



The Effect of Digital Literacy and Entrepreneurial Orientation on Business Performance of Ijuk Broom MSMEs in Tulungagung Regency

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ABSTRACT

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Digitalization has become a key driving force in the transformation of MSME businesses. In the rapidly developing digital economy era, Micro, Small, and Medium Enterprises (MSMEs) face both challenges and opportunities to sustain their operations and improve competitiveness. This study aims to examine the effect of Digital Literacy and Entrepreneurial Orientation on Business Performance among Ijuk Broom MSMEs in Tulungagung Regency. The research population consists of 50 Ijuk Broom MSME entrepreneurs in Tulungagung. Data were collected through the distribution of questionnaires and analyzed using multiple linear regression techniques. The findings indicate that Digital Literacy has a positive and significant effect on Business Performance, suggesting that the ability to utilize digital technology effectively contributes to improved productivity, marketing, and operational efficiency. Entrepreneurial Orientation also shows a positive and significant effect on Business Performance, reflecting the importance of innovation, proactiveness, and risk-taking in business development. Furthermore, Digital Literacy and Entrepreneurial Orientation simultaneously have a positive and significant influence on Business Performance. These results highlight the importance of strengthening digital capabilities and entrepreneurial mindsets to enhance the performance and sustainability of MSMEs in the digital era.

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INTRODUCTION

Digitalization in Indonesia has created significant opportunities for MSMEs to reach international markets, improve the effectiveness of product distribution, and build closer relationships with consumers through the use of digital platforms. Nevertheless, many MSME actors are still lagging behind in the process of technology adoption. The main obstacles faced include limited capital, low access to technical training, and insufficient understanding in selecting technologies that are appropriate to business needs [1,2]. Therefore,

technology-based entrepreneurial innovation is no longer optional but has become a strategic necessity for MSMEs to survive and compete in the digital era.

Technology-based entrepreneurial innovation plays an important role in enhancing the competitiveness of MSMEs, both in terms of products and services as well as business model development. However, field conditions indicate that many MSMEs remain confused in choosing and implementing technologies that are relevant to their business characteristics. The wide variety of available technologies actually demands systematic guidance so that the innovation process does not proceed incorrectly [3,4].

MSMEs in Tulungagung Regency face difficulties in improving the quality and scale of their businesses due to various internal problems, such as low quality of human resources, weak entrepreneurial orientation, limited mastery of digital technology and management, minimal access to information, and low market orientation [5]. In an increasingly competitive business environment, MSME actors are required to improve business performance to maintain business sustainability.

Entrepreneurial orientation is one of the crucial factors in business development and is believed to have a positive influence on business performance. The higher the entrepreneurial orientation possessed by business actors, the greater their ability to market products and respond to market opportunities, which in turn improves business performance [6].

In addition to entrepreneurial orientation, digital readiness has become an essential requirement in the current era, particularly in the form of digital literacy. Digital literacy reflects an individual's ability to access, understand, and utilize digital information critically for profitable business decision-making [7]. Optimal use of digital literacy can help business actors strengthen their market position and improve business performance amid intense competition [8].

Ijuk Broom MSMEs are part of the traditional handicraft industry that has long contributed to the local economy in Sumbergempol District. Despite advantages such as the availability of local raw materials and strong production traditions, most business actors still operate conventionally. Marketing practices rely heavily on word-of-mouth communication, financial records are maintained manually, and understanding of digital promotion strategies remains very limited. As a result, ijuk broom products have low market visibility, especially when competing with factory-made synthetic products that offer more competitive prices and greater product variety.

The main problem identified is the low level of digital literacy among MSME actors. Digital literacy is not only related to technical skills in using digital devices but also includes the ability to understand, evaluate, and utilize digital information to support business decision-making. Digital literacy is defined as the ability to use digital technology and information effectively [9]. Furthermore, digital literacy encompasses technical, cognitive, and socio-emotional dimensions that are interrelated [10]. Limitations in mastering these three

dimensions cause MSME actors to struggle in optimizing social media, marketplaces, and digital financial applications.

In addition, weak entrepreneurial orientation is another inhibiting factor in business development. Many MSME actors still adhere to traditional business patterns without strong motivation to innovate, take risks, or proactively identify market opportunities. Entrepreneurial orientation includes dimensions of innovation, risk-taking, proactiveness, competitive aggressiveness, and autonomy [11]. These characteristics have not been fully reflected among Ijuk Broom MSMEs, as seen in the lack of product innovation, limited promotion, and low initiative to explore new distribution channels.

Low digital literacy and weak entrepreneurial orientation have a direct impact on business performance. Business performance is not only measured by financial aspects but also includes non-financial indicators such as customer satisfaction, operational efficiency, and business sustainability. Business performance is influenced by internal organizational capacities, including digital capabilities and the entrepreneurial orientation of business actors [12].

These conditions become increasingly complex when traditional MSMEs must compete with modern products supported by aggressive digital marketing strategies. Low digital literacy hinders MSME actors from entering online markets, while weak entrepreneurial orientation leads to a lack of adaptation to changing consumer preferences. Therefore, research on the influence of digital literacy and entrepreneurial orientation on business performance is highly relevant. This study aims to analyze the partial effects of digital literacy and entrepreneurial orientation on business performance among Ijuk Broom MSMEs in Tulungagung Regency. Adequate digital literacy enables more effective communication with customers through digital media, while entrepreneurial orientation encourages innovation, risk-taking, and adaptive capabilities in responding to market dynamics.

METHOD

This study is directed at all Ijuk Broom MSME actors in Tulungagung Regency. The location was selected because one of the prominent potentials of Sumbergempol District is the production of brooms made from coconut fiber (locally known as kawul) and ijuk, which facilitated the researcher in collecting data. This research employs a quantitative research design. The population in this study consists of Ijuk Broom MSME actors in Tulungagung Regency, with a sample of 50 business actors determined from the total population.

The type and source of data used in this study are primary data. Primary data were obtained directly from Ijuk Broom MSME actors in Tulungagung Regency. Data collection was conducted through direct observation at business locations, distribution of questionnaires to Ijuk Broom MSME actors in Tulungagung Regency, and analysis of related documents, such as sales reports and marketing strategies. This approach was chosen because it allows for an in-depth exploration of the dynamics and challenges faced by Ijuk Broom MSMEs.

The data analysis technique used is multiple linear regression analysis, which is applied to determine how the independent variables – digital literacy and entrepreneurial orientation – affect the dependent variable, namely business performance. Hypothesis testing was carried out using partial tests with the t-statistic to examine the significance of the multiple linear regression coefficients individually.

RESULT AND DISCUSSION

Result

The respondents in this study are Ijuk Broom MSME actors operating in Tulungagung Regency. In general, most business actors are micro and small enterprises with business characteristics that remain traditional in nature. The majority of respondents run their businesses on a hereditary basis, employing simple production systems and limited marketing practices. The utilization of digital technology is still relatively low, particularly in aspects such as digital marketing, application-based financial recordkeeping, and the use of marketplace platforms.

Digital literacy functions as a supporting tool for operational and marketing activities, while entrepreneurial orientation serves as a driver of innovative attitudes and behaviors in optimizing the use of technology. Bansal and Hoffman emphasize that MSMEs that are able to combine innovation and digital technology have greater opportunities to survive and grow in global competition [9]. This view is further supported by Laudon and Laudon, who state that information technology will provide added value to organizations when it is supported by a clear strategic orientation and adequate managerial capabilities [10]. The following are the results of the research that has been conducted:

Table : 1 Results of the Validity Test

Variabel	Item	Koefisien Validitas	r tabel	Ket
Digital Literacy (X₁)	X1.1	0,721	0,2732	Valid
	X1.2	0,865		
	X1.3	0,828		
	X1.4	0,793		
	X1.5	0,778		
Entrepreneurial Orientation (X₂)	X2.1	0,681	0,2732	Valid
	X2.2	0,746		
	X2.3	0,759		
	X2.4	0,717		

	X2.5	0,804		
Business Performance (Y)	Y.1	0,824	0,2732	Valid
	Y.2	0,785		
	Y.3	0,871		
	Y.4	0,879		

Source: Processed Primary Data (2025)

Table 1 shows that the indicators of the digital literacy variable consisting of 5 items, the entrepreneurial orientation variable consisting of 5 items, and the business performance variable consisting of 4 items are all considered valid. This indicates that each statement item in the variables is valid, meaning that there is accuracy between the actual data occurring in the object of study and the data that can be collected by the researcher, and therefore they are appropriate to be used in this research.

Table : 2 Results of the Reliability Test

Variabel	Koefisien Reliabilitas	Nilai Cronbach Alpha	Ket
Digital Literacy (X1)	0.855	0,60	Reliabel
Entrepreneurial Orientation (X2)	0.890		
Business Performance (Y)	0.860		

Source: Processed Primary Data (2025)

Based on Table 2, it can be seen that the results of the reliability test show that all questionnaire items for each variable have Cronbach's Alpha values above 0.60. Therefore, it can be concluded that the statements in this questionnaire are reliable, meaning that when used repeatedly to measure the same object, they will produce consistent results.

Table : 3 Results of the Normality Test

One Sample Kolmogrov-Smirnov Test		
		<i>Unstandardized Residual</i>
N		50
<i>Normal Parameters^{a,b}</i>	<i>Mean</i>	0000000
	<i>Std.Deviation</i>	1.26886125
<i>Most Extreme Differences</i>	<i>Absolute</i>	.086
	<i>Positive</i>	.082

	<i>Negative</i>	-.086
<i>Test Statistic</i>		.086
<i>Asymp. Sig. (2-tailed)</i>		.250 ^c

Source: Processed Primary Data (2025)

Based on the results of the normality test, the significance value obtained is greater than 0.05, namely 0.250. Therefore, it can be concluded that the data used in this study are normally distributed, and the normality assumption is fulfilled.

Table : 4 Results of the t-Test

Variabel Bebas	T-Tabel	T-Hitung	Sig.
Konstanta	1,672	2.191	0,001
Literasi digital (X1)		5.711	0,000
Orientasi Wirausaha (X2)		3.367	0,001

Source: Processed Primary Data (2025)

Based on the data presented in Table 4, it can be seen that the t-table value is 1.672. This value was obtained from the statistical t-distribution table with the provisions of $\alpha = 5\% : 2 = 2.5\%$ (two-tailed test) and degrees of freedom (df) = n - k or $50 - 2 = 48$. Based on this calculation, it can be compared that the t-count value for the Digital Literacy variable is 5.711, which is greater than the t-table value of 1.672, and the significance value is $0.000 < 0.05$. This means that H_0 is rejected and H_a is accepted. Therefore, it can be concluded that the Digital Literacy variable has a significant effect on Business Performance. Thus, the first hypothesis is accepted, stating that digital literacy has a positive and significant effect on business performance among Ijuk Broom MSMEs in Tulungagung Regency.

Furthermore, it is known that the t-count value for the Entrepreneurial Orientation variable is 3.367, which is greater than the t-table value of 1.672, with a significance value of $0.000 < 0.05$. This indicates that H_0 is rejected and H_a is accepted. Therefore, it can be concluded that Entrepreneurial Orientation has a significant effect on Business Performance. Accordingly, the second hypothesis is accepted, stating that entrepreneurial orientation has a positive and significant effect on business performance among Ijuk Broom MSMEs in Tulungagung Regency.

Discussion

The findings of this study demonstrate that educator salary financing The Effect of Digital Literacy on Business Performance of Ijuk Broom MSMEs in Tulungagung Regency

The results of this study show that digital literacy has a positive and significant effect on the business performance of Ijuk Broom MSMEs in Tulungagung Regency. This finding indicates that the ability of MSME actors to utilize digital technology effectively can improve business performance, both in terms of increased sales, operational efficiency, and market expansion.

Theoretically, digital literacy refers to an individual's ability to access, understand, evaluate, and use digital-based information effectively [1]. Digital literacy is not limited to technical skills but also includes cognitive and strategic capabilities in utilizing technology to support organizational goals [2]. In the MSME context, digital literacy enables business actors to take advantage of social media, marketplaces, and digital applications as tools for more efficient marketing and business management.

The findings of this study are in line with the research of Markovic et al., which states that digital literacy has a significant influence on MSME performance through improved business efficiency and adaptability to market changes [13]. Other studies also reveal that MSME actors with higher levels of digital literacy tend to be more innovative and capable of making data-driven business decisions [4]. Therefore, digital literacy becomes a key factor in enhancing the competitiveness of Ijuk Broom MSMEs in the digital economy era.

The Effect of Entrepreneurial Orientation on Business Performance of Ijuk Broom MSMEs in Tulungagung Regency

The results also indicate that entrepreneurial orientation has a positive and significant effect on the business performance of Ijuk Broom MSMEs. This suggests that entrepreneurial attitudes such as risk-taking, innovation, and proactiveness play an important role in improving business performance.

Entrepreneurial orientation reflects a firm's strategic tendency to innovate, act proactively, and take risks when facing environmental uncertainty [5]. Lumpkin and Dess explain that entrepreneurial orientation represents a managerial mindset that encourages organizations to continuously seek opportunities and create competitive advantages [6].

These findings are consistent with the study by Covin and Slevin, which states that entrepreneurial orientation has a positive relationship with business performance, particularly in MSMEs [7]. Similarly, Fauzzia et al. found that MSME actors with a high level of entrepreneurial orientation tend to be more open to innovation and capable of improving business performance sustainably [8]. In the context of Ijuk Broom MSMEs, entrepreneurial orientation is reflected in business actors' efforts to diversify products and explore new market opportunities. The result of data analysis is explained correctly in the article. The

discussion part logically explains the findings, associated with the relevant sources.

CONCLUSION

Based on the results of the study and the discussion on the effect of digital literacy and entrepreneurial orientation on business performance among Ijuk Broom MSMEs in Tulungagung Regency, it can be concluded that digital literacy has a positive and significant effect on business performance. The higher the level of digital literacy possessed by MSME actors, the better the business performance achieved, as reflected in increased sales, improved operational efficiency, and expanded market reach. Digital literacy enables MSME actors to optimize the use of digital technology in supporting marketing activities, business management, and communication with customers.

Entrepreneurial orientation is also proven to have a positive and significant effect on the business performance of Ijuk Broom MSMEs. Business actors with a high level of entrepreneurial orientation, as reflected in innovative, proactive, and risk-taking attitudes, tend to achieve better business performance. Entrepreneurial orientation encourages MSME actors to innovate products, develop effective marketing strategies, and adapt to dynamic and increasingly competitive market conditions.

Therefore, improving the performance of Ijuk Broom MSMEs cannot be achieved partially, but rather requires an integrated approach that combines the strengthening of digital literacy with the development of entrepreneurial orientation. The findings of this study emphasize that digital transformation supported by strong entrepreneurial attitudes is a crucial strategy for traditional MSMEs to enhance competitiveness and maintain business sustainability in the digital economy era.

During the research process, several constraints were encountered, mainly limited access to Ijuk Broom MSME respondents due to time constraints and low digital literacy, which required assistance during questionnaire completion and prolonged data collection. In addition, limited secondary data and incomplete questionnaires slightly reduced the sample size. Nevertheless, the study remained aligned with its objectives, and the research outputs were successfully achieved with minor adjustments.

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