

HUMAN CAPITAL ON BUSINESS PERFORMANCE: THE MEDIATING ROLE OF SPIRITUAL CAPITAL TITLE

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ABSTRACT

Introduction/Main Objectives: MSMEs or Micro, Small, and Medium Enterprises are the main pillars of national economic growth, of course, various elements, including business performance, impact the potential of MSMEs to develop. **Background Problems:** MSMEs in Indonesia made the largest contribution to the Gross Domestic Product of Indonesia at 61%. At present, MSMEs are recorded to contribute 97% of the workforce, so MSMEs are considered capable of creating jobs to improve people's lives. The purpose of this study is to determine the effect of human capital on business performance, spiritual capital on business performance, and the role of spiritual capital in mediating the relationship between human capital and business performance. **Novelty:** This study uses a sample of MSME in Banyumas, Brebes, and Cilacap. This study uses spiritual capital as a mediating variable. **Research Methods:** This study used MSMEs in Banyumas, Brebes, and Cilacap, Central Java. The convenience sampling questionnaire method was used to collect data. To conduct statistical analysis, the Partial Least Square Structural Equation Modeling (PLS-SEM) method was used. **Finding/Results:** Overall, the research findings show that human capital and spiritual capital have a significant positive impact on business performance, and spiritual capital can mediate the relationship between human capital and MSME business performance in Banyumas, Brebes, and Cilacap. **Conclusion:** It is expected that this research can help small and medium enterprises (MSMEs) stay alive in the era of globalization by gaining a competitive advantage in every situation and condition.

Keywords: Business Performance, Human Capital, Spiritual Capital, MSMEs

INTRODUCTION

One form of economy that is linked to various industries that cater to the needs of society is micro, small, and medium enterprises (MSMEs). In 2023, MSMEs in Indonesia made the largest contribution to Gross Domestic Product in Indonesia at 61%. At present, MSMEs are recorded to contribute 97% of the workforce, so MSMEs are considered capable of creating jobs to improve people's lives. It is crucial to encourage the creation of new businesses and foster the spirit of entrepreneurship as their emergence can boost the economy and reduce the number of unemployed people. (Agus Suyono & Nur Septiana, 2022). It is possible that the right strategic move that Indonesia needs is to pay attention to the huge number of MSMEs. The phenomenon of the formation of the Telkom way culture which has a basic belief, namely always the best at PT Telkom Tbk from research (Pudjiantoro & Iftadi, 2019) Provides evidence that a company's decision to develop, strengthen, and sustainably maintain corporate culture through the spiritual capital dimension shows the importance of spirituality for companies in developing their business. And spirituality in the company needs to be managed as an asset of spiritual capital. (Pudjiantoro & Iftadi, 2019). Where the asset power will become increasingly important for the company in the process of value creation of all types of economic activities (Ariawan et al., 2016). In the field of entrepreneurship, capital is also found to play an important role in entrepreneurial processes and activities. (Khamimah, 2021). So to sustain an economic activity such as business to continue to survive, moral capital or spiritual capital is needed for each company. (Abdullah & Sofian, 2012).

The theory known as the resources-based perspective of the company, or RBV theory for short, first surfaced in the field of strategic management throughout the 1990s. This RBV theory attempts to explain why some businesses in the same industry are successful while many others are not. According to Barney (1991), Assuming: (1) There is heterogeneity of resources within the company; and (2) Some resources within the company are difficult to copy or are not elastic in supply, a company's success or failure will be largely determined by the strengths and weaknesses that exist within the company, not the external environment (Ferreira et al., 2011). The heterogeneity of firm resources means that in an industry all firms can't have the same resources. Some company resources will be difficult to copy by its competitors, especially in the matter of human resources such as spiritual capital. In other words, the success of the company is largely determined by the resources it has and the company's capability to turn these resources into an economic value advantage (Mulyono, 2013).

Disclosure of business performance is a performance that can refer to the actual results outputs of business in a company, how an activity is carried out, or the ability to obtain results (Saunila, 2017). Business performance management encompasses a methodical approach to establishing and preserving a competitive edge inside modern enterprises. Business performance is also a key component of BPM (Business Process Management), particularly when it comes to converting strategy into operational outcomes, diagnosing the organization and developing action plans, monitoring, giving feedback, communicating, and inspiring employees with performance-based rewards.

So spiritual capital becomes one of the successful efforts in building intelligent humans with high IQs and humans who are good at managing their emotions in influencing others (Maslow & Abraham H, 1954). Moreover, in economic activities such as business, the application of spiritual capital can provide the creative power, morality, sustainability, and integration needed in business performance. So that by integrating spiritual values in business performance, business people can achieve sustainable success in running their businesses. In essence, professionalism, high intellect capability and competence are necessary. Madhani (2010) Also said that spiritual capital has a positive effect as a driver of competitive differentiation in improving business performance. As we know the company's success in

improving the quality of human resources is also something that needs to be considered because spiritual capital among business people greatly affects structural and relational capital.

This study focuses on spiritual capital which has a significant influence on the business environment and the recognition of entrepreneurial opportunities. In this context, we can highlight that religious values, morals, and spiritual practices among helping economic actors can create individual emotional calmness, so that a stable mentality, attitude, and behavior can have a positive effect on creativity to innovate in their business. The society around us itself tends to embrace religion or spirituality. Therefore, the spiritual values of business people can form structural and relational capital. Spirituality is thus seen as a source of motivation, passion, and dedication to entrepreneurial activities (Eva et al., 2019). This study contributes to the literature by examining the Role of Human Spiritual Capital on Business Performance.

Resource-Based View (RBV)

Resources Based View Theory (RBV) as a conceptual model, sees resources as the determinants of organizational success. Ong & Mahazan (2020) Mentions that these determining resources must be unique, rare, and difficult to imitate. Madhani (2010) States that unique resources are resources that are not easily transferred or purchased, but require long learning within the organization. Madhani (2010) Added that resources that can be categorized as RBV are organizational processes, organizational attributes, information, or knowledge that is only known to the organization concerned. Fareed et al. (2016) Added that resources with unique, rare, and difficult-to-imitate categories in RBV refer to the human capital of an organization. Organizations must be able to develop their human resources so that the knowledge, work abilities, capabilities, and other characteristics needed, reach their full potential and provide added value to the organization for sustainable growth. The knowledge, skills, and experience of every human resource are different and will never be the same. It is not possible to replicate an organization's human resources in a short period.

Resource-based View In contrast to the SCP theory, the Resource-based View theory views that a firm's advantage is not determined by market characteristics, but rather by the resources owned by the firm (J. Barney, 1991; Peteraf, 1993). Firms are special market actors with heterogeneous resources. This is what distinguishes the ability and performance of each company from one another even in the same industry or even with the same company size and products in understanding and articulating value creation strategies for the benefit of their customers. RBV views that the strength of a company lies within the organization itself. The superiority of empowering the resources owned by the company is what enables the company to maximize its potential profits (Grant, 2001). This theory argues that the key to improving firm performance is based on the internal characteristics of the firm (J. B. Barney & Mackey, 2005). Performance differences are explained primarily by the existence of organizational resources that are valuable, scarce, and not easily imitated and substituted by competition (Peteraf & Barney, 2003). Resources are the firm's owned tangible and intangible assets (Galbreath, 2005). Financial resources, physical resources (plant, machinery, etc.), human resources, and technology resources are examples of tangible assets; knowledge, skills, reputation, and capabilities are examples of intangible assets. Generally, businesses want to obtain and utilize either permanent or semi-permanent control over resources that can provide them with a competitive edge over their rivals.

Businesses will differ from one another in terms of providing distinct goods or services since they have differing degrees of control over various resource kinds. Businesses leverage organizational resources including capabilities, management guidelines, and human resources to create and execute new ideas and plans. The firm will benefit from having human capital with high skill levels and good alignment between the capabilities represented in the organization and those needed to meet its strategic needs (Crook et al., 2011). Therefore, the

main reason for a company's growth and success comes from within the company. In other words, companies with superior resources and capabilities will build the foundation for gaining and maintaining a competitive advantage (Mohamad Radzi et al., 2017).

Business Performance Theory

According to Margie et al., (2020) in his book defines business as follows: "Business is an activity that is inseparable from the activities of production, purchase, sale, and exchange of goods and services involving people or companies to make a profit." According to Margie et al., (2020), the term performance or performance is often associated with the company's financial condition. Performance is an important thing that must be achieved by every company everywhere because performance is a reflection of the company's ability to manage and allocate its resources. Fisher (1998) in (Astuti & Sabeni, 2005) Also said that Business performance is described in formal control system performance measures including financial and non-financial measures. Financial measures show various actions that occur outside the financial field. The increased financial return is the result of various operational performances, including increased consumer confidence in the products produced by the company, increased cost-effectiveness of internal business processes used by the company to produce products, and increased employee productivity and commitment (Mulyadi & Setyawan, 2001), in (Astuti & Sabeni, 2005). Increased business performance is when the preparation of human resources has been done early so that after entering the world of work has been qualified and able to accept changes or work in any form. This is a fortune for every resource, especially productive resources to increase business progress. From this information, the hypothesis of this study is: If human capital increases, the business performance of MSMEs will also increase.

Effect of Human Capital on Business Performance

The business environment in the 4.0 era has undergone many changes, therefore a company must be able to adapt to changes to compete and survive. Human Capital is one of the important capitals for the company because it is a source of innovation and renewal of strategies, re-engineering processes, and the source of the company (Juwita & Anggraini, 2007). Human capital reflects the overall capacity of an organization to create the best arrangements given the information owned by individuals in the organization, which will increase competitive advantage if the organization can utilize the information owned by its employees (Ongkorahardjo et al., 2008).

Previous research Juwita & Anggraini (2007) Stated that human capital has a positive influence on business performance due to the intelligence and creativity possessed by employees. Thus, companies or MSMEs can increase market share, and consumer profiles, and understand market segments, to improve overall company performance for the progress of MSMEs.

H1: Human Capital has a positive effect on Business Performance

Effect of Spiritual Capital on Business Performance

Research from Oxford University shows that other worlds are created because of important human emergencies, so the presence of associations must also give meaning to organizational goals. The implications that arise in an association will empower each individual who works in it to further develop themselves. Thus, they can also work better (Nasrullah & Pohan, 2020). The spiritual intelligence that everyone has is not the same. It depends on each person's personality to give meaning to his or her life. Spiritual intelligence is more broad and not limited to religion alone. The differences that each individual has will make their work different (Sardar et al., 2019). Knowledge of spiritual intelligence is used by employees to

improve company performance and is integrated into organizational goals, resulting in an impact on business sustainability.

Previous research from (Abdullah & Sofian, 2012), and (Khalique et al., 2018) Found that spiritual capital has a positive effect on business performance which shows that spiritual capital affects company performance. Spiritual Capital can affect company performance where the higher the spiritual capital will significantly improve company performance. Achieving Business Performance collectively requires information system support to achieve MSME goals.

H2: Spiritual Capital has a positive effect on Business Performance

Spiritual Capital Mediates the Effect of Human Capital on Business Performance

The importance of Business Performance encourages individual satisfaction, knowing the capacity of representatives so that work can be completed perfectly by individuals, distinguishes the obstacles experienced by workers during work, and creates workers' professional success. Optimal and good work results can certainly be achieved by groups of people or individuals within the company by the responsibilities, authorities, and rules of each (Nurjaya, 2021). Spiritual Capital is considered an intangible and transcendent resource that comes from the religious and moral beliefs of individuals mixed in organizations that are used for economic activities (Sastrodihardjo & Suraji, 2020).

Valuable and exclusive Human Capital associated with different organizational capacities is summarized and refined to contribute to developing the company's core competencies (Kumara & Putra, 2023). Van der Ploeg et al., (2017) To develop Human Capital in a way of strategic importance, companies must provide individual learning facilities, organize, training activities, skills development, and education to encourage a variety of knowledge, experience, and knowledge between employees and between employees and clients. Thus, the existence of several variables can prove Spiritual Capital mediates the influence of Human Capital on Business Performance to help overcome the business problems of entrepreneurs and produce quality innovations to optimize the competence of MSME businesses.

H3: Spiritual Capital Mediates the Effect of Human Capital on Business Performance

METHOD, DATA, AND ANALYSIS

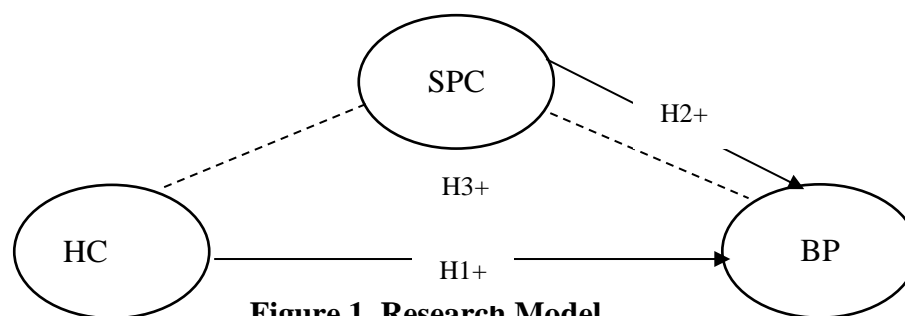
Data and Samples

Quantitative research is a type of scientific research that investigates phenomena and collects and analyzes data. The results are quantitative numbers (Indriantoro & Supomo, 2016). This research uses a survey method by distributing questionnaires to MSME owners in Banyumas, Brebes, and Cilacap. The population used in this study was 200 MSME owners. The sample consists of micro, small, and medium enterprises (MSMEs) in Central Java, categorized according to their annual turnover by Article 6 of the MSME Law. These criteria consist of micro-enterprises with a turnover of less than IDR 50,000,000, small enterprises with a turnover between IDR 50,000,000 and IDR 500,000,000, and medium enterprises with a turnover of more than IDR 500,000,000 to IDR 10,000,000,000. In this study, primary data was used; this is original data that refers to information obtained from and used to answer the formulation of research problems (Indriantoro & Supomo, 2016). The main primary data in this study was obtained directly from questionnaire respondents. Those who answered the questionnaire voted based on a five-point Likert scale, with a value of five for strongly agree (SS), four for agree (S), three for moderate (C), four for TS, and one for strongly disagree (1).

Table 1. Operational Definition and Measurement of Variables

No	Definition	Indicator	Code
1.	X: Human Capital Human capital is one of the important factors in finding entrepreneurial opportunities and economic growth. Human capital as a company resource consists of skills, talents, knowledge, and experience that are used for the continuity of a business (Khalique et al., 2018).	Skills knowledge & expertise (Khalique et al., 2018)	HC 1
		Attitude (Khalique et al., 2018)	HC 2
		Intellectual agility (Khalique et al., 2018)	HC 3
2.	Z: Spiritual Capital (SPC) Spiritual capital consists of behavior, living habits, and associations that are adjusted to the teachings of a particular religion. Spiritual capital is utilized by MSMEs to check that business operations are by applicable work standards (Khalique et al., 2018).	Religious (Khalique et al., 2018)	SPC 1
		Ethic Values (Khalique et al., 2018)	SPC 2
3.	Y: Business Performance (BP) Organizational performance can be interpreted as the level of success in completing tasks carried out by the organization, which includes four main dimensions: the financial perspective, customer perspective, internal business process perspective, and learning and growth perspective (Khalique et al., 2018).	Financial Perspective	OP 1
		Customer Perspective	OP 2
		International Business Process Perspective	OP 3
		Learning and Growth Perspective	OP 4

Statistical Research Model

**Figure 1. Research Model**

Data Analysis Method

In quantitative research, data analysis is a process carried out after data from respondents or data sources are thoroughly collected. Then, the data is grouped by variables and types of respondents, tabulated, presented, or calculated to answer problem formulations or test hypotheses that have been made (Indriantoro & Supomo, 2016).

To test the hypotheses, PLS-SEM was used with Smart Partial Least Square (SmartPLS) 3 for data analysis (Rasoolimanesh et al., 2018). PLS-SEM has benefits in the interim analysis of structural models and construction assessment. This technique is considered flexible in modeling and can produce specific results after avoiding data normality issues and small sample sizes. To test validity and reliability, the PLS-SEM method in SMART PLS 3 uses a measurement model (outer model) and a structural or predictive model (inner model). The bootstrapping technique is used to complete the PLS algorithm by evaluating the loading value, significance level, and path coefficient.

RESULT AND DISCUSSION

Description of MSME Respondent

MSME players from Banyumas, Brebes, and Cilacap were the respondents of this study. A total of 200 respondents collected the successful questionnaires. Respondent characteristics included gender, age, religion, region, firm seniority (years), criteria, ownership structure, and business type. Table 2 shows the statistical description of the respondents.

Table 2. Statistical Description of the Respondents

Respondents	Categories	Frequency	Percentage
Gender	Male	104	52%
	Female	96	48%
Age	19-28	35	17,5%
	29-38	54	27%
	39-48	54	27%
	49-59	49	24,5%
	60-87	8	4%
Religion	Islam	198	99%
	Konghucu	1	0,5%
	Kristen Protestan	1	0,5%
Region	Banyumas	133	66,5%
	Brebes	34	17%
	Cilacap	33	16,5%
Years	<2 Years	43	21,5%
	2-6 Years	94	47%
	7-11 Years	33	16,5%
	12-16 Years	11	5,5%
	18-23 Years	9	4,5%
Criteria	24-55 Years	10	5%
	Micro	124	62%
	Small	60	30%
	Medium	16	8%
	Ownership	Privately-owned Business	170
Family Business		25	12,5%
Commanditaire Vennotschap (CV)		4	2%
Limited Liability Company (PT)		1	0,5%
Type	Food	88	44%
	Fashion	16	8%
	Service	29	14,5%
	Craft	5	2,5%

Respondents	Categories	Frequency	Percentage
	Farm	1	0,5%
	Store	61	30,5%

Source: Primary Data Processed, 2024

According to Table 2, 52 percent of the respondents, or 104 people, were male with an average age between 44 and 48 years. In addition, the majority of respondents were Muslim (99%; n=198). The study involved six small and medium-sized industries (MSMEs), which made up 43.5% (n=87) of the total culinary industry. This was followed by 30.5% (n=61) from the shop sector; 8.5% (n=17) from the fashion sector; 2.5% (n=5) from the boat sector; and 0.5% (n=1) from the livestock sector. In addition, the microenterprise category represents 61.5% of the umkm criteria. Privately owned businesses dominate the ownership structure (85%; n=170). The longest working time criterion was two to six years (47%; n=94).

Convergent Validity

The convergent validity value is a measure of the correlation between constructs and highly correlated latent variables. The loading factor value for latent variables greater than 0.7 will produce an ideal value and the indicator is declared valid (Hair et al., 2019). All indicators of these variables have a correlation value of more than 0.7, as shown in the figure below. Therefore, it can be concluded that these indicators can be used as a measure.

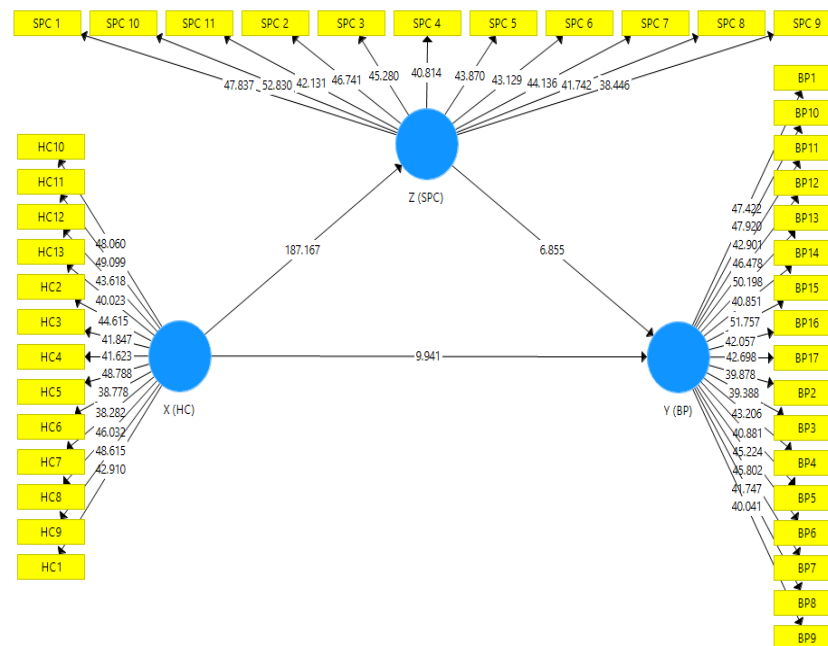


Figure 2. Variable Correlation

Discriminant Validity Test

The ability to quickly distinguish a construct from other constructs is the purpose of the Discriminant Validity test, as well as the level of variation between constructs and related indicators (Hair et al., 2019). The discriminant validity test uses the Fornell-Lacker test, this test is used to measure discriminant validity, the diagonal value represents the square root of the AVE which indicates the variation between the construct and its items. In addition, the off-diagonal elements measure the squared correlation between latent constructs (Henseler et al., 2015). The AVE threshold value is 0.5, so it will be said to be reliable (Chin & Marcoulides, 1998).

Table 3. Forner-Lacker criterion analysis for discriminant validity

	AVE	Human Capital	Business Performance	Spiritual Capital
Human Capital	0.792	0.890		
Business Performance	0.793	0.982	0.891	
Spiritual Capital	0.790	0.977	0.978	0.889

Source: Results of data processing with Smart PLS, 2024

Table 3 displays the average variance extracted (AVE) and composite reliability values. According to Ghozali et al., (2015) The average variance extracted (AVE) value must be greater than 0.5 to satisfy reliability criteria and convergent validity requirements. It is clear from the above table that the study's model satisfies the requirements.

Composite Reliability Test

The composite reliability test is a stage carried out to test the extent to which research variables have reliable reliability. Composite reliability can assess internal consistency between observed variables of the same construct to ensure observed variables estimate factors or constructs that are closely related (Hair et al., 2019). Composite reliability with a value above 0.7 is said to be reliable. Based on the data in the table below, the value of human capital, business performance, and spiritual capital has a value greater than 0.7, so the variable is said to be reliable.

Table 4. Composite Reliability Test

Latent Constructs	Composite Reliability
Human Capital	0.980
Business Performance	0.985
Spiritual Capital	0.976

Source: Results of data processing with Smart PLS, 2024

R-Square (R²)

The R² value refers to the measurement of the predictive accuracy of the structural model (Chin & Marcoulides, 1998). The endogenous constructs of business performance and spiritual capital have R² values of 0.971 and 0.954 respectively in Table 5.

Table 5. Results of R²

	R Square	R Square Adjusted
Business Performance	0.972	0.971
Spiritual Capital	0.954	0.954

Source: Results of data processing with Smart PLS, 2024

According to (Ghozali et al., 2015) The R-Square has a value criterion of 0.75, 0.50, and 0.25 which indicates that the model has a strong, moderate, and weak influence. Based on table 5, shows the R-Square Business performance value of 0.972. This value means that business performance is influenced by human capital and spiritual capital and the remaining 2,8% is influenced by other variables outside the variables studied.

F-Square (F²)

The F² value illustrates the magnitude of the influence of exogenous latent variables on endogenous latent variables in the structural order. According to Chin & Marcoulides (1998), if the F² value is more than 0.02 but smaller than 0.15, it is categorized as a small influence, the F² value lies between 0.15 and 0.35, it is categorized as a moderate influence, and if the F² value is more than 0.35, it is categorized as a large influence.

Table 6. Results of F²

	Business Performance	Spiritual Capital
Human Capital	0.551	20.922
Business Performance		
Spiritual Capital	0.262	

Source: Results of data processing with Smart PLS, 2024

Based on the f-square table reveals the results of 0, 551 on Human Capital on Business performance, which means that human capital has a moderate or moderate influence on Business performance. Human Capital on Spiritual Capital reveals the results of 20, 922 which means that human capital has a weak influence on Spiritual capital. Spiritual capital on business performance reveals the results of 0, 262 which means that spiritual capital has a strong influence on business performance.

Model Structure Analysis

Bootstrapping was used on 200 data and 500 samples to normalize the data and check the statistical significance of the path coefficients. The results of the path coefficient significance test for each variable are in Table 7.

Table 7. Total Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics	P Values	Decision
Human Capital-> Business Performance (H1)	0.587	0.584	0.059	9.941	0.000	Supported
Spiritual Capital -> Business performance (H2)	0.405	0.408	0.059	6.855	0.000	Supported

Source: Results of data processing with Smart PLS, 2024

Table 8. Specific Indirect Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics	P Values	Decision
Human Capital -> Spiritual Capital -> Business Performance (H3)	0.395	0.398	0.058	6.842	0.005	Supported

Source: Results of data processing with Smart PLS, 2024

The research hypothesis can be declared significant if the P-Values <0.05 and declared significant if the t -table > 1.96 (Ghozali et al., 2015). All relationships are said to have a positive direction if the original sample value (O) shows a positive value, while for hypotheses that have a negative direction, the original value (O) shows a negative value.

Discussion

First Hypothesis Test Results

The bootstrapping test results in Table 7 show that the P-value of human capital on business performance is 0.000 which is lower than 0.05 and the original sample (O) has a result of 0.587 which has a positive direction as determined by the direct effect test using PLS analysis. These results provide a conclusion that human capital has a positive and significant influence on business performance and confirm that the first hypothesis is supported.

Human resources reflect the overall capacity of an organization to create the best arrangements given the information owned by individuals in the organization, which will increase competitive advantage if the organization can utilize the information owned by its employees (Ongkorahardjo et al., 2008). Quality business performance will increase market share and affect the increase in income of business actors. This is by the resource-based view (RBV) theory regarding resources as the best asset that will lead the company to a competitive advantage (Wernerfelt, 1984). Human capital as an important asset for business actors must be managed properly to produce the best innovation for business continuity. The results of this study are in line with research by (Juwita & Anggraini, 2007; Ongkorahardjo et al., 2008) Which states that human capital has a positive and significant influence on business performance, stating that service quality as a source of competitive advantage has a role in improving service to consumers and avoiding potential problems that arise.

Second Hypothesis Test Results

The bootstrapping test results in Table 7 show that the P-value of human capital on spiritual capital is 0.000 which is lower than 0.05 and the original sample (O) has a result of 0.977 which has a positive direction as determined by the direct effect test using PLS analysis. These results provide the conclusion that human capital has a positive and significant influence on spiritual capital and confirm that the second hypothesis is supported.

Resource-based view theory explains that a company that can manage assets well can create a competitive advantage for the company (Wernerfelt, 1984). human capital is one of the resources that will bring a competitive advantage in increasing the potential of business performance according to RBV theory. The results of this study are in line with (Abdullah & Sofian, 2012; Khalique et al., 2018; Muzakki, 2020) that spiritual capital has a positive effect on business performance. Spiritual Capital can affect company performance where the higher the spiritual capital will significantly improve company performance. Achieving Business Performance collectively will require information system support for the achievement of MSME goals.

Third Hypothesis Test Results

The bootstrapping test results in Table 8 show that the P-value of human capital on business performance with spiritual capital as a mediating variable is 0.025 which is lower than 0.05 and the original sample (O) has a result of 0.062 which has a positive direction as determined by the direct effect test using PLS analysis. These results provide the conclusion that spiritual capital mediates the effect of human capital on business performance and confirm that the third hypothesis is supported. A culture of spirituality in the workplace can positively influence the attitudes and mentality of employees because it adheres to existing spiritual values, it makes

employees calmer and more confident to bring up many new creativities that can support innovation through existing knowledge and skills (Afsar & Rehman, 2015). This is in line with research conducted by (van der Ploeg et al., 2017) Which has the result that spiritual capital can mediate the relationship between the influence of human capital on business performance.

CONCLUSION

The results of this study show significant positive results in each hypothesis put forward. The results of this research study have important implications for MSME players in Indonesia, especially Central Java. This study provides results that the importance of human capital as an asset for business people in creating business performance to win business competition domestically and internationally. In this case, improving the quality of human resources is an important point to get around MSME actors who have a shortage of human resources. In addition to human capital, MSME actors who have appropriate, complete, and strong spiritual capital will be able to improve business performance because optimizing the potential of human capital in using systems or technology to support work becomes easier. In maximizing the business performance of MSME actors, human capital and spiritual capital are needed which can be used between employees. Business actors who want to increase innovation can consider providing training to increase the quality and motivation of employees so that they can overcome business obstacles in the future. In addition, MSME players need to apply spirituality in the work environment to increase understanding of the values of honesty, integrity, and responsibility in employees. A well-integrated business will produce good output results as well as improve business quality in terms of sustainable innovation.

The recommendation from this research for future research is to be able to reach more MSME samples such as adding districts and can reach up to the provincial to national level. In addition, this research uses Smart-PLS statistical tools, other statistical tools such as SPSS and so on can be used to get results that may be different. Due to the limitations of this study, conclusions cannot fully represent the results obtained, future research can add other variables such as innovation capacity, intellectual capital, training, and so on which of course can increase the influence of the dependent variable, namely business performance.

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