HUMAN CAPITAL AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES: A LITERATURE REVIEW

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Abstract
This research aims to examine aspects of human capital that influence the performance of Micro, Small, and Medium Enterprises (MSMEs). Drawing on an extensive review of literature from indexed journal databases, the study focused on identifying key factors related to "human capital" and "MSME performance." The comprehensive exploration revealed a multifaceted relationship between human capital aspects and MSME performance, unveiling pivotal influencers. The identified aspects of human capital found to exert a substantial influence on MSME performance encompass a wide spectrum. These include skills and competencies, education and training, employee motivation and engagement, employee health and welfare, innovation and creativity, communication and collaboration, digital skills, work ethics and organizational values, entrepreneurship and sense of ownership, as well as organizational diversity. This research contributes valuable insights for policymakers aiming to enhance the human capital capabilities of MSME entrepreneurs. By addressing these specific dimensions, policymakers can formulate targeted strategies to uplift the human capital landscape within MSMEs. Consequently, this targeted approach is anticipated to render MSMEs more productive, sustainable, and equipped to venture into international markets.

Keywords: Human Capital, Literature Review, MSME Performance

1. INTRODUCTION
Micro, Small and Medium Enterprises (MSMEs) play an important role in the economy by contributing to various sectors in the life of a country, namely: economic growth (Suparji, 2021); job creation (Kakkar & Kumar, 2020); reducing regional and social inequality (Hayati & Fatarib, 2022); national income, improving living standards, and increasing national economic competitiveness and resilience (Shetty & S., 2022); bridging the gap between urban and rural development (Dwi Nata et al., 2022); accounts for most of the country's GDP and attracts foreign direct investment (Lamba & Jain, 2021); adaptability to survive economic downturns (Syal, 2015); reducing income inequality among the population (Rekha & Jain, 2022); increasing productivity through investment and technological change, and having advantages in terms of flexibility compared to large companies (Risnawati et al., 2022); and MSMEs are the main source of supplies and support services for large businesses (Nasser, 2022). This important contribution of MSMEs needs to be supported by competent human resources for the development of MSMEs so that MSMEs become more competitive, innovative and can enter the global market where MSMEs have various challenges that must be addressed in order to progress and develop.

The challenges faced by MSMEs include various aspects related to financial problems, marketing products, use of technology, human resource capabilities and competencies, operational processes and meeting markets for exports (Khatri, 2019). For
financial problems, MSMEs have difficulty meeting working capital needs ((Yang et al., 2019);(Berk & Gultekin, 2019);(Yoshino & Taghizadeh-hesary, 2018)). Product marketing is hampered due to low ability to operate technology ((Othman et al., 2022);(Marka, 2021);(Kurniawan & Asharudin, 2018). In terms of human resources, there is a lack of ability and competence (Mas’ud & Tenriyola, 2023);(Woolgar et al., 1998)). The operational process experienced obstacles due to inefficiency in procuring raw materials, facilities and infrastructure, resulting in low quality products ((Wahab et al., 2016);(Gunasekaran et al., 2000);(Eleftherios et al., 2016)). Difficulty entering the export market because MSME products are less innovative so competitiveness is low ((Mkenda & Rand, 2020);(Bell, 2012);(Ardito et al., 2021)).

Improving the quality of MSME human resources can be done with various strategies to overcome the challenges faced by MSMEs. One approach is to improve business and financial management capabilities, as well as understanding the mindset of MSMEs (Prastyabudi et al., 2022). In addition, community empowerment programs can play an important role in improving the economy by providing support and resources to MSMEs, such as improving production processes, technology applications and management skills (Wikanteri & Supriadi, 2022). Leveraging big data and business analytics can help MSMEs make informed decisions and implement effective policies, leading to increased efficiency and performance (Dixit et al., 2021). Increased human resources in marketing innovation, empowered interaction capabilities, and increased ability to interact with customers can contribute to the marketing performance of MSMEs, thereby increasing the overall economic impact of MSMEs (Sumaryanto & Widajanti, 2023).

Investing in human capital is the main focus for companies to increase core competitiveness and improve the quality of personnel (Latifah et al., 2022). Investments in human capital make people more productive and lead to higher incomes. Investments in human resources enable companies to improve their competitive position, adapt to market changes, and achieve sustainable growth (Dui, 2020).

Human resources can be developed in various ways. One way is through education and professional training to increase knowledge and skills thereby increasing the size of human capital (Abdullayev, 2023). Another important aspect is health care, as it increases life expectancy and reduces disease and death and contributes to the development of human resources (Somko et al., 2023). In addition, investment in human resources, innovation, and professional development are important factors in the development of human resources in companies (Zhuravlev et al., 2018). Human resource development requires a comprehensive approach that includes education, health care, institutionalization, and investment in knowledge and skills.

Several studies have shown that human resources, including knowledge, competence, expertise and leadership skills, have a positive impact on the success and performance of MSMEs. The impact of human resources on MSME performance shows that improving leadership skills can improve performance (Rokhman et al., 2023). The importance of human resources in MSMEs is because the knowledge and competencies they possess can influence innovation and business performance (Hamsani et al., 2022). Empowering small and medium enterprises (SMEs) through government policies, business capital support, and strengthening human resource capacity can encourage economic growth (Surya et al., 2021). Therefore, this research aims to conduct a literature study regarding aspects of human capital that influence the performance of MSMEs. This
research contributes to the government making policies regarding efforts to improve the quality of MSME human resources to become more competent and professional so that MSME performance can produce quality products that can penetrate the international market.

2. RESEARCH METHODS
This research is a literature review research that examines and examines aspects of human capital that influence the performance of MSMEs. The literature used in this research comes from indexed journal databases by searching for the keywords "human capital" and "MSME performance". Articles regarding aspects of human capital that influence MSME performance were reviewed and summarized in this research.

3. RESULTS AND DISCUSSION
3.1. Human Capital Theory
Human capital theory refers to the concept of human capital as knowledge, skills, motivation and health that are accumulated through investment and used in the labor process to ensure productivity and income growth (Rothomi & Rafid, 2023). This stems from rethinking the role of the individual in a post-industrial economy, where human capital becomes the most important factor for economic growth and development (Mayilyan & Yedigaryan, 2022). Human resources can be managed through the education process, which is seen as an investment in knowledge, skills and experience that increases productivity and performance (Galama & Van Kippersluis, 2022).

The creation of human resources is facilitated by social interactions, which play an important role in the emergence process (Dui, 2020). This theory also highlights the importance of encouraging human capital formation, socio-economic disparities, and human capital-based economic growth (Fix, 2018). Human capital theory states that education is a key factor in increasing human capital and is considered an important investment for economic growth. Human Capital Theory (HCT) explains how individuals acquire knowledge and skills through education and training (Galiakberova, 2019).

Human resource theory is important for MSMEs because it emphasizes the role of internal elements, such as knowledge, competence and expertise, in achieving sustainable business performance (Rokhman et al., 2023). It is very important for MSMEs to invest in developing employee knowledge and competencies to encourage innovation and improve business performance (Hamsani et al., 2022). Human resource management strategies, such as pay for performance and performance appraisals, can help MSMEs reward and retain talented employees (Mishra, 2014). The integration of human resources and technological innovation is also important for MSMEs, because it can lead to increased productivity and sustainability (Astuti & Wahyun, 2018). The success of MSMEs depends on having well-trained, motivated and committed employees who can contribute to achieving organizational goals (Mkenda & Rand, 2020). Therefore, understanding and managing human resources effectively is very important for the success of MSMEs.
3.2. Aspects of Human Capital That Influence MSME Performance

Review literature regarding aspects of human capital that influence MSME performance is as follows:

1) Skills and Competencies

Skills and competencies have a significant impact on the performance of Small and Medium Enterprises (SMEs) (Wijaya et al., 2022; Gunartin et al., 2023). Research has shown that skills, abilities and knowledge contribute positively to SME performance (Danibrahim et al., 2022). Entrepreneurial competencies, including business skills, management, human relations, conceptual understanding, and attitudes, are critical to the success of SMEs (Nururly et al., 2022).

Effective managerial skills are very important for the development and performance of MSMEs (Ng’ora et al., 2022). Financial management, marketing, human relations, and entrepreneurial skills are identified as key skills for running a business successfully (Macedo et al., 2020). However, many MSME owners and managers do not have these skills, especially in financial management, marketing and entrepreneurial skills (Nambira & Namene, 2020). Targeted policies and strategies to promote entrepreneurship among young people through entrepreneurial learning and experiences can help address this skills gap (Yanto et al., 2022).

Empowerment and strengthening MSME business management in the craft industry through understanding mindsets and increasing capabilities in business and financial management (Prastyabudi et al., 2022). This research found that there is an influence of entrepreneurial skills on the competitive advantage of MSMEs (Sutono, 2023). This research also found that there was a positive relationship between entrepreneurial skills and MSME performance (S. Campos, 2021). Various aspects such as management style, production operations, capital availability, purchasing and procurement procedures, inventory and quality control systems, and negotiating power influence the performance of MSMEs (F. Wulandari et al., 2017). SMEs rely on the skills, knowledge, competitiveness and innovative ideas provided by individuals to adapt to a changing environment and achieve sustainable growth (Sabban et al., 2022). Human resources refer to the skills, knowledge and expertise of the workforce that have a positive influence on the performance of MSMEs (Annu, 2023). Accounting skills can improve the performance of MSMEs (Herman et al., 2023). The role of knowledge management, market orientation, competitive environment, and access to finance in strengthening SME performance (Chandio & Rizwan, 2021). Overall, developing and strengthening entrepreneurial skills and competencies can lead to more competitive and sustainable MSMEs and contribute to economic growth.

2) Education and Training

Education and training have been found to have a significant effect on the performance of MSMEs ((Ego Muslim et al., 2022);(Yusuf Iskandar, 2022);(Anuradha & Ramesh, 2020)). Research has shown that training, human resource competence, and innovation positively influence the performance of MSMEs (Sari & Sari, 2022). Training and development practices are essential for the growth and profitability of MSMEs, as they improve employee skills and contribute to achieving organizational goals (Kabiru & Olufemi, 2023). Managerial training is statistically significant in determining the performance of MSMEs in Kenya (Kosgei et al., 2014). Entrepreneurship training is needed for MSMEs with experience to improve their performance (Junaidi, 2023). The
importance of financial education for MSMEs and prospective entrepreneurs (Atkinson, 2017).

Education and training influence the export performance of MSMEs (Alshiqi Bektlesi, 2019). Entrepreneurship education and training have a significant positive effect on SME performance (Jevwegaga et al., 2018). There is a relationship between training and SME performance in the UK (Idris et al., 2023). Training and development programs influence employee performance in Lebanese SMEs (M Haidoura, 2020). The importance of training in human capital development and its potential impact on company performance (Buzavaite & Korsakiene, 2019). This research finds that training has a positive impact on SME performance as measured by profits, income and employment growth (Magableh et al., 2011).

Employee education and development is an important aspect for the success of SMEs (Sasono et al., 2020). Training plays an important role in improving the performance of SMEs (Idris et al., 2023);(Alshiqi Bektlesi, 2019);(Yahya et al., 2012). Training can increase staff capacity and enhance their skills leading to positive export performance and effective global operations (M Haidoura, 2020). Additionally, training programs can inspire and engage workers, resulting in increased productivity and success ((Buzavaite & Korsakiene, 2019)). SMEs that prioritize training and development have the potential to improve their overall performance and achieve their organizational goals (Pauli, 2015).

This research found that social media training positively influences the performance of SMEs (Absah et al., 2018). Training and development, organizational commitment influence the performance of MSMEs (Nandi et al., 2020). Entrepreneurship training has a positive impact on the sustainability and growth of SMEs (Malipula, 2023). This study found a significant relationship between entrepreneurship training interventions and the performance of small-scale car companies in Ghana (Gyasi et al., 2020). SMEs can improve their human resources to become more competitive by implementing effective human resource management (Nugraha et al., 2022). Investments in employee development and training to improve the skills and knowledge of MSME players need to be made so that they can improve the performance of MSMEs (Yudistira et al., 2019). Therefore, it can be concluded that education and training play an important role in improving the performance of MSMEs.

3) Employee Motivation and Engagement

Employee motivation and involvement have a significant influence on MSME performance ((Nkansah et al., 2023));((Bustasar et al., 2019)). Research has shown that motivation, both monetary and non-monetary, is a key factor in organizational performance and there is a significant relationship between motivation and employee performance (Aglina Ulfah & Nilasari, 2023). When employees are positively motivated, it increases their effectiveness and efficiency in achieving organizational goals. Motivated employees are more productive, while demotivated employees experience a decline in performance, affecting overall company performance (Dauti et al., 2020). The importance of employee motivation in organizations to improve performance (Machmud & Sidharta, 2016).

Motivation and experience have a positive impact on SME business performance (Desiyanti et al., 2020). SME competency and motivation have a direct impact on performance (Pranowo et al., 2019). Motivation to make online sales can significantly
improve SME business performance, especially when utilizing online platforms such as markets (Saryadi & Pinem, 2020). Organizational culture has a significant direct effect on job satisfaction and work motivation, which in turn positively influences employee performance in SMEs (Wahjoedi, 2021). This research states that there is a positive correlation between managers’ motivation and their job performance (Veliu et al., 2015). There is an influence of distributive justice and intrinsic motivation on job satisfaction and employee performance in MSMEs in the culinary sector (Tyofyan et al., 2022). Motivation at work was found to have a significant impact on performance in the “performance” dimension for SME leaders and SME excellence according to research (Freitas & Duarte, 2017).

Employee engagement is a significant predictor of employee performance in the MSME sector, along with learning orientation and entrepreneurial motivation playing a role in SME performance (Basu, 2023). Employee engagement also plays an important role in achieving organizational goals, and creating a stimulus or incentive system can help direct employees in the desired direction. There is an influence of employee involvement and motivation on performance in a textile company in Bandung (Hadianto et al., 2021). Involved workers show high levels of energy, dedication and work harder, which leads to better performance (Pranowo et al., 2019).

Additionally, employee engagement has been found to mediate the relationship between various human resource practices, such as recruitment and selection, training and development, rewards and compensation, performance management, and SME performance (Basu, 2023). Employee engagement also plays an important role in defining employee and organization related characteristics, such as job satisfaction, business results, brand recognition, and shareholder value (M. A. Ahmad et al., 2021). The most important aspects of human resources for the success of SMEs in Kosovo are recruitment, training, motivation, experience, education, age and gender (Dauti et al., 2020). Furthermore, research has found positive effects of employee involvement and motivation on work performance in the textile industry (Harilal & Santhosh, 2023). Therefore, it can be concluded that employee motivation and involvement are important factors that contribute to SME performance.

4) Employee Health and Welfare

Employee health and well-being has a significant impact on MSME performance (Yu, 2013). Research has shown that positive employee health, including physical and mental well-being, is associated with increased work engagement and performance (Liu & Wang, 2022). Organizations that prioritize employee health and well-being can benefit from reduced personnel costs and increased productivity (Saeed et al., 2015). Expressions of organizational concern for employees through policies that improve their well-being can increase employee motivation, work engagement, and performance results (Huber et al., 2015). Improving organizational performance through organizational care policies for health (Tomo & Todisco, 2018). Employee health management programs (EHMP) have an influence on organizational performance (Wolfe et al., 1994). The impact of workplace health programs on employee health influences work outcomes (Schwatkka et al., 2018).

The strategy to overcome health problems for SMEs is to integrate several SMEs into a virtual joint venture so as to produce an incentive structure similar to large companies which can increase access to occupational health services and reduce sick visits to clinics (Ahonen et al., 2022). Work engagement (WE) in SME employees is
associated with job satisfaction, age, health literacy (HL), and sleep quality (Li et al., 2022). Despite evidence supporting health and wellbeing policies and practices, SMEs still struggle to manage workplace health and present opportunities for improvement (Valsecchi et al., 2023).

Research has shown that SMEs can gain competitive advantage and generate financial performance by managing their employees using advanced systems thereby improving workplace well-being (Rubio-Andres et al., 2022). Furthermore, the Resource-Based View theory suggests that resources, including health and wellness initiatives, are key to superior company performance (Febrianti & Herbert, 2022). Key challenges to employee health and wellbeing in SMEs include stress and its impact on mental and physical health, uncertainty due to organizational and social change, and work-life balance (Van Dick, 2023). Safety management practices play a role in improving the safety performance of Malaysian Bumiputera SMEs (Abdullah et al., 2022). Therefore, it can be concluded that prioritizing health and wellbeing in the workplace can contribute to the overall performance of SMEs.

5) **Innovation and Creativity**

Innovation and creativity have been found to improve the performance of Micro, Small and Medium Enterprises (MSMEs) according to research studies (Mujanah et al., 2022). Innovation positively influences the performance of MSMEs in Indonesia and Malaysia (R. Wulandari & Koe, 2023). Innovation has a positive and significant effect on the performance of MSMEs, and business strategy mediates this relationship (Maulani et al., 2022). Entrepreneurial orientation and knowledge management have a direct effect on collaborative innovation activities which in turn has a positive impact on innovation performance (Agustina & Arganata, 2023).

This research analyzes the relationship between intelligence, creative self-efficacy, and innovative work behavior in MSMEs in Bengkulu City (Praningrum et al., 2022). Social capital has an influence on the innovation ability and performance of MSMEs (Rokhman et al., 2023). Business analysis and innovation influence SME business performance (Febrianti & Herbert, 2022). A research conducted on small and medium enterprises in the city of Bandung, Indonesia, found that business analysis skills and innovation performance have a significant influence on improving SME business performance (Holt & Powell, 2015). The characteristics of MSME owners, such as attitudes and motivation, influence the intention to innovate both in marketing and technology aspects (R. Wulandari & Koe, 2023).

Organizational culture, knowledge management, and entrepreneurial orientation have a positive effect on innovation capabilities, which in turn impact the performance of MSMEs (Sunyoto et al., 2023). Creativity was found to be positively related to innovation behavior and SME performance (Manalu, 2022). Entrepreneurial orientation and knowledge management have a direct effect on collaborative innovation activities, which in turn have a significant relationship with innovation performance (Farida et al., 2023). The enthusiasm to create and the enthusiasm to develop also have a significant positive effect on the performance of MSMEs, and the ability to learn can strengthen the influence on performance (R. Wulandari & Koe, 2023). Market orientation, interfunctional coordination, and innovation attitude also play a role in encouraging innovation in agri-food MSMEs (Ajer et al., 2023). Organizational culture has a significant positive effect on employee performance, and creativity and motivation mediate the relationship
between organizational culture and employee performance in MSMEs (Syarifah & Nabhan, 2022).

6) Communication and Collaboration

Communication and collaboration have a significant impact on SME performance ((Trio Febriyantoro et al., 2023);(Arsawan et al., 2022)). SMEs can improve innovation performance by building collaboration networks, both formal and informal (Lu & Yu, 2020). To improve communication and collaboration skills for MSMEs, several strategies can be implemented. First, it is important to recognize the importance of technology for business and improve capabilities in internet technology management (Lu et al., 2020). Second, improving communication skills for partners in managing websites and social media marketing can help in communicating products effectively and building a list of regular customers (Stoltenberg, 2015). Third, external collaboration with universities and industry can contribute to more holistic communicative learning, leading to better communicative understanding (Trio Febriyantoro et al., 2023).

Effective communication and collaboration strategies for MSMEs in facing competition in the digital era involve utilizing marketing communication strategies to introduce products and brands to other parties (Rusdana et al., 2022). MSMEs can learn from cross-cultural communication to improve their business while using social media, by opening their minds and learn from others (Wang et al., 2021). MSME players can equip themselves with intercultural business communication skills, which can be achieved through contributions from the government, private sector, higher education and civil society (Hambalah, 2019).

MSMEs can overcome barriers to supply chain collaboration by overcoming barriers related to information, communication, intra-organizational and inter-organizational (Mahmud et al., 2021). Collaboration between the parent company and its suppliers can be improved through the development of an IT collaboration system (Sung et al., 2018). Increased collaboration between large and small companies using network services (Grather et al., 2015). Using the Canva application to support sales in MSMEs (Sunarto & Setiadi, 2022). Market orientation and collaboration influence the performance of SMEs (Z. Ahmad et al., 2020). This research finds that there is a significant positive relationship between communication collaboration and SME performance in Trans-Nzoia County, Kenya (Amdany et al., 2018).

7) Digital Skills

Digital skills have a significant positive impact on SME performance ((Joensuu-Salo & Matalamäki, 2023);(Aulia, 2023); (Jiang et al., 2023)). SMEs with higher digital capabilities tend to have better company performance and growth (Yusuf et al., 2023). Digital competency directly influences SME performance, and also indirectly influences performance through partnership and experience programs (Marsdenia & Saffitri, 2022). Employee digital skills are one of the three main resources that have a positive impact on the digital transformation of SMEs, which in turn affects their performance (Teng et al., 2022). Digitalization skills can improve the performance of SMEs (Rozak et al., 2023).

Digitalization allows SMEs to adapt to changes and pressures from the external environment, making them more agile ((Dyussembayeva et al., 2023)). It also helps SMEs
to maximize the use of information and communication technology (ICT) in business, such as using social media to build brand reputation and interact with customers (Seseli et al., 2023). The need for German SMEs to undergo digital transformation and the potential of design thinking methods in developing a strategic impetus for this transformation (Bauer & Groll, 2020).

The presence of digital specialists in MSMEs is very important to turn digital transformation into improved financial performance (Tricahyono & Sudrajat, 2022). The role of digital innovation in improving the financial performance of SMEs (Mangifera et al., 2022). This research found that there is a relationship between big data analysis capabilities, digital platform capabilities, network capabilities, supply chain innovation, and company performance in MSMEs in the manufacturing sector (Bhatti et al., 2022). Digital technology, such as e-commerce and social media, can act as an intermediary variable that mediates the influence of business strategy on MSME performance (Armiani et al., 2021).

The adoption of digital technology, including digital finance, digital payments and digital marketing, has a positive and significant impact on the financial performance of MSMEs (Setyawati et al., 2023). This research found that there was an impact of digital technology adoption on the financial performance of MSMEs (Audrey Sazkhya Sinaga et al., 2023). The importance of embedding digital technology into business models among SMEs, which has been proven to increase productivity and long-term sustainability (Abu Hasan et al., 2022). Therefore, digital skills, including digital capabilities, competencies and platform capabilities, are critical for SMEs to improve their performance and achieve sustainability.

8) Work Ethics and Organizational Values

Work ethic and organizational values have a significant impact on MSME performance (Beltramino et al., 2023); (Mukson et al., 2021)). Work ethic is very important for the success of MSMEs. It has been found that work discipline and motivation significantly impact employee performance in MSMEs ((Yusuf Iskandar, 2022);(Efendi et al., 2020)). Good work discipline, respecting and obeying rules, leads to better employee performance (Buscher, 1993). SMEs can improve their work ethic by focusing on developing employees’ emotional intelligence, adopting effective teams, and cultivating a work ethic culture. SME management should prioritize developing employee emotional intelligence as it has been found to improve job performance. Effective teamwork has also been proven to increase job performance levels, so SMEs that have not yet adopted this approach should consider doing so (Shillie & Nchang, 2023).

Employers should strive to create a culture of work ethic in their organizations (Kogelman, 2021). This can be achieved by implementing ethical rules in conducting business, promoting transparency, partnership integrity, and environmental and social responsibility (Antoniuk et al., 2018). By following ethical norms and rules, SMEs can improve the business climate, increase investment attractiveness and simplify access to financial instruments and credit (Hernandez Altamirano et al., 2023). Work ethics significantly influence job performance in UKM (Salahudin et al., 2016). The presence of work discipline and motivation among leaders and employees is very important for organizational success (Fikri Ikhlasun Amal et al., 2023).
Organizational culture plays an important role in employee performance, creativity, and motivation (Syarifah & Nabhan, 2022). Organizational culture, total quality management and integrated quality management have a positive relationship with organizational performance in MSMEs (Ralahallo et al., 2023). Knowledge management, non-physical work environment and organizational culture have a significant influence on business performance in the MSME industrial sector (Aditya et al., 2023). Flexibility, collaboration, risk management culture and digitalization contribute significantly to MSME firm performance, with organizational resilience mediating these effects (Kakkar & Kumar, 2020). Overall, these findings highlight the importance of work ethic, organizational values, culture, discipline, motivation, learning, and adaptability in driving performance overall and remain competitive in the market.

9) Entrepreneurship and Sense of Ownership

Entrepreneurship and a sense of ownership have been found to have a significant impact on the performance of Micro, Small and Medium Enterprises (MSMEs) (Sianipar, 2022). Entrepreneurial competencies, especially attitudes, skills and knowledge, have an influence on SME performance (Danibrahim et al., 2022). SMEs can improve their performance by adopting entrepreneurial innovation strategies such as process, organizational, and market innovation (Dushime et al., 2022). Organizational culture plays an important role in encouraging entrepreneurial orientation, which in turn has a positive impact on company performance (Kowo & Akanmu, 2021). Family ownership has a positive relationship with innovation capability and export performance in SMEs (Nguyen et al., 2022). The market orientation model applied by women entrepreneurs in SMEs has been found to improve business performance (Mustikowati et al., 2022).

The influence of entrepreneurial orientation, isolation mechanisms, strategy quality, and network capabilities on the marketing performance of batik SMEs in Central Java, Indonesia (Mustikowati et al., 2022). The impact of managerial concentration and ownership on firm value in Spanish SMEs (Rodriguez-Valencia & Lamothe Fernandez, 2023). This research finds that there is a relationship between family involvement in ownership and the performance of SMEs supported by private equity (Salerno, 2019) and there is a relationship between entrepreneurship, innovation and quality performance in SMEs (Ebrahimi et al., 2018).

Several studies have shown that entrepreneurial orientation, which includes characteristics such as proactiveness, risk taking, and value creation, positively influences the performance of MSMEs (Sutono, 2023). Characteristics of MSME owners, such as seeking opportunities, being persistent, and maintaining contact with networks have been found to influence innovation and subsequently influence performance (Macedo et al., 2020). Marketing capabilities and entrepreneurial innovation have been identified as factors that can improve MSME performance, especially during difficult times such as the COVID-19 pandemic. Overall, these findings indicate that entrepreneurship and a sense of ownership play an important role in determining the performance of MSMEs. SMEs must also focus on developing entrepreneurial competencies and encouraging learning activities to improve human resources and improve business performance.

10) Organizational Diversity

Organizational diversity has been found to have both positive and negative effects on the performance of micro, small, and medium enterprises (MSMEs). Studies have
shown that cultural diversity in the workforce can have both positive and negative impacts on organizational performance, depending on the size of the organization and the diversity of a particular workforce group (Syarifah & Nabhan, 2022). On the other hand, organizational culture has been found to have a significant positive effect on employee performance in MSMEs (Ralahallo et al., 2023). The adoption of multiculturalism as a corporate value has been linked to generating profits and operational success in business (Perumal, 2010). Entrepreneurial behavior and organizational innovation have been found to influence the performance of MSMEs, with organizational innovation having a dominant influence (Buche et al., 2013).

Diversity in the workplace can impact the productivity of micro, small and medium businesses. Workplace diversity, including factors such as age, gender, ethnicity, and educational background, has been found to have an overall influence on employee performance ((Gomathy, 2023); (Malik, 2022)). Educational diversity in particular has a significant impact on employee performance, while gender and ethnic diversity have no effect (Andoh et al., 2019). However, linguistic diversity in the workforce has been found to reduce productivity, as it can increase communication costs (Aggarwal, 2021). It is important to note that the negative impact of linguistic diversity diminishes over time as foreign workers increase their proficiency in the local language (Dale-Olsen & Finseraas, 2020).

Employee diversity has been found to lead to improved organizational performance, including factors such as productivity, innovation, and employee satisfaction (Triguero-Sanchez et al., 2018). The influence of diversity on human resource management (HRM) practices in organizations has been tested with results showing a positive correlation between employee diversity and HRM practices that encourage employee commitment (Mary et al., 2023). Promoting workforce diversity can lead to improved performance of MSMEs (Magnus & Joseph, 2015). To increase the competitiveness of SMEs, it is necessary to create an enabling legal, regulatory and administrative environment, together with a capable institutional structure (Boshkov, 2016). Therefore, MSMEs must consider various dimensions of diversity in their workforce and implement strategies to manage and utilize diversity effectively to increase productivity.

4. CONCLUSION

This research is a literature review regarding aspects of human capital that influence MSME performance, namely: skills and competencies, education and training, employee motivation and engagement, employee health and welfare, innovation and creativity, communication and collaboration, digital skills, work ethics and organizational values, entrepreneurship and sense of ownership, and organizational diversity. This research provides input for policy makers to improve the quality of MSME human resources through continuous and ongoing training, coaching and mentoring so that MSMEs become economic engines that are able to compete and penetrate the global market.

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