

Analysis of Locus of Control (LoC) on the Competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in Pangkalpinang City

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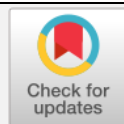
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ABSTRACT

The reality shows that Micro, Small, and Medium Enterprises (MSMEs) play a very important role in economic growth. Even MSMEs are the only micro institutions that have not been shaken by the monetary crisis that began in 1988. However, as one of the mainstay sectors of society, especially the lower-middle-class economic community, the role of MSMEs has not been maximized, so they have not been able to compete fully and, even worse, many MSMEs have gone out of business or are inactive. Many factors cause the inability of SMEs to compete, among others, due to low innovation and competitiveness, so they have not been able to win competition both in the national and international spheres. The decrease in the number of MSMEs from active to inactive is because these MSMEs are less able to survive in an increasingly fierce competition arena. Only MSMEs that survive are MSMEs that have creations and innovations according to the community's needs. The inability to create creations and innovations is suspected that most MSME actors have a personality that lacks confidence due to their low managerial ability. If MSME actors have an Internal Locus of Control and high managerial abilities, MSME actors will be more creative and innovative. This research uses a qualitative and quantitative descriptive approach descriptively and inferentially to analyze the LoC on the competitiveness of micro, small and medium enterprises (MSMEs) in Pangkalpinang City with a total sample of 50 MSMEs. The analytical tool used in this research is to use a Likert scale scoring. Multiple linear regression is performed with the

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competitiveness of MSMEs as the dependent variable and LoC as the independent variable. The research results stated that the Internal Locus of Control (ILoC) of MSME actors in Pangkalpinang City was higher than External Locus of Control (ELoC) and Locus of Control had a significant and positive influence on the competitiveness of MSMEs in Pangkalpinang City.

Keywords: ELoC; ILoC; MSMEs

1. Introduction

It is undeniable that at this time, the role of Micro, Small, and Medium Enterprises (MSMEs) has a strategic role in Indonesia's economic development. It is proven that MSMEs have directly impacted people's lives in the lower sector. There are at least three roles of MSMEs that are very important in the lives of small communities, namely: first, means of alleviating poverty. The high number of labor absorption by MSMEs so that MSMEs can absorb a lot of workers. This is evident from data belonging to the Ministry of Cooperatives and MSMEs in 2011. It is stated that more than 55.2 million MSME units can absorb around 101.7 million people. This figure increased to around 57.8 million MSME units with a total workforce of 114 million people. Second, the means to even out the level of the economy of the poor. MSMEs also have a very important role in the economic distribution of society.

In contrast to large companies, MSMEs have locations, even in areas far from modernization developments. MSMEs in 34 provinces in Indonesia reduce the economic gap between the poor and the rich. In addition, small communities do not need to go to cities in droves to earn a decent living. MSMEs are a place to meet the needs of all communities, including rural communities. Third, it is a source of foreign exchange for the country. The fact is that Indonesian MSMEs are already very advanced. Its market share is not only national but also international. The Ministry of Cooperatives and SMEs in 2017 stated that the country's foreign exchange from MSME actors was high. The figure reached Rp88.45 billion. This figure has increased up to eight times compared to 2016 ([Kementerian Koperasi dan Usaha Kecil dan Menengah, 2017](#)).

However, it is not easy for MSMEs to play and develop their role in the Indonesian economy. There are many problems and obstacles for MSMEs in developing their role. Some of the weaknesses faced by MSMEs in Indonesia include the low quality of Human Resources (HR) in managing MSMEs, including managerial skills of MSME actors such as technical skills, human relations skills, and conceptual skills to manage MSMEs to increase competitiveness. In addition, MSME managers are also still low on product innovation capabilities, especially in mastering technology, management, information, and markets. Likewise, the belief in the ability of MSME actors also impacts competitiveness. Being sure/or unsure of their abilities from MSME actors shows a Locus of Control attitude.

[Sudarsono & Irawati \(2016\)](#), in their research on Micro, Small, and Medium Enterprises in Sampang, stated that there is indeed a relationship between the Locus of Control (LoC) both the Internal Locus of Control and External Locus of Control on performance which will increase competitiveness. In the end, it will affect the performance of MSMEs.

Meliala et al. (2016) stated that to improve the performance of MSMEs through their competitiveness, how to create productive human resources. This can be done by increasing the ability and morale of HR, for example, through discipline, motivation, and the positive nature of HR itself. And this can be reflected in the Locus of Control owned by HR.

Data in 2018 shows that the number of MSMEs in the Province of the Bangka Belitung Islands has decreased drastically, except for MSMEs in Bangka and South Bangka Regency, which have increased and can reach tens of times. Like MSMEs in other provinces, the Bangka Belitung Islands Province also experienced several obstacles in developing its MSMEs. These obstacles are significant with the decreasing number of active MSMEs in the Province of the Bangka Belitung Islands.

Data from the Office of Cooperatives, Small and Medium Enterprises, Bangka Belitung Islands Province shows that, on average, MSMEs in the Bangka Belitung Islands Province have decreased by around 10.7% in quantity. The decline in the number of MSMEs in the Bangka Belitung Islands Province was due to the drastic decline in MSMEs in South Bangka, which originally amounted to 47,122 in 2018 to 4,444 in 2019. If MSMEs in South Bangka Regency are not included, all MSMEs in the Bangka Belitung Islands' province increase. Only MSMEs that survive are MSMEs that have creations and innovations following the community's needs. The inability to create creations and innovations is suspected that most MSME actors lack the Internal Locus of Control, namely confidence in their abilities, struggle with all their might to face challenges, and dare to take risks. Meanwhile, the opponent is an External Locus of Control, which is lack of confidence, low effort, and lack of courage to take risks. This second type shows a high dependence on other people, so they lack new ideas for innovation to win the competition (Dinas Koperasi, Usaha Kecil dan Menengah Provinsi Kepulauan Bangka Belitung, 2019).

Based on the problems that have been described, the formulation of the problem in this research is LoC's influence on the competitiveness of MSME actors in Pangkalpinang City.

2. Literature Review

Tarigan, as cited in Sitorus (2013), states that competitiveness is one of the criteria for the success and achievement of a goal of increasing the income and economic growth of a region or country. Competitiveness is identified with the ability of the level of productivity, namely the comparison of the level of output resulting from the level of input used. The indicators used to measure competitiveness are comparative advantage and competitive advantage approach.

The framework for thinking about competitiveness is reflected in internal and external factors. Internal factors consist of (1) skills or education level of workers, (2) expertise of employers, (3) availability or access to capital, (4) good organizational and management systems (according to business needs), (5) availability or mastery of technology, (6) availability or mastery of information, and (7) availability or control/access to other inputs such as energy, raw materials, and others (Tambunan, 2008).

Everyone has a different point of view regarding what they experience. An employee may view events that happen to him as events beyond his control or as fate. Other employees may think otherwise, viewing events as something that can be controlled or controlled. This difference in perspective is known as the Locus of Control. Locus of Control describes the individual's beliefs about the source of the determinants of his behavior. According to Rotter, four aspects underlie the locus of control: behavioral potential, expectations, reinforcing P-values, and psychological atmosphere (Rotter, as cited in Ghufroon & Kusumaningratri, 2011).

According to Spector, as cited in Karimi & Alipour (2011), locus of control is a general belief that individual success and failure are controlled by individual behavior (internal), or perhaps, that achievement, failure, and success are controlled by other forces such as opportunity, luck, and fate (external).

Locus of Control orientation is divided into the Internal Locus of Control and the External Locus of Control. Internal locus of control is an individual's belief that something they get depends on them and can control their own life. This personality acts on his abilities, decisions, and efforts. In contrast, the external locus of control is an individual's belief that something obtained is beyond the individual's ability. External locus of control believes that other factors outside himself influence his life. Individuals believe that their actions are controlled by fate, luck, other people, or other forces outside themselves (Holt et al., 2007).

From this description, a research hypothesis can be built as a provisional statement of this research, namely:

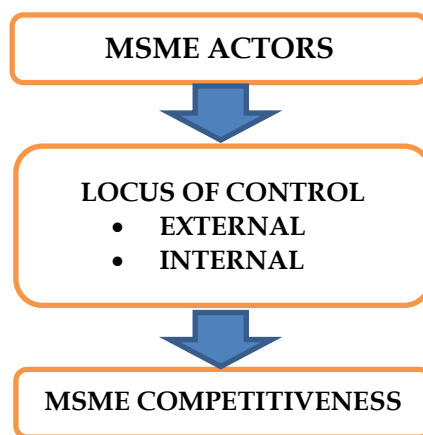


Figure 1. Research Framework
Source: Processed data (2020)

The hypotheses in this research are:

- H₁: Internal Locus of Control has a positive and significant effect on the competitiveness of MSMEs in Pangkalpinang City.
- H₁: Internal Locus of Control has a negative and insignificant effect on the competitiveness of MSMEs in Pangkalpinang City.

3. Research Methodology

The research was conducted in Pangkalpinang City. The sample in this research was 50 units of MSMEs, and sampling was carried out using the purposive sampling method, namely the technique of determining the sample with certain considerations (Sugiyono, 2016).

The data analysis technique in this research used a qualitative and quantitative descriptive approach, both descriptively and inferentially. Qualitative descriptive analysis is used to identify MSMEs based on the objective conditions of several types of businesses in Pangkalpinang City (Ferdinand, 2014). Meanwhile, a quantitative descriptive analysis will only describe the state of a symptom that has been recorded through a measuring instrument and then processed according to its function (Ghazali, 2016). The processing results are then presented in the form of numbers to indicate which dimensions are the most dominant owned by MSME actors from the LoC and the extent to which these dimensions affect the

competitiveness of MSME actors in Pangkalpinang City. To assign a score to each dimension, use the following conditions:

- a) Determination of the Likert scale score.
This research uses a 4-point Likert scale (very low, low, sufficient, and high).
- b) Determination of the lowest and highest scores.
The lowest score of the questionnaire is 1 (one), and the highest score is 4 (four)
- c) Determination of the distance (interval) between the lowest and highest values.
To obtain the internal magnitude between the lowest and highest values, use the following formula:

$$\text{Interval} = \frac{\text{Highest Score} - \text{Lowest Score}}{\text{Number of Classifications}}$$

The highest value is 4, and the lowest is 1, while the number of classifications is 4 (very low, low, sufficient, high). Then based on the above formula, the size of the interval is:

$$\text{Interval} = \frac{4 - 1}{4} = 0.75$$

- d) Enter the interval into each classification.
The result of the interval entry will look like this:

Table 1. Classification by Interval

Score Range	Description
1.00 - 1.75	Very low
>1.75 - 2.50	Low
>2.50 - 3.25	Sufficient
>3.25 - 4.00	High

The assessment provisions generally apply to all variables in this research.

- e) Meanwhile, to measure the competitiveness of SMEs using the following assessment criteria:
 - Score 160 –200 : Excellent competitiveness;
 - Score 120 – 160 : Good competitiveness;
 - Score 80 – 120 : Sufficient competitiveness;
 - Score 40 – 80 : Low competitiveness;
 - Score 0 - 40 : No competitiveness;

4. Results and Discussion

4.1. Condition of MSME Competitiveness in Pangkalpinang City

The competitiveness of SMEs in this research can be seen from 4 components: technical and production capabilities, managerial capabilities, governance and service capabilities, and entrepreneurial abilities (Lantu et al., 2016). Using 50 (fifty) respondents consisting of MSME actors in Pangkalpinang City, it produces the following description:

Table 2. Results of the Recapitulation of the Competitiveness of MSMEs in Pangkalpinang City

MSME Indicator	Score	Description
Engineering and production capabilities	118	Sufficient competitiveness
Managerial abilities	110	Sufficient competitiveness
Governance and service capabilities	119	Sufficient competitiveness
Entrepreneurial abilities	122	Good competitiveness
The average value of competitiveness	117.25	Sufficient competitiveness

Source: Processed data (2020)

From Table 2, it can be seen that the condition of MSMEs in Pangkalpinang City is seen from 4 aspects. The three aspects (technical and production capabilities, managerial abilities, and governance and service capabilities) are in a “sufficient” condition of competitiveness. Still, Pangkalpinang City MSMEs’ conditions are slightly encouraging for the entrepreneurial aspect, namely the “good” competitiveness criteria. In general, from the four indicators, the condition of the competitiveness of MSMEs in Pangkalpinang City is still in the “sufficient” category of competitiveness (score: 117.25). Various efforts are needed to increase the competitiveness rating of MSMEs to a higher level, namely “excellent” competitiveness (score 160 - 200). It is necessary to select quality raw materials to increase the expertise and managerial skills of MSME managers so that MSMEs can compete. Improving inputs, production processes, maintaining output, and production supporting factors are very important to maintain product quality and, in turn, will increase competitiveness, at least improve competitiveness rankings, from “sufficient” competitiveness to “good” competitiveness or even “excellent” competitiveness.

4.2. Condition of Locus of Control (LoC) of SMEs in Pangkalpinang City

Locus of Control describes the individual’s beliefs about the source of the determinants of his behavior. In other words, the type of LoC impacts a person’s behavior. LoC is divided into 2, namely Internal Locus of Control (ILoC) and External Locus of Control (ELoC).

Someone who has an internal locus of control will see the world as something that can be predicted, and individual behavior plays a role in it (Sudarsono & Irawati, 2003). The results of other studies have proven that the orientation of the internal locus of control has more positive consequences. Parvin (1980), as cited in Ghufron & Suminta (2010), states that socio-economic status, self-confidence, aspirations, and expectations of those with an internal locus of control are higher. In addition, internal people are more active in seeking information and using it to control the environment and prefer to oppose outside influences. In contrast, people who have an external locus of control are more conforming to these influences (Ghufron & Suminta, 2010). The following are the results of LoC research on MSME actors in Pangkalpinang City.

Table 3. Condition of LoC for MSMEs in Pangkalpinang City

LoC Type	Score	Description
ILoC	2.80	Sufficient
ELoC	2.49	Low

Source: Processed data (2020)

From the table above, the ILoC type shows a score of 2.80 and is in the sufficient category, while the low category is for ELoC. Because this research aims to determine which type of LoC is the most dominant for MSMEs in Pangkalpinang City, and from the table above, the ILoC value is 2.80 while the ELoC value is 2.49 (ILoC > ELoC). Thus, MSME actors in Pangkalpinang City generally behave ILoC, which indicates that they have high confidence in their abilities, are diligent, tenacious, work hard, strive to be independent, and continue to improve their abilities and skills. In addition, ILoC-type MSME entrepreneurs are not easily discouraged and never give up. This is the main capital in doing business, apart from being intelligent and having a high fighting nature and never stopping to improve one's quality continuously.

4.3. The influence of Locus of Control (LoC) on the competitiveness of MSMEs

As previously stated, LoC is a factor that influences a person's behavior. Everyone has LoC traits, namely internal (ILoC) and external (ELoC). One of the two types is more dominantly owned by a person so that it is stronger in influencing a person's behavior than the other types. The following table shows the effect of the two types of LoC on the competitiveness of MSME actors in Pangkalpinang City.

Table 4. The Influence of ILoC and ELoC on the Competitiveness of MSMEs in Pangkalpinang City

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	9.139	1.208		7.566	0.000
ILoC	0.504	0.292	0.321	1.925	0.041
ELoC	0.114	0.271	0.078	.420	0.677

Source: Processed data (2020)

Based on Table 4, we can see that the internal LoC has a positive and significant effect on the competitiveness of MSMEs in Pangkalpinang City because it has a significant value below 5%, which is only 0.041. The positive influence of ILoC on competitiveness shows that if you are more confident, diligent, enterprising, diligent, independent, not easily discouraged, and continue to develop your abilities. These things will increase the competitiveness of MSME actors in Pangkalpinang City. On the other hand, an attitude that is lazy to try gives up easily and does not want to develop skills and expertise will reduce the competitiveness of MSME actors in Pangkalpinang City. Another evidence that shows a significant influence between ILoC on competitiveness can be seen by comparing the t-table value with t-count. If t-count > t-table, then Ha is accepted, and Ho is rejected. By referring to the t-table, the magnitude of the t-table (taking into account df) is 1.677, while the t-count for ILoC based on the table above is 1.925. T-count > t-table, then the hypothesis that Internal Locus of Control has a positive and significant effect on the competitiveness of MSMEs in Pangkalpinang City can be accepted. This is in line with the research conducted by Sudarsono and Irawati (2016), which stated a strong relationship between ILoC and MSME performance.

However, External Locus of Control (ELoC) has no significant effect on the competitiveness of MSMEs in Pangkalpinang City. However, simultaneously both ILOC and ELoC have a

positive and significant impact on the competitiveness of MSME actors in Pangkalpinang City. This can be seen from the results of the ANOVA below.

Table 5. Simultaneous LoC test results on the competitiveness of MSMEs in Pangkalpinang City

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	17.050	2	8.525	3.953	.026 ^b
Residual	101.370	47	2.157		
Total	118.420	49			

Source: Processed data (2020)

Table 5 shows that the joint influence between ILoC and ELoC has a positive and significant effect. This illustrates how an MSME business actor translating himself regarding business motivation, work attitude, ethics, morals, commitment, business ability, and the strength of his independence will affect its competitiveness.

4.4. Determination Test (R²)

The determination test shows how big the ability of the independent variable (LogiC) is to predict competitiveness.

Table 6. The results of the determination of the independent variable on competitiveness

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.595 ^a	0.455	0.419	1.45930

Source: Processed data (2020)

Table 6 shows that the independent variable can predict 41.9% of the competitiveness of MSMEs in Pangkalpinang City, and other variables outside of this research influence the remaining 58.1%.

5. Conclusion

Based on the discussion, it can be concluded that the MSME actors in Pangkalpinang City generally have a higher Internal Locus of Control (ILoC) than the External Locus of Control (ELoC). Locus of Control has a positive and significant effect on the competitiveness of MSMEs in Pangkalpinang City, where there is a link between LoC and the competitiveness of MSMEs. The higher the LoC level of MSME actors, the higher their competitiveness. This research implies that it is hoped that MSME actors in Pangkalpinang City need to cultivate an optimistic attitude and continue improving their skills and expertise to compete locally and globally. Collaboration with various parties is needed to create a mutually beneficial synergy.

Suggestions for further research are combining aspects of market control and technology as part of competitiveness and combining other independent variables so that the termination test has a higher score exceeding 41.9%.

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7. Declaration of Conflicting Interests

The authors have declared no potential conflicts of interest concerning this article's research, authorship, and/or publication.

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