the Digital Literacy variable (Y2) of 0.439 is in the Moderate category and the R-square value indicates that 43.90% of the variables while the remaining 45.10% are influenced by other variables outside the study.

In PLS, testing in a statistical way on each hypothesized relationship is done by using simulation. In this case, it is done with the bootstrap method on the sample. Testing by bootstrapping also means to minimize the problem of abnormal research data. The test results by bootstrapping from PLS analysis are as Table 2 follows:
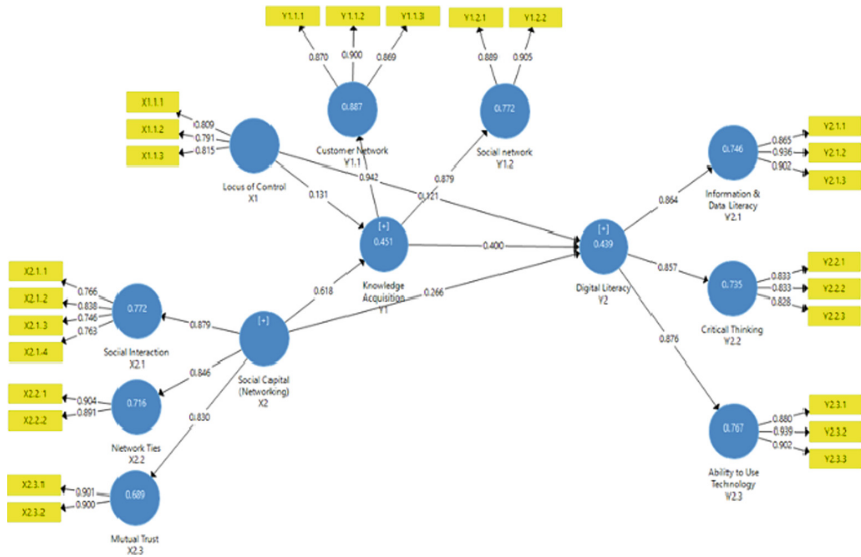
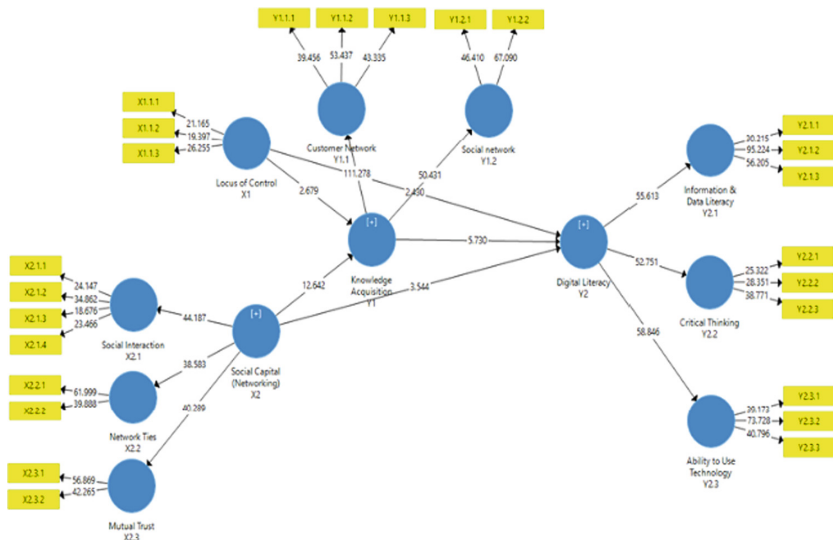**Fig. 2.** Structural model (Outer model).

Fig. 3. Structural model (Inner model).

The basis that can be used in testing a hypothesis is the value contained in the output result for inner weight. Hypothesis testing can be done by comparing the t-statistic with the t-table. The t-table can be obtained from 293 respondents, which in the end obtained a t-table of 1.650 ($\alpha = 5\%$).

Table 1. R-Square value.

Variable	R square	R square adjusted	Description
Y1	0,451	0,447	Moderate
Y2	0,439	0,433	Moderate

Table 2. Hypothesis testing.

Relationship between variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P-values
Knowledge acquisition → Digital literacy	0.400	0.397	0.070	5.730	0.000
Locus of control → Digital literacy	0.121	0.122	0.050	2.430	0.015
Locus of control → Knowledge acquisition	0.131	0.130	0.049	2.679	0.008
Social capital → Digital literacy	0.266	0.271	0.075	3.544	0.000
Social capital → Knowledge acquisition	0.618	0.621	0.049	12.642	0.000

5   Conclusion, Implication and Recommendation

The theoretical implications of the results in this study in the future can be a material study and increase knowledge about the concept of Locus of Control, Social Capital, Knowledge Acquisition and Digital Literacy and become a reference material for subsequent researchers in the study. The results of this study are expected to add insight into the field of Human Resource Management (HRM) and as a means to further examine the development of research on, Locus of Control, Social Capital, Knowledge Acquisition and Digital Literacy in the field of education and SMEs. Provide academic contributions in the development of the concept of Human Resource Management (HRM), especially regarding Locus of Control, Social Capital, and Knowledge Acquisition.

For practical application, the results of this study are expected to provide input, especially for micro small businesses in East Java, to improve Knowledge Acquisition, Locus of Control, and Social Capital that can help micro small businesses through digital literacy. The results of this study are also expected to be useful and become a consideration for micro and small businesses in East Java in applying Knowledge Acquisition, Locus of Control, and Social Capital through digital literacy in MSEs.

The results of this study provide practical implications for the government in the development of SMEs in East Java, including providing training and assistance on a

regular basis to the ability of SMEs in doing knowledge-based digitization. Recommendations for future research that should increase the variety of variable combinations used, for example, Entrepreneurial Self-Efficacy which does have an influence on digital literacy in micro and small businesses. Also more multiply or add Journal references and review previous research so that research results can meet accountability.

References

1. Masduki, T.: T.: MSME and Cooperative Transformation. Retrieved from https://www.kompas.id/baca/opini/2020/10/19/transformationumkm-and-cooperative. Last accessed 2022/10/4.
2. Badan Pusat Statistik.: Indonesia Energy Statistics. Central Bureau of Statistics, Jakarta (2020).
3. Katadata Insight Center.: Digitalization, MSME strategy to survive the crisis-Data Analysis Katadata.co.id. Data Journalism. Retrieved from https://katadata.co.id/katadatainsightscenter/analisisdata/5f03cf11e0198/digitalisasistrategy-SMEs-survived-the-crisis. Last accessed 2022/10/4
4. Hair, J. F., Sarstedt, M., Ringle, C. M.: Rethinking some of the rethinking of partial least squares. European Journal of Marketing 53(4), 566-584 (2019).