

# Optimization of Digital Literacy Knowledge Sharing and Human Capital on Digital Economy for MSMEs Business Sustainability

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## ABSTRACT

MSMEs strongly influence the national economy as the most strategic sector. MSMEs in Indonesia reach 64.2 million, but facts in the field show that only 17.25 million are included in the digital ecosystem. The research objectives help MSME players understand the current conditions of adopting a digital economy business model in improving business sustainability by focusing on digital literacy knowledge sharing, human capital, and digital transformation with moderation of self-efficacy. The research method uses a quantitative research design with an explanatory research approach. Data collection was carried out through questionnaires given to 216 MSMEs. The purposive sampling technique was used to determine the sample of MSMEs in East Java, Indonesia. The data from the questionnaire was processed using SmartPLS software to test the hypothesis. The results prove that digital literacy knowledge sharing, human capital, and digital transformation affect the sustainability of MSME businesses. Self-efficacy can moderate

## KEYWORDS

MSMEs, Digital Transformation, Digital Literacy Knowledge Sharing, Human Capital, Self-Efficacy

## INTRODUCTION

The progress of the digital economy is influenced by the availability of human resources with superior competitive competencies. The development of the economic sector has also always been a measure of the success of government programs. Indonesia's rapid economic growth is driven by several sectors, one of which is micro, small, and medium enterprises (MSMEs), which have a strategic role. MSMEs play a significant role in the national economy. Kominfo (2022) stated that there are 64.2 million MSMEs, 61% of which contribute to Indonesia's gross domestic product. MSMEs

DOI: 10.4018/IJHCITP.368715

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also absorb 97% of the national workforce, or approximately 119.6 million people. However, only about 17.5 million MSMEs have entered the digital ecosystem and utilized e-commerce. Along with the high contribution of MSMEs to the economy, the government continues to focus on developing the enterprise sector. The large number of MSMEs has enormous potential, especially in driving economic growth in Indonesia.

Digital technology has led to the development of a new economic resource known as the digital economy. This helps explain how the internet is changing the way business is done. While information in the traditional economy is physical, in the digital economy it is digital. The rapid development of digital technology has made the digital economy one of the major forces shaping the global business landscape. The digital economy is a cornerstone of sustainable economic growth.

The digital economy is a crucial driver of the growth of MSMEs in Indonesia, and the government is also encouraging MSMEs to accelerate their digital adoption through various programs. The current phenomenon of digitalization is getting stronger. Digital transformation is a driving strategy for national economic recovery. This is a challenge for the government in encouraging faster and more inclusive digitization and technology adoption to go digital by MSMEs in the form of new business models.

Observations in the field show that MSMEs play an essential role in supporting the country's economy. However, not all MSMEs in East Java, Indonesia, have adopted digital concepts due to their limited knowledge capabilities, resources, and human resource readiness to support the digital economy. Only around 4.6 million MSMEs have entered the digital ecosystem in East Java, Indonesia. This hampers their ability to transform from traditional business models to digital business models (Parra-Sánchez & Talero-Sarmiento, 2023).

MSMEs are required to be able to understand and evaluate existing information—the ability to identify information in digital form. Digital literacy knowledge sharing needs to be done in developing enterprise governance to access, manage, integrate, analyze, and evaluate information, build new knowledge, and create and communicate with other parties to optimize the performance of digital-based MSMEs. Knowledge sharing can increase knowledge, skills, and experience (Widen & Suomi, 2007) and improve innovation capabilities in the workplace (Harjanti & Noerchoidah, 2017).

Digital technology has become a great transforming force in society, driving great prosperity in the world economy. Digital transformation can be seen as transitioning from conventional organizations that rely on real-world resources to digital organizations that depend on information and virtual resources (Chen et al., 2023). Digital transformation focuses on changes in structure and value creation, along with the use of digital technologies, dynamic capabilities, consumer behavior, and strategic responses (Kraus et al., 2022). Digital transformation is essential in the recovery and efforts to improve the competitiveness of the national economy, including improving the productivity and performance of MSMEs.

Technological change involves a transformative shift in the human capital dimension, both from the perspective of technology creation and development and the perspective associated with the role of users of the new technology. Human capital is a human resource that can be understood as the accumulation of knowledge, skills, and abilities possessed by a person who plays a vital role in increasing productivity (Noerchoidah & Eliyana, 2015) and developing new technological innovations (Polyanin et al., 2019). Reliable and quality human capital is an aspect that delivers a business with the ability to support the increase in business performance. However, MSMEs in Indonesia are experiencing problems related to human resources. Survey results show that 83 percent of human resources in Indonesian MSMEs indicate low education (Kuzminov et al., 2019). So this shows that improving the quality of human resources or human capital of MSMEs is very important.

MSMEs require self-efficacy to transform digital technology to change existing business processes or create new businesses that are more efficient and effective. Self-efficacy is an individual's belief in the ability to perform tasks or actions needed to achieve goals (Waddell et al., 2019). The higher the self-efficacy of MSMEs, the better their willingness to share knowledge to gain new knowledge.

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