Performance Improvement through the Unification of Islamic Work Ethics in Intellectual Capital: Comparative Study of Malaysia and Indonesia

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Abstract: This study is to investigate the distinctions between Malaysia and Indonesia as well as the contribution of Islamic work ethics and intellectual capital to the improvement of micro, small, and medium-sized enterprises (MSMEs/MSEs/UMKM) performance in both nations. The UMKM creative industry of halal products is the research population. Purposive sampling was utilized in the sample. Multiple regression is used by the analytical tool. The research findings indicate that Organizational, Relational, and Spiritual Capital all have an impact on the success of MSMEs in Indonesia. In the meantime, relational and organizational capital have an impact on Malaysian MSMEs' performance. Overall, enhancing the performance of MSMEs in Malaysia and Indonesia through the integration of Islamic work principles in intellectual capital is similar.

Keywords: Work improvement; unification of work ethics; intellectual capital; MSME performance

INTRODUCTION

Small and medium-sized businesses (MSMEs) are the primary forces behind economic development in the business sector. This is because of its private ownership, spirit of entrepreneurship, adaptability, and capacity to change with the times and face a variety of uncertain circumstances. MSMEs have a significant impact on the economy by contributing to GDP, creating jobs, and absorbing labor at different levels of education and competency. They also play a vital role in exporting goods to the APBN. The growth of MSMEs is another initiative proposed in the ASEAN framework at the regional level. MSMEs are expected to contribute to initiatives aimed at attaining equitable economic growth, closing development gaps, enhancing the caliber of human resources, and raising living standards.

In ASEAN, the MSME sector accounts for up to 96% of the labor force. This sector accounts for 60% of the region's GDP, which is a noteworthy contribution (Media Indonesia, 2017). Existing MSMEs, however, typically have performance that is...
stagnant. Microbusinesses dominated 98.7% of MSMEs for ten years, during which time there was no discernible development (www.ukmindonesia.id).

The product's subpar development process and design are among the contributing factors. It is impossible to isolate the lack of assistance in promoting the development of new ideas from the low level of competitiveness of Indonesian MSME products. Only 16% and 19% of national exports from ASEAN members are made up of MSMEs in Indonesia and Malaysia, respectively.

It is impossible to separate the absence of assistance for fostering the development of new inventions from the low competitiveness of MSME products. As incentives for the emergence of novel and competitive products, different programs and forms of assistance are actually required.

High levels of competition for MSME products are predicted to boost sales turnover. It is believed that the rise in MSMEs' turnover will help boost exports within the country. An MSME's high and low turnover is indirectly impacted by the variety and diversity of its product offerings as well as how well it manages its relationships with suppliers and customers. This has to do with how each MSME creates value, particularly in the contemporary globalization period.

According to Cerbioni & Parbonetti (2007), intellectual capital is an intangible asset that is crucial to an organization's value development process. With their financial and physical limitations, MSMEs can benefit from IC. MSMEs may overcome the current barriers and compete with larger businesses by having IC and using it to its fullest potential (Young et al., 2020; Jordao & Novas, 2017).

In essence, IC components can offer a clearer comprehension of ideas and how they affect the operation of businesses. Islamic labor Ethics (IWE) encourages creativity and productive labor as a means of achieving improved organizational performance as well as individual pleasure (Zin et al., 2020). This is because, in comparison to people with low IWE levels, those with high IWE demonstrate a greater sense of ownership over the business. In order for businesses with high IWE levels to function better, every part of the organization must be aware of its own roles and responsibilities and do its best to fulfill them. (Zin & Associates, 2020).

The performance of the business will be further optimized by the integration of Islamic work ethics into intellectual capital. Zin & Adnan (2016) provided multiple inputs, among which was the conclusion that Islamic and IC values have a substantial and significant relationship with the success of SMEs. The five components of IC—human capital, structural capital, organizational capital, spiritual capital, and technological capital—all had been shown to have a substantial impact on business performance, with the exception of the human capital element. These same findings were presented by (Khaliq et al., 2015). The purpose of this study is to shed light on how the two ASEAN founder nations' shared Islamic work principles and intellectual capital contributed to their respective success. This study adds to the body of knowledge regarding how unified Islamic work ethics might enhance the performance of MSMEs in both nations.
LITERATURE REVIEW

Theoretical basis

The Resourced Based View is predicated on the idea that an organization's resources dictate how well it performs. Utilizing and configuring these resources in a way that enhances performance and gives a business a unique competitive edge. According to RBV theory, a corporation is made out of its capabilities and resources (Wernerfelt, 1984).

According to Barney (1996), resources that offer a sustained competitive edge must be rare, precious, unique, and non-replaceable. These characteristics serve as the foundation for assessing your resource base. Anything that belongs to or is accessible to your organization—even if only temporarily—is referred to as a resource. Resources might be either material or immaterial. Relatively obvious resources are tangible. Buildings, factories, machinery, exclusive licenses, patents, shares, land, debtors, and employees are a few examples of tangible resources that have a physical shape and can be felt or touched.

Conversely, intangible resources are by nature more difficult to identify. They consist of the abilities, know-how, and expertise of advisers, suppliers, distributors, and workers. In addition, systems, internal databases, interpersonal and professional networks, brands, and reputations can all possess or embody knowledge, expertise, and experience (Wernerfelt, 1984). The culture and values of an organization may also be a very valuable asset; this is particularly true of the prevalent views on quality, change, and customers. RBV's advantages for businesses; (a). The company will comprehend what actually influences organizational success, (b). Critical resources and capabilities need to be recognized and safeguarded by the organization, (c). Organizations that expand their resources and capabilities can concentrate on ongoing performance improvement.

Islamic Work Ethics

Islamic Principles of Work Islam defines ethics as having excellent character (nature). Conscience is reflected in ethics (Rahardjo, 2018). Islamic work ethics, according to Zin et al. (2019), is the coordination of work and the recognition of work as a virtue in human life.

Islamic expectations for individual behavior in the workplace include tenacity, dedication, responsibility, collaboration, interpersonal connections, and inventiveness. In theory, having a close relationship with Allah SWT will cause one's views and actions to follow religious precepts. (Zin et al., 2017); (Zin et al., 2018); (Zin et al., 2019); (Zin et al., 2020). Previous research states that IWE contributes to business economic development and influences organizational success (Khalique et al., 2015).

Islamic ethics is a moral code that was developed by the Koran's teachings and clarified by the Prophet (PBUH) in both his words and deeds (Zin et al., 2017). Four fundamental components make up Islamic ethics: i) Justice; ii) Courage; iii) Wisdom; and iv) Patience. Islamic ethics is a type of authentic human spiritual practice that is manifested by his deeds and is ingrained in his soul. comprises doing what is right in
the eyes of God, family, and society. Islamic ethics will help people, particularly business owners, secure moral behavior and abstain from immorality. Additionally, he mentioned that Islamic work ethics hold that engaging in economic operations is a duty and that life is pointless for those who do not work.

A competent Muslim entrepreneur who possesses IC-related qualities including perseverance, dedication, innovation, cooperation, and the ability to compete would undoubtedly increase the company's value creation because IC supports an entity's competitive advantage (Zin et al., 2017). This is because the Islamic approach to individual development not only meets basic human needs but also offers chances for a better material life that can be used to the success of an enterprise (Zin et al., 2017).

**Intellectual Capital**

Intellectual Capital is advertising and marketing expenditures, research and product development activities, expenditures for labor, copyrights, franchises, interest to be received. Licenses, operating rights, patents, master recordings, confidential processes, trademarks and tradenames, organizational structures and values derived from brands (Venugopal & MV, 2015). In summary, it can be said that Intellectual Capital does not have a physical form. Intellectual capital cannot be generated by itself, but obtains value from network effects, which is a claim on future assets (Venugopal & MV, 2015).

Though it is a broad term, intellectual capital is sometimes separated into several kinds, the most common being human, relational, and structural capital (Starovic & Marr, 2004). IC is divided into five sub elements in this study in reference to (Zin & Adnan, 2016; Khalique et al., 2015; and Zin et al., 2017). These sub elements are as follows:

a. Human Capital. The availability of knowledge inside a company is represented by human capital. According to Bontis (1998), a company's human capital is its capacity to leverage staff knowledge to find the best solutions.

b. Organizational Capital. This refers to any non-human information within the company, such as procedures, organizational charts, databases, and anything else whose worth to the company exceeds its material value (Bontis, 1998).

c. Relational Capital. According to Bontis (1998), an organization's ties with its external environment, including those with suppliers, customers, partners, rivals, and delivery networks, are referred to as its Relational Capital.

d. Spiritual Capital. Khalique's ethical and religious convictions are contained in spiritual capital. According to Zin et al. (2017), spirituality is the foundation for faith in religion, which is predicated on the spirit, power, influence, and knowledge that come from it.

e. Technological Capital. This intangible capital is based on technical practice and innovative processes. According to Zin et al. (2017), technical knowledge is the use of production innovation techniques and product technology that gives a business a competitive edge.
Micro, Small and Medium Enterprises (MSMEs)

1. MSMEs in Indonesia

In Indonesia, legally the definition of small and medium enterprises is regulated in Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises. Law 20 of 2008 defines small business as a productive economy that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled or become part, either directly or indirectly, of Medium Enterprises or Large Enterprises. fulfill the Small Business criteria as intended in the Law.

Meanwhile, medium-sized businesses are defined as productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled or become part, either directly or indirectly, of small businesses or large businesses with total net assets. or annual sales proceeds as regulated in the Law. The following are the categories of MSMEs according to the law:

<table>
<thead>
<tr>
<th>Enterprises Scale</th>
<th>Total Net Worth (Land and Buildings not included)</th>
<th>Total Annual Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mediate</td>
<td>Rp 500 M &lt;x = Rp 10 B</td>
<td>Rp 2.5 B &lt;x = Rp 50 B</td>
</tr>
<tr>
<td>Small</td>
<td>Rp 50 M &lt;x = 500 M</td>
<td>Rp 300 M &lt;x = Rp 2.5 B</td>
</tr>
<tr>
<td>Micro</td>
<td>= Rp 50 M</td>
<td>= Rp 300 M</td>
</tr>
</tbody>
</table>

2. MSMEs in Malaysia

The definition of MSMEs according to the Malaysian Domestic Products Institute (LHDN) is: (a) companies owned by Malaysian citizens that have capital below 2.5 million ringgit and have no relationship with companies with capital above 2.5 million ringgits; (b) annual sales turnover of not more than 5 million ringgits (www.wecorporate.com.my). The development of Malaysian MSMEs, since 2004, SME GDP growth has consistently exceeded the country's overall economic growth. In the 2005-15 period, the average compound annual growth rate (CAGR) of SMEs was 7.0%, higher than the 4.9% CAGR of the economy as a whole. As a result, the contribution of SMEs to GDP increased from 29.6% in 2005 to 36.3% in 2015 (Source: SME Corp. Malaysia, 2021).

In 2015, SMEs also contributed 65.5% of total employment and 17.6% of total exports. Despite the positive performance of SMEs in recent years, the contribution of Malaysian SMEs to the overall economy remains relatively small compared to their counterparts in other developed and high-middle-income countries. Therefore, the Government launched the SME Masterplan in 2012 with the aim of mapping the development of SMEs in line with Malaysia's aspirations to become a high-income country by 2020 (Source: SME Corp. Malaysia, 2021).
Hypothesis Formulation

A company's ability to grow and survive will rely on its ability to both create new resources and make use of its existing ones (Wernerfelt, 1984). One type of resource that is crucial for creating business strategies and policies to outcompete rivals is intellectual capital. Ultimately, IC has a significant impact on a business's performance (Young et al., 2020). According to Zin et al. (2018), organizational capital, technological capital, human capital, and Islamic work ethics all have a big impact on how well a business performs. The following theory is put forth in light of the background that is now in place:

\[ H_1: \text{The unification of Islamic work ethics in Intellectual Capital has a positive effect on improving the performance of MSMEs in Malaysia and Indonesia} \]

\[ H_2: \text{There is a difference in the influence of the unification role of integrating Islamic work ethics in Intellectual Capital on the performance of Malaysian and Indonesian MSMEs} \]

METHOD

Population and Sample

The MSME creative industry of halal products is the research population. Non-probability (non-random) sampling was employed, and a purposive sampling strategy based on consideration was applied. When samples are chosen by non-probability sampling, the population's components do not have the same chance of being chosen as the sample. Respondents are MSMEs' managers or owners, based on the following standards:

1. Creative industry MSMEs that have been operating for a minimum of three years
2. MSMEs operate in the field of halal products

Operational Definition of Variables

The framework of Khalique et al. (2015) and Zin et al. (2017) is used in this study to analyze intellectual capital. It breaks down IC into five components:

a. Human Capital

Zin et al., (2017) outlined a number of Islamic work ethics that might motivate staff members to put in their best effort and have more human capital for company growth. These virtues include trust, devotion, commitment, hard work, accountability, and fairness. Six questions make up the questionnaire on human capital, and responses indicate how much they agree or disagree with the statements made thus far on a Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

b. Organizational Capital

The daily or internal operational procedures of the business are connected to organizational capital. Operating a firm, organizational work procedures, methods, processes, and philosophy must be applied in accordance with current Islamic ethics (Islamic Work Ethics), according to Zin et al. (2017). These are some of the OC issues linked to Islamic work ethics. Six questions make up the organizational capital
questionnaire. Respondents are asked to indicate on a Likert scale from 1 (strongly disagree) to 5 (strongly agree) how much they agree or disagree with the assertions as they stand.

c. Relational Capital

Relational capital pertains to the association between an organization and external entities. Alliances, vendors, clients, rival partners, and delivery networks are all considered RC goods. The Relational Capital questionnaire consists of seven questions that respondents must answer on a Likert scale indicating how much they agree or disagree with the claims that are made. One is strongly opposed to five is strongly in favor.

d. Spiritual Capital

The Questionnaire regarding Spiritual Capital consists of four questions that are answered on a Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree). Spiritual Capital is based on the enthusiasm, strength of influence, and knowledge resulting from religion (Zin et al., 2017).

e. Technology Capital

According to Jibir & Abdu (2021), technological capital is an intangible asset built on technical exercises and innovation processes that include research and development (R&D) and the protection of intellectual property. Four questions make up the technological capital questionnaire. Respondents must indicate on a Likert scale from 1 = Strongly Disagree to 5 = Strongly Agree with the statements that are presented.

Analysis Techniques

The analysis used is multiple regression with many independent variables. The regression model in this research is:

\[ SME = \alpha + \beta_1HUCA_1 + \beta_2ORCA_2 + \beta_3RECA_3 + \beta_4SPCA_4 + \beta_5TECA_5 + \epsilon \]

Information:

- SME : Performance of SMEs
- \( \alpha \) : constant
- \( \beta \) : regression coefficient
- HUCA \(_1\) : Human Capital
- ORCA \(_2\) : Organizational Capital
- RECA \(_3\) : Relational Capital
- SPCA \(_4\) : Spiritual Capital
- TECA \(_5\) : Technology Capital
- \( \epsilon \) : error

RESULT

Research result

Description of Research Objects

SMEs in Malaysia and Indonesia's creative industries make up the study's population. Purposive sampling is the method used for sample gathering. Table 2 contains information about sample acquisition. A total of 650 copies of the
questionnaires were delivered. Sixty-one copies of the questionnaires were never returned. Out of the total number of questionnaire copies, 523 copies (80.46%) could be processed due to incompleteness and noncompliance with the existing requirements.

The high response rate demonstrates the representativeness of the survey findings. As a result, response outcomes will have stronger statistical computations and more accuracy. Conversely, a poor response rate will lead to skewed data collection.

Table 2: Data Acquisition Results

<table>
<thead>
<tr>
<th>Information</th>
<th>Amount</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire sent</td>
<td>345</td>
<td>305</td>
<td></td>
</tr>
<tr>
<td>Unreturned questionnaires</td>
<td>-28</td>
<td>-33</td>
<td></td>
</tr>
<tr>
<td>Questionnaires that cannot be processed</td>
<td>-17</td>
<td>-49</td>
<td></td>
</tr>
<tr>
<td>Questionnaire Ready to be processed</td>
<td>300</td>
<td>223</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2021

Data analysis

Descriptive statistics

Table 3: Descriptive Statistics Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indonesia</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance (SME)</td>
<td>17.59</td>
<td>36.88</td>
</tr>
<tr>
<td>Human Capital (HUCA)</td>
<td>23.16</td>
<td>25.05</td>
</tr>
<tr>
<td>Organizational Capital (ORCA)</td>
<td>21.6</td>
<td>24.46</td>
</tr>
<tr>
<td>Relational Capital (RECA)</td>
<td>25.56</td>
<td>28.6</td>
</tr>
<tr>
<td>Spiritual Capital (SPCA)</td>
<td>17.9</td>
<td>17.93</td>
</tr>
<tr>
<td>Technology Capital (TECA)</td>
<td>15.49</td>
<td>16.92</td>
</tr>
</tbody>
</table>

The descriptive statistics that are currently available in Table 3 demonstrate that each variable's average value is higher than its standard deviation. This indicates that the distribution of data for both dependent and independent variables tends to be regularly distributed, and the average value is a reflection of all available data.

Validity and Reliability Test

Table 4: Validity and Reliability Test Results

<table>
<thead>
<tr>
<th>Human Capital</th>
<th>Organizational Capital</th>
<th>Relational Capital</th>
<th>Spiritual Capital</th>
<th>Technology Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test the validity of each question item from the Intellectual Capital Element</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item 1</td>
<td>.719</td>
<td>.673</td>
<td>.723</td>
<td>.920</td>
</tr>
<tr>
<td>Item 2</td>
<td>.764</td>
<td>.814</td>
<td>.707</td>
<td>.945</td>
</tr>
<tr>
<td>Item 3</td>
<td>.742</td>
<td>.822</td>
<td>.850</td>
<td>.908</td>
</tr>
<tr>
<td>Item 4</td>
<td>.742</td>
<td>.866</td>
<td>.804</td>
<td>.954</td>
</tr>
<tr>
<td>Item 5</td>
<td>.861</td>
<td>.887</td>
<td>.789</td>
<td>.</td>
</tr>
<tr>
<td>Item 6</td>
<td>.754</td>
<td>.737</td>
<td>.859</td>
<td>.</td>
</tr>
<tr>
<td>Item 7</td>
<td>.754</td>
<td>.737</td>
<td>.859</td>
<td>.</td>
</tr>
</tbody>
</table>

Reliability Test of each Intellectual Capital Element

| Cronbach's Alpha | .857 | .888 | .905 | .949 | .872 |
| N of Items       | 6    | 6    | 7    | 4    | 4    |
A validity test is used to determine the validity of a questionnaire. When the assertions in a questionnaire may provide quantifiable study findings, it is considered legitimate. The findings of the validity tests indicated that every item in the Intellectual Capital factor had a computed $r > 0.3$, indicating the validity of the questionnaire items.

A reliability test is a method for evaluating a questionnaire that serves as a construct or variable indicator. Every component of intellectual capital has a value of $> 0.60$ according to the reliability test results, indicating that each component is dependable.

**Table 5: Kaiser Meyer Olkin (KMO) Test Results**

| Kaiser–Meyer–Olkin Measure of Sampling Adequacy | .878 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 7096.030 |
| df. | 496 |
| Sig. | .000 |

**Factor Analysis**

Finding factors that can explain the link or correlation between different observable independent variables is done through the use of factor analysis. The KMO value in Table 5 is 0.878, indicating a value larger than 0.5. In the meantime, Bartlett's Test of Sphericity yields a significance of 0.000. It can be inferred from the current findings that the variables and samples employed permit more analysis.

**Classic assumption test**

**Table 6: Classic Assumption Test Results**

<table>
<thead>
<tr>
<th>Elements</th>
<th>Multicollinearity</th>
<th>Heteroscedasticity</th>
<th>Normality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
<td>VIF</td>
<td>Asymp. Sig. (2-tailed) N of Data</td>
</tr>
<tr>
<td>Intellectual Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Capital</td>
<td>.598</td>
<td>1.671</td>
<td>.429</td>
</tr>
<tr>
<td>Organizational Capital</td>
<td>.356</td>
<td>2.811</td>
<td>.788</td>
</tr>
<tr>
<td>Relational Capital</td>
<td>.440</td>
<td>2.272</td>
<td>.965</td>
</tr>
<tr>
<td>Spiritual Capital</td>
<td>.594</td>
<td>1.684</td>
<td>.376</td>
</tr>
<tr>
<td>Technology Capital</td>
<td>.514</td>
<td>1.945</td>
<td>.827</td>
</tr>
</tbody>
</table>

To create a regression model with unbiased findings and one that can be explained, the classical assumption test is used (Ghozali, 2016). The Heteroscedasticity, Multicollinearity, and Normality tests are the three traditional presumptions in this study.

If the Kolmogorov-Smirnov test scores are more than 0.05, then the data are considered normal. Based on the current test results, a 0.057 significance level was used to determine that the data was regularly distributed. Of the sample of data, 47 are outliers. There are no independent variables with a tolerance value of less than 0.100, according to the tolerance value computation findings. In addition, the VIF value results indicate that none of the independent variables have a VIF value greater than 10. Thus, it may be said that this data processing does not exhibit multicollinearity among independent variables. When $tk_{sig} < 0.5$ is found in the Glejser test results, heteroscedasticity is present. It is clear from the test results that there is no heteroscedasticity in the equation model as all of the variables have $tk_{sig} > 0.5$. 
Hypothesis testing

Table 7: Hypothesis Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indonesia Unstd B</th>
<th>Indonesia Sig</th>
<th>Malaysia Unstd B</th>
<th>Malaysia Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital (HUCA)</td>
<td>-0.007</td>
<td>0.889</td>
<td>-0.113</td>
<td>0.415</td>
</tr>
<tr>
<td>Organizational Capital (ORCA)</td>
<td>0.175</td>
<td>0.007</td>
<td>0.343</td>
<td>0.029</td>
</tr>
<tr>
<td>Relational Capital (RECA)</td>
<td>-0.135</td>
<td>0.004</td>
<td>0.453</td>
<td>0.003</td>
</tr>
<tr>
<td>Spiritual Capital (SPCA)</td>
<td>0.227</td>
<td>0.002</td>
<td>0.039</td>
<td>0.779</td>
</tr>
<tr>
<td>Technology Capital (TECA)</td>
<td>0.098</td>
<td>0.178</td>
<td>0.111</td>
<td>0.555</td>
</tr>
</tbody>
</table>

The t statistical test essentially illustrates the contribution of each independent variable to the explanation of variances in the dependent variable.

Indonesia

Table 7 shows that the F value for the data from Indonesia is 8,100 (sig: 0.000). This indicates that the explanatory variables and the performance of MSMEs in Indonesia are significantly correlated. Research already conducted indicates that neither human capital (HUCA) nor technology capital (TECA) can enhance the performance of MSMEs in Indonesia. The performance of MSMEs in Indonesia can be improved by relational capital (RECA), organizational capital (ORCA), and spiritual capital (SPCA).

Malaysia

In the meantime, a F data value of 16,430 (sig: 0.000) is displayed in Table 7 of the data processing results for Malaysia. This indicates that the explanatory variables and the performance of MSMEs in Indonesia are significantly correlated. Previous research indicates that there is no correlation between Human Capital (HUCA), Spiritual Capital (SPCA), and Technology Capital (TECA) and the enhancement of MSMEs' performance in Malaysia. Meanwhile, enhancing the performance of MSMEs in Malaysia is influenced by Relational Capital (RECA) and Organizational Capital (ORCA).

The model's capacity to explain the dependent variable is to be gauged by the coefficient of determination. Between zero and one is the range of the coefficient of determination. A low R^2 value indicates a minimal ability of the independent variable to define the dependent variable. For the dependent variable to be predicted, the value must be near to unity.

According to the test results, the Malaysian data has a higher coefficient of determination value of 0.258 (25.8%) than the Indonesian data, which has a coefficient of determination of just 0.106 (10.6%). Therefore, the performance of MSMEs in Indonesia cannot be fully explained by Islamic work ethics in the Intellectual Capital factor. Conversely, the performance of Malaysian MSMEs can be largely attributed to Islamic work principles within the Intellectual Capital component.
Difference Test t-test

Table 8: Difference Test Results t-test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean Indonesia</th>
<th>Mean Malaysia</th>
<th>F Count</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance (SME)</td>
<td>17.59</td>
<td>36.88</td>
<td>63.912</td>
<td>0.000</td>
</tr>
<tr>
<td>Human Capital (HUCA)</td>
<td>23.15</td>
<td>25.05</td>
<td>2.616</td>
<td>0.106</td>
</tr>
<tr>
<td>Organizational Capital (ORCA)</td>
<td>21.60</td>
<td>24.46</td>
<td>18.060</td>
<td>0.000</td>
</tr>
<tr>
<td>Relational Capital (RECA)</td>
<td>25.56</td>
<td>28.60</td>
<td>65.545</td>
<td>0.000</td>
</tr>
<tr>
<td>Spiritual Capital (SPCA)</td>
<td>17.90</td>
<td>17.93</td>
<td>0.540</td>
<td>0.463</td>
</tr>
<tr>
<td>Technology Capital (TECA)</td>
<td>15.49</td>
<td>16.92</td>
<td>18.474</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>300</td>
<td>223</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 8 shows that there are substantial variances in all factors between the data from Malaysia and Indonesia. The only factors that change slightly are Spiritual Capital (SPCA) and Technology Capital (TECA). These two variables show that there is no difference in the impact of the integration of Islamic work ethics in intellectual capital on the performance of Malaysian and Indonesian MSMEs between the data sets.

DISCUSSION

The resources and competencies that a corporation possesses affect its level of advancement. The resource-based perspective hypothesis, which holds that a company's resources and capabilities are crucial because they constitute the foundation of its competitive capacities and performance, supports Wernerfelt (1984) assertion.

The notion of resource-based vision serves as the foundation for seeing an organization's capabilities and resources as a source of long-term competitive advantage. It is clear that businesses or organizations who are able to make the most use of their resources will be highly productive and competitive. High levels of intellectual capital can benefit an organization's performance. With their financial and physical limitations, MSMEs can benefit from IC. MSMEs may overcome the current barriers and compete with larger businesses by having IC and using it to its fullest potential (Jordao & Novas, 2017; Young et al., 2020).

In essence, IC components can offer a clearer comprehension of ideas and how they affect the operation of businesses. Islamic Work Ethics (IWE) advises innovative and fruitful work as a means of improving organizational performance as well as individual pleasure (Zin et al., 2020). It is envisaged that integrating Islamic work principles into intellectual capital will enhance business performance.

The study's findings support those of Zin et al. (2019), which show that implementing Islamic work principles can lead to the development of intellectual capital. Additionally, the success of Indonesian MSMEs is influenced by Organizational Capital, Relational Capital, and Spiritual Capital, according to sample data. Other than that, the performance of MSMEs in Indonesia can still be explained by a wide range of variables that are not included in the model. In the meantime, relational and organizational capital have an impact on Malaysian MSMEs' performance. The
performance of MSMEs in Malaysia can be roughly described by the explanatory factors that were employed. The daily or internal operational procedures of the business are connected to organizational capital.

Operating a firm, organizational work procedures, methods, processes, and philosophy must be applied in accordance with current Islamic ethics (Islamic Work Ethics), according to Zin et al., (2017). These are some of the OC issues linked to Islamic work ethics. Relational capital pertains to the association between an organization and external entities. Alliances, vendors, clients, rival partners, and delivery networks are all considered RC goods. The performance of MSMEs in both nations is influenced by these two IC components. This relates to the bulk of Muslims in Malaysia and Indonesia, where Islam's teachings tangentially influence day-to-day existence. The significance of building relationships with all parties, even those deemed competitors.

In addition to Relational and Organizational Capital, Spiritual Capital has an impact on the success of MSMEs in Indonesia. This is because religious festivities like Maulidan, or the celebration of Muharram, are common in Indonesia. A significant portion of these festivities revolve around the acquisition of equipment, which is typically supplied by MSMEs (Jayanto, 2020). Overall, enhancing the performance of MSMEs in Malaysia and Indonesia through the integration of Islamic work principles in intellectual capital is similar. This result runs counter to the claim made by Nurcholisah (2020) that Islamic work ethics have no positive effect on the link between intellectual capital (IC) and financial success. This demonstrates that despite effective implementation, Islamic Work Ethics have not been able to stimulate and impact Intellectual Capital to raise performance levels. Increasing performance is still influenced by a wide range of external factors in addition to intellectual capital.

CONCLUSION

Several conclusions that can be drawn from this study are: (1). The high response rate indicates that MSMEs in both nations are working together to improve their enterprises; (2) Organizational, relational, and spiritual capital all have an impact on how well Indonesian MSMEs function. In the meantime, relational and organizational capital have an impact on Malaysian MSMEs' performance. The performance of MSMEs in Malaysia is comparatively better described by the independent factors that were used.

However, in both nations, the performance of MSMEs is unaffected by technological or human capital. Overall, enhancing the performance of MSMEs in Malaysia and Indonesia through the integration of Islamic work principles in intellectual capital is similar.

The research's shortcomings, meantime, are found in the test findings that are currently available; the independent variable—the Intellectual Capital component—is unable to provide an adequate explanation for the performance of MSMEs. Research recommendations for the future: (1). introducing independent variables—like capital
factors, financial literacy, and competency—that are connected to MSME performance; 
(2) creating observation objects for middle-level MSMEs.

REFERENCES


