ICIHRM

International Conference on Islamic Human Resources Management
Special Issue, 2024
https://ejournal.unida.gontor.ac.id/index.php/JTS/index

Human Capital In BPRS For Organizational Efficiency And Employee Productivity

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Abstract

This study aims to examine and analyze the role of human capital in improving organizational efficiency and employee productivity in Islamic People's Economic Banks (BPRS) in Indonesia. This research was conducted on 350 BPRS employees in East Java Province using purposive sampling technique. While data collection was done through questionnaires. The research was conducted because in 2024 out of 174 BPRS in Indonesia, only 7 BPRS have core capital exceeding Rp 50 billion. This limitation hampers the ability to provide adequate supporting infrastructure and high-quality human resources, especially in a market segment that demands the presence of high-quality human capital. Meanwhile, BPRS are still perceived as inferior to general banks by the public. Thus, this study provides strategic recommendations for BPRS management in improving organizational efficiency and employee productivity through human capital development. The results showed that human capital (HC) has a significant positive influence on improving employee roductivity (EP) with a coefficient value of $\beta = 0.406$ ($p < 0.05$) and organization efficiency (OE) with a coefficient value of $\beta = 0.416$ ($p < 0.05$). In addition, a healthy organization also has a significant positive effect on improving employee productivity (EP) with a coefficient value of $\beta = 0.262$ ($p < 0.05$). Overall, a healthy organization mediates the relationship between human capital and employee performance with an axb indirect effect value of 0.109 ($p < 0.05$).

Keywords: *Human Capital, Organizational Efficiency, Employee Productivity, Religiosity*

Introduction

Indonesia's predominantly Muslim population encourages entrepreneurs in the Islamic banking sector to establish Islamic banks that are able to meet the needs of the Muslim community in Indonesia (Khachaturyan, 2023). Islamic banking is an institution that operates based on Islamic sharia principles. Islamic banks have unique characteristics that distinguish them from other companies in terms of work principles and orientation (Brinton, 2023). The Islamic banking system operates on the principle of profit sharing and provides an alternative banking system that provides mutual benefits for the community and banks, by

emphasizing aspects of fairness in transactions, ethical investment, upholding the value of togetherness and brotherhood in production, and avoiding speculative activities in financial transactions (Neamțu, 2023). By providing a variety of banking products and services with diverse financial schemes, Islamic banking has become a credible and accessible alternative banking system for all Indonesians, especially the Muslim community (Alkhyyoon et al., 2023). The rapid development of Islamic banking has recorded an average asset growth of more than 75% per year in the last five years, which can play a significant role in supporting the national economy.

However, the problem is that the current intense competition in the Islamic banking industry is feared to have a negative impact on the performance of Islamic banking. Until now, Islamic banking still faces several obstacles such as limited capital, sources of funds, human resources (HR), and information technology that is still not reliable (Ab Hamid et al., 2023). Fierce competition in the Islamic banking service industry can negatively affect the performance of Islamic banking (Aman-Ullah & Mehmood, 2023). Until now, Islamic banking still faces several problems such as limited capital, sources of funds, human resources (HR), and unreliable information technology (IT). To advance the Islamic banking industry to become a leading player and play an important role in Indonesia, a prioritized strategy is needed for Islamic banking stakeholders (Lestiyawati, 2023). Islamic financial and banking product innovation is a key pillar in the development of this industry (Hidayat, 2023). Islamic banks need to offer many innovative products in order to grow well (Qabajeh et al., 2023). This effort is important because recently, Islamic banks have experienced slow growth and a decline in market share compared to conventional banks.

In order for Islamic banking product innovation to compete effectively, it requires the provision of competent and adequate human resources. Islamic bank management must place the creation of quality human resources as a top priority. In the current era of digital finance, the utilization of information technology in business processes is increasingly widespread and has become an unavoidable necessity (Hassan et al., 2023). The market share of Islamic banking in Indonesia remains promising as the majority of the population is Muslim. Human resources have become a strategic issue for Islamic banking in Indonesia. The quantity and quality of human resources is very important, especially in terms of IT capabilities to support the development of services and products for the community (Alsaghir, 2023). Another strategic issue is the low level of public understanding and awareness. Offering profit sharing alone may not be enough to attract customers to Islamic banks unless accompanied by excellent services that satisfy customers.

Islamic banks need to have competent human capital with specialized knowledge and expertise in Islamic aspects. This is critical for long-term organizational excellence (Boubaker et al., 2023). Education and experience contribute positively to human capital and are expected to increase productivity, entrepreneurial activity, and individual success (Alsaghir, 2023). Higher levels of education, work experience, and specific competencies can improve the performance of both individuals and organizations (Yudaruddin, 2023). In human capital theory, employees have rational freedom in choosing to invest their capital (Choi, 2023). Those who have quality human capital will tend to allocate a lot of time, effort, and money for education, training, and experience.

On this basis, this research was conducted because Sharia People's Economic Banks (BPRS) in Indonesia face challenges related to human resources. BPRS requires high quality human capital that has specialized knowledge and skills related to sharia aspects. Less qualified human resources can have an impact on unhealthy organizational growth and low employee performance. The reason for conducting this research is the slowing growth of BPRS business performance in Indonesia, especially in terms of market share, which demands the presence of high-quality human capital even though the Financial Services

Authority (OJK) Monthly Board of Commissioners Meeting on January 3, 2024 assessed that the stability of the national financial services sector is maintained, supported by strong capital, adequate liquidity, and a maintained risk profile so as to be able to face the potential slowdown in global economic growth.

Literature Review

In the existing literature over the past five years, there have been many studies highlighting the importance of human capital in improving organizational efficiency and employee productivity in the Islamic banking sector. These studies cover various aspects of human capital, such as education, training, work experience, and specialized competencies related to Shariah aspects (Ravina-Ripoll et al., 2023; Sarkar, 2020; Stock & McDermott, 2023). Some studies show that high levels of education and work experience have a positive contribution to individual and organizational performance (Butenko et al., 2023; Cao & Yu, 2023). Serenko also found that high levels of education and work experience can improve both individual and organizational performance (Serenko, 2023).

Ulatowska also stated that education and experience contribute positively to human capital and are expected to increase the productivity of entrepreneurial activities and individual success (Ulatowska et al., 2023). Alkhyyoon and Brinton emphasized the importance of specific competencies in Islamic aspects for long-term organizational excellence (Alkhyyoon et al., 2023; Brinton, 2023). Another research from Lerpold mentioned that human resources is a strategic issue for Islamic banking in Indonesia (Lerpold et al., 2023). Another strategic issue raised is the low level of public understanding and awareness of Islamic banking, which emphasizes the importance of excellent service to attract customers.

Research Method

This research uses quantitative method with *Structural Equation Modeling* (SEM) approach. This study aims to test and analyze the role of human capital in influencing organizational efficiency and employee productivity in Islamic Public Financing Banks (BPRS). The study population consisted of 350 BPRS employees in East Java Province, Indonesia, who were selected using purposive sampling technique based on certain criteria relevant to the research objectives. Data were collected through questionnaires covering demographic information, education level, training, work experience, employee competencies, efficiency in operational processes, time management, resource management, work output, work quality, and job satisfaction. Data analysis was conducted using the SEM method which involved several stages. First, SEM assumption tests were conducted to ensure normality, multicollinearity, and identification of outliers. Second, the measurement model was tested to ensure construct validity and reliability using convergent validity, discriminant validity, and reliability. Third, the structural model is tested to examine the relationship between variables in the model using path coefficients and significance levels. The SEM model used in this study includes a measurement model and a structural model. The measurement model consists of human capital variables measured through 4 indicators: (1) education; (2) training; (3) religiosity and (4) work experience, organizational efficiency variables measured through 3 indicators: (1) operational processes; (2) time management and (3) resource management, and employee productivity variables measured through 3 indicators: (1) work output, (2) work quality, and (3) job satisfaction. The structural model examines the relationship between human capital and organizational efficiency, as well as the relationship between human capital and employee productivity mediated by organizational efficiency. The collected

data were analyzed using AMOS statistical software. Interpretation of the results is based on the path coefficient and significance level to determine the relationship between the variables studied. The research results can certainly provide strategic recommendations for BPRS management in improving organizational efficiency and employee productivity through human capital development. Thus, this study provides a comprehensive framework for understanding and optimizing the role of human capital in the context of Islamic banking in Indonesia.

Measurement Equations Modeling:

$$HC = \lambda 1 \times Education + \lambda 2\ X\ Religiosity + \lambda 3\ X\ Training + \lambda 4\ X\ Work\ Ekperience + \boldsymbol{\epsilon} 1 \quad (1)$$

$$OE = \lambda 5\ \times Operational\ Process + \lambda 6 \times Time\ Management + \lambda 7 \times Resource\ Management + \epsilon 2 \quad (2)$$

$$EP = \lambda 8 \times Work\ Output + \lambda 9 \times Work\ Quality + \lambda 10 \times JobSatisfaction + \epsilon 3 \quad (3)$$

Structural Equations Modeling:

$$OE = \beta 1 \times HC + \zeta 1 \quad (4)$$

$$EP = \beta 2 \times HC + \beta 3 \times OE + \zeta 2 \quad (5)$$

Result and Discussion

Descriptive Analysis

Descriptive analysis helps in identifying patterns, trends, and relationships between the variables under study, thus providing a solid basis for making managerial decisions aimed at improving organizational performance and optimizing the use of human resources. Thus, this analysis plays an important role in informing employee development and training strategies in BPRS to be more effective and targeted.

Table 1. Descriptive Statistics and Zero Order Correlation

Variable	Mean	SD	1	2	3
Human Capital	6,21	0,77	1,000		
Organization Efficiency	6,97	0,69	0,287**	1,000	
Employee Productivity	7,43	0,65	0,314**	0,531**	1,000

Source: Processed Data by Reseacher (2024)

The mean for Human Capital is 6.21 with a standard deviation (SD) of 0.77. For Organization Efficiency, the mean is 6.97 with SD 0.69, while Employee Productivity has a mean of 7.43 with SD 0.65. The correlation between Human Capital and Organization Efficiency is 0.336, which is significant at the 0.01 level. The correlation between Human Capital and Employee Productivity is 0.314, also significant at the 0.01 level. In addition, the correlation between Organization Efficiency and Employee Productivity is 0.531, which is significant at the 0.01 level (**). This table shows that there is a significant positive relationship between Human Capital and Organization Efficiency and Employee Productivity, as well as between Organization Efficiency and Employee Productivity.

Convergent validity on the outer model

Serves to ensure that the indicators used to measure a particular construct are truly highly correlated with each other. This means that each indicator designed to measure a latent variable should show consistent and valid results in measuring the same concept. In the context of this research, convergent validity ensures that the various aspects of

human capital measured, such as the skills, knowledge, and competencies of employees in BPRS, indeed reflect the same dimensions of human capital. Thus, the research can confirm that the constructs used in the model are truly valid and reliable for evaluating organizational efficiency and employee productivity.

Table 2. Composite Reliability (CR) Value

Number	Construct	Composite Reliability	Information
1.	Human Capital (HC)	0.933	Reliable
2.	Organization Efficiency (OE)	0.815	Reliable
3.	Employee Productivity (EP)	0.926	Reliable

Source: Processed Data by Reseacher (2024)

For Human Capital (HC), the composite reliability value is 0.933, which is categorized as Reliable. Organization Efficiency (OE) has a composite reliability value of 0.815, also categorized as Reliable. Employee Productivity (EP) shows a composite reliability value of 0.926, which also falls into the category of Reliable. This table shows that all the measured constructs have a high level of reliability, indicating good internal consistency of the measurement instruments used in this study.

Discriminant validity on the inner model

Discriminant validity indicates that a construct has greater variance with its own indicators than the variance shared with other constructs. In the context of this research, discriminant validity helps confirm that Human Capital, Organization Efficiency, and Employee Productivity are distinct and non-overlapping concepts. This validity is important to ensure accurate interpretation of the research results, so that the conclusions drawn regarding the relationship between human capital, organizational efficiency, and employee productivity truly reflect the phenomenon being measured.

Table 3. Discriminant Validity

Variable	Employee Productivity (EP)	Human Capital (HC)	Organizational Efficiency (OE)
Employee Productivity (EP)	**0.648**		
Human Capital (HC)	0.528	**0.817**	
Organization Efficiency (OE)	0.619	0.511	**0.713**

Source: Processed Data by Reseacher (2024)

In the table, there are three variables tested, namely Employee Productivity (EP), Human Capital (HC), and Organization Efficiency (OE). Each of these variables has a value that describes the correlation with other variables, as well as a bolded diagonal value that shows the value of the variable's self-construct validity. For the Employee Productivity (EP) variable, the correlation value with Employee Productivity (EP) is 0.648. The correlation value between Human Capital (HC) and itself is 0.817, and the correlation value between Organization Efficiency (OE) is 0.713. These bolded diagonal values indicate that each construct has greater discriminant validity than the correlation with other constructs.

Analysis Result of Outer Model Test

To evaluate the reliability and validity of the measurement instruments used in research, the Outer model test includes several important aspects, such as convergent validity, discriminant validity, and construct reliability. Convergent validity ensures that the indicators used to measure a construct truly reflect that construct. Discriminant validity ensures that different constructs are indeed empirically different. Meanwhile, construct reliability measures the internal consistency of the indicators. By conducting an outer model test, researchers can ensure that the measuring instruments used in this study are accurate and reliable, so that the results of research on the impact of human capital on organizational efficiency and employee productivity in BPRS become valid and credible.

Table 4. Analysis Result of Outer Model Test

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)	Sig.
ep1 <- EP	0.617	0.792	0.080	0.075	18.088	0.000
ep2 <- EP	0.781	0.797	0.065	0.076	16.146	0.000
ep3 <- EP	0.713	0.580	0.065	0.087	5.200	0.000
ep4 <- EP	0.831	0.790	0.043	0.069	18.284	0.000
ep5 <- EP	0.703	0.659	0.203	0.222	5.880	0.000
ep6 <- EP	0.609	0.698	0.149	0.199	7.215	0.000
ep7 <- EP	0.838	0.797	0.099	0.089	16.611	0.000
ep8 <- EP	0.527	0.664	0.088	0.088	9.738	0.000
ep9 <- EP	0.819	0.595	0.086	0.066	5.826	0.000
ep10 <- EP	0.811	0.733	0.087	0.054	14.467	0.000
hc1 <- HC	0.810	0.790	0.094	0.044	16.238	0.000
hc2 <- HC	0.729	0.892	0.077	0.087	17.862	0.000
hc3 <- HC	0.798	0.826	0.074	0.064	12.103	0.000
hc4 <- HC	0.724	0.794	0.095	0.065	13.315	0.000
oe1 <- OE	0.762	0.826	0.076	0.056	17.612	0.000
oe2 <- OE	0.762	0.498	0.179	0.189	4.610	0.002
oe3 <- OE	0.622	0.620	0.194	0.144	2.621	0.023
oe4 <- OE	0.694	0.725	0.090	0.090	13.821	0.000
oe5 <- OE	0.715	0.674	0.198	0.188	7.437	0.000

Source: Processed Data by Reseacher (2024)

This table contains several indicators that measure three main constructs: Employee Productivity (EP), Human Capital (HC), and Organizational Efficiency (OE). For each indicator listed, the table includes several columns that provide detailed information. The Path column shows the path or relationship between the indicator and the measured construct. The Original Sample (O) column displays the original value of the sample. The Sample Mean (M) column shows the sample mean, while the Standard Deviation (STDEV) and Standard Error (STERR)" provide measures of variation and standard error respectively.

The column "T Statistics (|O/STERR|) presents the value of the t statistic, which is used to test the significance of the path. The last column, Sig., shows the statistical

significance value (p-value) for each path. The results presented in this table show that all tested paths have high t-statistic values and low significance values (less than 0.05), indicating that all paths are statistically significant. This indicates that the indicators used in this study validly and reliably measure the intended constructs, namely EP, HC, and OE. Thus, the results of this outer model test provide strong support for the validity and reliability of the measurement instruments used in the study.

Determination coefficient of endogenous variable

The coefficient of determination of endogenous variables serves to measure how well the research model can explain variations in these endogenous variables. This coefficient is expressed in the R-squared (R^2) value which ranges from 0 to 1. An R^2 value close to 1 indicates that most of the variability in the endogenous variables can be explained by the exogenous variables in the model, indicating that the model has a good level of explanation. In the context of this study, the coefficient of determination will show the extent to which human capital factors in BPRS contribute to organizational efficiency and employee productivity, helping researchers understand the relationship and impact of human capital on these organizational outcomes.

Table 5. R^2 Value of Endogenous Latent on Inner Model

Exogenous Variable	Endogenous Variable	R2 Value
Human Capital (HC)	Organization Efficiency (OE)	0,239
Human Capital (HC) Organization Efficiency (OE)	Employee Productivity (EP)	0,381

Source: Processed Data by Reseacher (2024)

The first line shows that Human Capital (HC) as an exogenous variable has an R^2 value of 0.239 against Healthy Organization (HO) as an endogenous variable. The second row shows that Human Capital (HC) and Organization Efficiency (OE) as exogenous variables have an R^2 value of 0.381 on Employee Productivity (EP) as the endogenous variable. To calculate the total determination coefficient (Q^2) value, we can use the following formula:

$$Q^2 = 1 - (1 - 0,239) * (1 - 0,381)$$
$$Q^2 = 1 - (0,761) * (0,619)$$
$$Q^2 = 1 - 0,471659$$
$$Q^2 = 0,528341$$

Thus, the total determination coefficient (Q^2) value is 0.528. This indicates that the combination of exogenous variables HC and OE is able to explain about 52.8% of the variance of the endogenous variables HO and EP.

Q^2 Predictive relevance

To assess how well the developed model is able to predict endogenous variables. The Q^2 value is obtained through blindfolding techniques and reflects the predictive ability of the structural model on the observed data. If the Q^2 value is greater than zero, it indicates that the model has good predictive ability; conversely, if the value is close to or below zero, the model is considered to have weak predictive ability. In the context of this study, Q^2 Predictive Relevance is used to evaluate how effective Human Capital is in influencing organizational efficiency and employee productivity, as well as ensuring that the model used can be relied upon to make accurate predictions regarding the relationship between these variables.

Table 6. Q2 Predictive relevance

Variable	1-SSE/SSO	R Square
EP	0.078	0.264
HC	0.214	
OE	0.048	0.210

Source: Processed Data by Reseacher (2024)

The table provides an overview of the predictive relevance and R Square values of the three variables, namely EP, HC, and HO. The predictive relevance is measured through the 1-SSE/SSO value, while the R Square value measures the proportion of variability that can be explained by the model. The EP variable has a 1-SSE/SSO value of 0.078 and an R Square value of 0.264, which indicates that 26.4% of the variability in the EP variable can be explained by the model. The HC variable shows the highest 1-SSE/SSO value of 0.214, with an R Square value of 0.210, indicating that 21.0% of the variability in the HC variable can be explained by the model. Meanwhile, the HO variable has the lowest 1-SSE/SSO value of 0.048 and an R Square value of 0.210, which also indicates that 21.0% of the variability in the HO variable can be explained by the model. From this table, it can be concluded that the HC variable has the highest predictive relevance, while the HO variable has the lowest predictive relevance, although the R Square values for HC and HO are the same.

Q2 Quality indexes

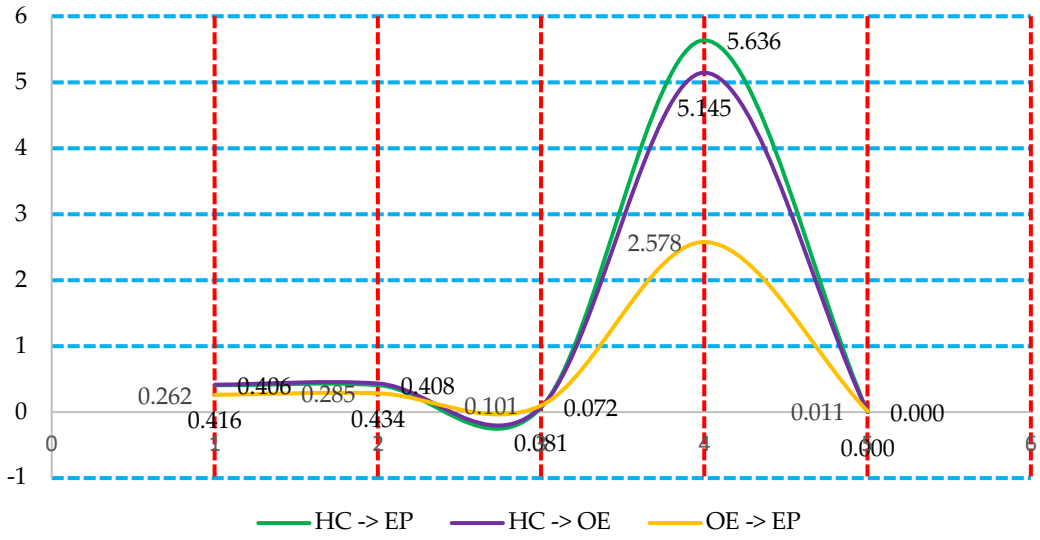
This table shows the R^2 and communalities of some key variables, as well as the calculated mean and GoF values.

Table 7. GoF Result

Variable	R Square	Communality
EP	0.321	0.448
HC		0.638
OE	0.173	0.406
Mean	0.247	0.497
GoF	0.351	

Source: Processed Data by Reseacher (2024)

Employee Productivity (EP) has an R^2 value of 0.321, indicating that 32.1% of the variance of EP can be explained by the model. Communality for EP is 0.448, indicating that 44.8% of the variance of EP is explained by the indicators measuring this variable. Human Capital (HC) does not have an R^2 value because it acts as an exogenous variable in the model, but it has a communalities value of 0.638, which means that 63.8% of the variance of HC is explained by its indicators. Organization Efficiency (OE) has an R^2 value of 0.173, indicating that 17.3% of the variance of OE can be explained by the model, with a communalities value of 0.406, indicating 40.6% of the variance is explained by its indicators. The mean R^2 value for endogenous variables was 0.247, and the mean communalities value was 0.497. The GoF value for the model is 0.351, which indicates how well the model fits the observed data. This GoF value is calculated by taking the square root of the average product between the mean communalities value and the mean R^2 value. Overall, this table shows how well the proposed model is able to explain the variance of the analyzed variables and provides an overall measure of the model fit through the GoF value.



Source: Processed Data by Reseacher (2024)

Figure 1. Scatter Path Diagram

The chart is a path diagram illustrating the relationships between Human Capital (HC), Organizational Environment (OE), and Employee Productivity (EP) through three distinct paths HC -> EP, HC -> OE, and OE -> EP. The green line represents the direct relationship between Human Capital and Employee Performance, showing an initial path coefficient of 0.262 that rises to a peak of 5.636, indicating a substantial increase in impact. The purple line depicts the relationship between Human Capital and Organizational Environment, starting with a coefficient of 0.406 and reaching a peak of 5.145, highlighting the significant influence Human Capital has on the Organizational Environment, which in turn affects Employee Performance. The yellow line shows the relationship between Human Environment and Employee Performance, beginning with a coefficient of 0.416 and peaking at 2.578, indicating that Human Environment also plays a vital role in enhancing Employee Performance, although its impact is smaller compared to the other paths. Overall, the chart demonstrates that Human Capital significantly influences both Organizational Environment and Employee Performance, with Organizational Environment also contributing to improved Employee Performance. Human Environment positively affects Employee Performance, albeit to a lesser extent than Human Capital.

Q^2 Predictive relevance

Inner model test results show the results of testing the internal model by examining three hypotheses involving the paths between HC -> EP, HC-> OE, and OE-> EP variables.

Table 8. Inner model test result

Hypothesis	Path	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	T Statistics (|O/STERR|)	Sig.
1	HC -> EP	0.406	0.408	0.072	5.636	0.000
2	HC -> OE	0.416	0.434	0.081	5.145	0.000
3	OE -> EP	0.262	0.285	0.101	2.578	0.011

Source: Processed Data by Reseacher (2024)

The results of the inner model test include three hypotheses regarding the relationship between HC, OE, and EP variables. The first hypothesis (HC -> EP) shows an Original Sample

(O) value of 0.406 and a Sample Mean (M) of 0.408, with a Standard Error (STERR) of 0.072 and T Statistics of 5.636, which shows significance with a p-value of 0.000. The second hypothesis (HC -> OE) has an Original Sample (O) value of 0.416 and a Sample Mean (M) of 0.434, with a Standard Error (STERR) of 0.081 and T Statistics of 5.145, also significant with a p-value of 0.000. The third hypothesis (OE -> EP) shows an Original Sample (O) value of 0.262 and Sample Mean (M) of 0.285, with a Standard Error (STERR) of 0.101 and T Statistics of 2.578, which is also significant with a p-value of 0.011. These results indicate that all paths tested in the model are significant, with the effect of HC on EP and OE, as well as the effect of HE on EP, proving significant and reliable in the model used.

Indirect effect

This table highlights the relationship between the exogenous variable (Human Capital - HC), the mediating variable (Organizational Efficiency - OE), and the endogenous variable (Employee Productivity - EP). The indirect effect is measured through several key metrics, namely axb value, Z-test, t-value, p-value, and the final decision on mediation.

Table 9. Calculation Result of Indirect Influence on the Inner Model

Exogenous	Mediation	Endogenous	Sobel t Test			Decision
			axb	Z-test	p-value	
HC	OE	EP	0.109	2.305	0.021	Mediate

Source: Processed Data by Reseacher (2024)

Human Capital (HC) as an exogenous variable affects Employee Productivity (EP) through Organizational Efficiency (OE) as a mediating variable. The value of axb, which represents the indirect effect, is 0.109. The Z-test gives a value of 2.305, which indicates that this indirect effect is significant. The p-value of 0.021 is less than 0.05, which means that this result is statistically significant at the 5% significance level. The final verdict in this table is that there is a mediating effect of Healthy Organization (HO) in the relationship between Human Capital (HC) and Employee Productivity (EP). In other words, Organizational Efficiency (OE) mediates the effect of Human Capital (HC) on Employee Productivity (EP), indicating that Human Capital improves employee performance indirectly by creating a healthier organization.

Discussion

Key Findings

Human Capital on Employee Productivity and Organizational Efficiency

High-quality human capital, which consists of education, training, and work experience, significantly contributes to employee performance. This is consistent with the human capital theory proposed by (Haughton & Ivey, 2023; Khachaturyan, 2023; Nag & Malik, 2023), which states that investment in education and training can increase employee productivity., which states that investment in education and training can increase employee productivity.

A healthy organization, which is characterized by the efficiency of operational processes (King & Gunewardena, 2022)good time management (Cappelli, 2023)and effective resource management (Nag & Malik, 2023), were also found to have a positive effect on employee performance. This suggests that a good work environment can improve employee productivity and job satisfaction.

Mediation Effect

A healthy organization acts as a mediator in the relationship between human capital and employee performance in this case as said (Li, 2023). This suggests that human capital not only has a direct impact on employee performance but also through improving organizational efficiency.

Predictive Relevance and Model Validity

The R-squared (R^2) and Q^2 predictive relevance values indicate that the research model has good predictive ability. These values indicate that the exogenous variables (human capital and organizational efficiency) are able to explain most of the variability in the endogenous variable (Employee Productivity).

Literature Review and Accepted Theory

This research is supported by existing literature that highlights the importance of human capital in improving organizational efficiency and employee productivity, especially in the context of Islamic banking. Some previous studies, such as the one conducted by Ravina Ripoll, which showed that high education and work experience contribute positively to individual and organizational performance (Ravina-Ripoll et al., 2023). In addition, the human capital theory proposed by (Bardy, 2023) emphasizes the importance of specific competencies in Islamic aspects for long-term organizational excellence.

Employee Religiosity

Employee religiosity in Islamic banking is very important because bank operations are based on Islamic sharia principles (Boubaker et al., 2023). Employees who have a good understanding of sharia principles tend to be more competent in performing their duties in accordance with Islamic ethical values, which in turn increases customer trust and overall bank performance (Ahmad & Yahaya, 2023). This is in line with research findings showing that human capital with specific knowledge and skills related to sharia aspects directly contributes to individual and organizational performance.

Conclusion

This study reveals that human capital (HC) has a significant positive influence on improving employee performance (EP) in the context of Islamic People's Economic Banks (BPRS) in Indonesia. This suggests that high quality human capital, with specialized knowledge and skills related to sharia aspects, directly contributes to individual employee performance in Islamic banks. In addition, this study also found that human capital (HC) plays an important role in improving a Organizational Efficiency (OE). Organizational Efficiency, characterized by excellent organizational performance both collectively and individually, also has a significant positive effect on employee performance (EP). The results of this study show that a healthy organization acts as a mediator between human capital and employee performance, indicating that organizational quality facilitates the positive relationship between individual characteristics and organizational performance.

Theoretically, this study contributes to the strengthening of construct measurement of healthy organization theory in the context of Islamic banking, as described by Ravina-Ripoll and Bardy. In addition, the construction of human capital (HC), which is influenced by Capelli's framework, as well as employee performance, as described by Malik, is strengthened in this study. The results of this study also provide a significant theoretical contribution regarding the causality between human capital, healthy organization, and employee

performance, suggesting that these factors are interrelated in achieving the goal of optimal organizational performance.

The managerial contributions of this study include strategic recommendations and policies that can be implemented by managers, such as improving the performance of Islamic bank employees through the implementation of a new vision of Islamic banking that is in line with the grand strategy of Islamic banking and policies from Bank Indonesia. This refers to the need for professional human resources, healthy organizations, and superior employee performance as part of the effort to maintain and increase market share and reputation of Islamic banks in Indonesia. In addition, this study provides encouragement to improve the positioning, differentiation, and branding of Islamic banks through improved employee performance in terms of products and services, with a focus on the aspects of human capital and a healthy organization, which must be aligned with existing strategies and policies.

In terms of research limitations, there are several aspects that need to be considered. For example, the causality between human capital, healthy organization, and employee performance can be extended by considering other variables such as employee retention, organizational commitment, employee innovation, and company competitive advantage. In addition, although validity and reliability have been tested, responses from the questionnaire may be influenced by the situation and conditions when the research was conducted, so further research could consider in-depth interviews with respondents. Finally, this study only took samples in East Java Province using purposive sampling technique , so further research needs to be conducted in other provinces in Indonesia as well using purposive sampling technique for better generalization to the population of Islamic banking employees in Indonesia.

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