# Analysis of Determinants of MSMEs Performance

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***Abstract:***

*Various business sectors carried out by MSMEs actors continue to experience growth and development. This fact confirms that MSMEs has promising potential for expansion and provides good opportunities for business actors. The same goes for MSMEsactors in Bendungan Village, Gajahmungkur Sub-district, Semarang. They must consistently improve their performance to continue to provide positive contributions to the local population. Social capital and financial capital need attention, besides continuously honing the human resource capabilities of MSMEs actors. Based on the above, research conducted on 103 UMKM actors in Mranggen District, Demak Regency, successfully proves that (1) partially, social capital and financial capital have a significant positive effect on MSMEs performance, and (2) human resource competence proves to strengthen the influence of social capital and financial capital on MSMEs performance. The resulting coefficient of determination is 30.3%.*

***Keywords:*** *Social Capital; Financial Capital; Human Resource Competence; MSMEs Performance*

## 1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are a business sector that has a very important role in the economy, both at the national and global levels. MSMEs are considered a strong fortress in facing various dynamics that occur in the economy. When Indonesia experienced a multidimensional crisis in 1998, many large companies were forced to close down because they were unable to survive the crisis. Many large companies experienced a financial collapse that made them unable to fulfill their credit payment obligations, while on the other hand, the national banking sector was also facing chaos (Salim et al., 2020).

But on the other hand, MSMEs can survive. During this crisis, MSMEs became a lifeline for the national economy, especially in creating jobs for those affected by layoffs (Saragih et al., 2022). MSMEs also play a very important role in terms of the number and absorption of labor. For example, the Ministry of Cooperatives and MSMEs notes that the number of MSMEs in Indonesia continues to increase from year to year.

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It cannot be denied that Micro, Small and Medium Enterprises (MSMEs) play a central role in the Indonesian economy. Apart from playing a role in absorbing Indonesia's workforce and economy, MSMEs also have the potential to be the main driver in distributing development benefits to all parts and regions in Indonesia. The MSME sector is the focus of attention because of its large contribution to the Indonesian economy. MSMEs are considered a resilient sector in facing the global financial crisis because the majority of their access is conventional.

However, even though it has great potential, the MSME sector in Indonesia generally has several obstacles. From an internal perspective, it is recorded that around 60-70% of MSMEs do not have access or banking financing. This is related to financial capital where many MSME players are categorized as non-bankable. Apart from that, MSME managers generally have limited knowledge regarding financial management and reporting, which in turn makes it difficult for MSMEs to assess performance (Ellen et al., 2022; Ssempala et al., 2018).

Another factor that is also the key to the success of an MSME is social capital. Social capital is a collection of resources needed by individuals or groups so that they can have a more durable network of institutional relationships for mutual recognition and respect (Amri et al., 2020). In running a business, like it or not, entrepreneurs must always maintain relationships with entrepreneurs. The relationship between one business actor and another is not really taken into account in influencing the performance of an MSME (Salim et al., 2021).

Business actors in the Bendungan Village area, Gajahmungkur District, Semarang have been doing this for generations. Various types of home industry products are made and marketed by MSME players. Apart from focusing on increasing sales turnover, quite a few business actors are experiencing difficulties related to financial issues. Many actors need additional working capital but find it difficult to obtain loan funds from banks or other financial institutions. On the other hand, actors must also always maintain good relations between entrepreneurs and the community so that business continuity can be maintained and continue to strive to improve their competencies.

Departing from the problems above, this research needs to be carried out with the aim of analyzing the influence of social capital and financial capital which can have an impact on efforts to improve performance by taking as an object the MSMEs in the Bandengan Subdistrict area, Gajahmungkur District, Semarang using human resource competency as a moderating variable. It is hoped that this research can contribute to efforts to improve the performance of MSMEs.

## 2. Theoretical Background

### The Relationship between Social Capital and MSME Performance
Social capital is a very crucial factor for Micro, Small and Medium Enterprises (MSMEs) in their efforts to improve their business performance. This is due to the

quality of relationships built through aspects of togetherness, a sense of kinship, mutual trust and understanding between MSME owners and stakeholders, which become social capital assets for MSMEs (Setini et al., 2021). Additionally, the social capital possessed by MSME actors can also be measured from various indicators, such as the ability to build cooperation and trust, active participation in the local community, focus on customer interests, and having an extensive business network (Analia et al., 2020). The level of goodness in these matters possessed by MSMEs will have a direct impact on their business performance. Based on this, the following hypothesis is formulated:

*H1: Social capital has a significant positive effect on MSME performance*

**The Relationship between Financial Capital and MSME Performance**
The type of financial capital owned by Micro, Small and Medium Enterprises (MSMEs) has a direct influence on their business performance (Winarsih et al., 2021). This is because the ability to plan and implement business strategies becomes better and more effective. Apart from that, MSME players will be better able to meet funding needs to maintain business continuity. The direct impact of financial capital can be seen from several indicators, such as the use of internal capital and loans, the allocation of a portion of profits for additional business capital, and the level of profit and increase in MSME capital accumulation (Lubis & Irawati 2022). The better these conditions, the greater the influence on MSME performance. Based on the above, the following research hypothesis can be formulated.

*H2: Financial capital influences the performance of MSMEs*

**Relationship between Social Capital, MSME Performance and Human Resource Competency**
Social capital refers to the network of relationships, trust, mutual understanding and cooperation built between MSME actors and stakeholders such as customers, business partners and local communities. Human resource competency in this context refers to the ability, knowledge, skills and capabilities of the workforce involved in MSMEs to manage the business effectively (Safii & Rahayu 2022). Research on the relationship between social capital, MSME performance and human resource competence often considers the moderating effect that HR competency factors have on the correlation between social capital and MSME performance. When HR competency is high, the positive influence of social capital on MSME performance tends to be stronger or more significant. Thus the following hypothesis can be formulated:

*H3: Human resource competency strengthens the influence of social capital on MSME performance*

**Relationship between Financial Capital, MSME Performance and Human Resource Competency**

Financial capital refers to the financial resources available to MSMEs, such as own capital, loans, or other financial assets. MSME performance is a measure of the achievements or results obtained by MSMEs in carrying out their operations, such as increasing income, profitability, market share and business sustainability. Human resource (HR) competency refers to the abilities, knowledge, skills and capabilities of the workforce involved in MSMEs (Triono et al., 2021). This factor can moderate or influence the relationship between financial capital and MSME performance. For example, competent human resources may be able to more effectively use available financial resources to improve business performance (Haryono, 2020). The moderating impact of human resource factors on the relationship between financial resources and MSME performance provides useful insight into the importance of HR management in improving MSME business results. Thus a hypothesis can be made:

*H4: Human resource competency strengthens the influence of financial capital on MSME performance*
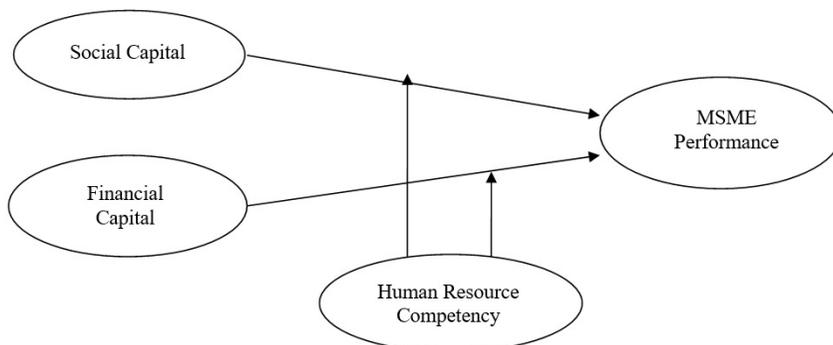
**Research Model**



**Figure 1. Research Model**

## 3. Methodology

The population of this research is all MSMEs in Bendungan Village, Gajahmungkur District, Semarang. The sampling technique uses the census method. The type of data in this research is primary data obtained from the answers of respondents from MSME actors in the traditional food sector. The data collection method uses questionnaires and also interview techniques.

Data analysis techniques use: (1) Descriptive statistical methods to describe the characteristics of each research variable. The data that has been collected is then tabulated into a table and a descriptive discussion is carried out. Descriptive measures are the provision of numbers, or in the form of percentages. (2) Inferential analysis, is a data analysis technique using a variance-based approach or often known as Partial Least Square (PLS) for testing models or relationship structures between variables. PLS considerations used in this research: (a) Partial Least Square (PLS) is an analysis

method that can be applied to all scale data, does not require many assumptions and the sample size does not have to be large (Solimun, el at, 2006) and (b) Model This research uses two exogenous variables, namely social capital and financial capital, one moderating variable, namely human resource competence, and one dependent variable, namely the performance of MSMEs.

## 4. Empirical Findings/Result

**Respondent Profile**
This research used data from 103 MSME respondents who were willing to participate in this research, of which 71 were women and 32 were men. Most respondents (68%) were aged 31-50 years. A total of 50 respondents (48.5%) had a final education equivalent to high school. If we look at the experience of running MSMEs, 45 respondents (43.7%) have 1-5 years of experience and 38 people (36.9%) have 6-10 years of experience. Then based on status or position in MSMEs, the majority of respondents (95.1%) or 98 people were MSME actors or owners, while the rest (5 people) had the status of MSME employees. Furthermore, if we look at the type of business, 68 respondents or 66% are engaged in the food sector while the rest chose the type of business in the fashion, cosmetics, grocery store and furniture sectors.

**Description of Research Variables**
Data is presented in average form, which will be interpreted based on a five-level or category scale, using the following formula:

$$Interval = \frac{highest\ value - lowest\ value}{Number\ of\ Classes} = \frac{5-1}{5} = 0,8$$

Furthermore, the variable assessment criteria can be explained as follows:
1.00-1.80 = very low or very poor
1.81-2.60 = low or poor
2.61-3.40 = quite good
3.41-4.20 = good
4.21-5.00 = very good

**Table 1. Social Capital Answer Description (X1)**

| No | Statements | Frequency of Answers | | | | | Mean | Noted |
|----|-----------|---|---|---|---|---|------|-------|
| | | 1 | 2 | 3 | 4 | 5 | | |
| 1 | In my opinion, collaborating with various parties will make my product marketing even better. | 0 | 0 | 4 | 46 | **53** | 4,48 | Very good |
| 2 | Hiring employees from the local community is one way I interact with the community. | 0 | 2 | 18 | **54** | 29 | 4,07 | Good |
| 3 | I feel that the smooth running of my business is also influenced by the role of local residents. | 0 | 4 | 21 | **49** | 29 | 4,00 | Good |
| | Overall average | | | | | | 4,17 | Good |

Based on Table 1, the most answers (mode) are scores 4 and 5, which means the respondent's Social Capital (X1) is said to be high/good and very high/very good. The

overall average response of respondents was 4.17, ranging from 3.41 - 4.20, which is in the good category.

### Table 2. Financial Capital Answer Description (X2)

| No | Statements | Frequency of Answers | | | | | Mean | Noted |
|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | | |
| 1 | By using my own capital, I feel calmer and more comfortable in running my business. | 0 | 1 | 6 | **61** | 35 | 4,26 | Very good |
| 2 | Using loan funds will increase my enthusiasm for running a business. | 1 | 3 | 20 | **57** | 22 | 3,93 | Good |
| 3 | As the amount of profit increases, it means increasing the amount of business capital. | 0 | 5 | 9 | **56** | 33 | 4,14 | Good |
| | Overall Average | | | | | | 4,11 | Good |

Based on Table 2, the highest answer (mode) is score 4, which means financial capital (X2) can be said to be good. Overall, the average response of respondents was 4.11, ranging from 3.41-4.20, which is in the good category.

### Table 3. Human Resource Competency Answer Description (M)

| No | Statements | Frequency of Answer | | | | | Mean | Noted |
|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | | |
| 1 | My educational background determines the type of business I run now. | 2 | 7 | 32 | **46** | 16 | 3,65 | Good |
| 2 | My experience in running a business influences the success of the business I run now. | 1 | 6 | 14 | **48** | 34 | 4,05 | Good |
| 3 | In my opinion, managing business money needs to be differentiated from personal money. | 1 | 6 | 6 | 41 | **49** | 4,27 | Very good |
| 4 | The marketing methods that I have been using have proven successful in increasing the number of my customers. | 0 | 6 | 12 | **54** | 31 | 4,07 | Good |
| 5 | My management skills in managing my business have greatly influenced the success of my business. | 0 | 3 | 12 | **57** | 31 | 4,13 | Baik |
| | Overall Average | | | | | | 4,03 | Baik |

Based on Table 3, it is known that the most answers (mode) are scores 4 and 5, which means HR Competency (M) can be said to be good - very good. Overall, the average of 4.03 is in the good category, ranging between 3.41 - 4.20 which is in the good to very good category.

### Tabel 4. MSME Performance Answer Description (Y)

| No | Statements | Frequency of Answer | | | | | Mean | Noted |
|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | | |
| 1 | My business profits have increased from year to year. | 0 | 1 | 20 | **57** | 25 | 4,03 | Good |
| 2 | While running my business, the number of my customers always increases. | 0 | 1 | 16 | **66** | 20 | 4,02 | Good |
| 3 | The increase in my product sales turnover has increased at certain times. | 0 | 0 | 5 | **73** | 25 | 4,19 | Good |
| 4 | I agree that additional production equipment needs to be done to increase the production capacity of the business. | 0 | 1 | 6 | **49** | 47 | 4,38 | Very good |
| | Overall Average | | | | | | 4,16 | Good |

Based on Table 4, it is known that the most answers (mode) are scores 4 and 5, which means that the performance of MSMEs (Y) is said to be good to very good. Overall,

the item average of 4.16 is in the good category, ranging between 3.41 - 4.20 which is in the good to very good category.

**Loading Factor**

The need to test construct unidimensionality is carried out as an effort to prove the convergent validity evaluation of each construct indicator. Ghozali (2014) states that an indicator is considered to have good reliability if its value is greater than 0.70. However, for models that are still in the development stage, a loading factor of 0.50 to 0.60 is still acceptable. Therefore, indicators that have a loading value below 0.50 will be eliminated from the analysis.
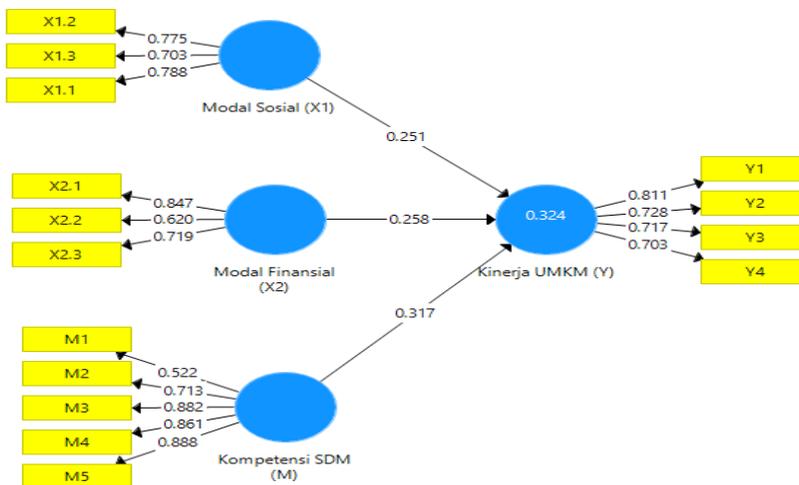


**Figure 2. Outer Model**

Based on this criterion, indicators with a loading value > 0.50 will be retained and can be used for further analysis.

**Table 5. Factor Loading Test Results for each Item**

| Latent Construct | Indicator | Loading Factor Value | Noted |
|---|---|---|---|
| Social Capital (X1) | X1.1 | 0,788 | > 0,5 |
| | X1.2 | 0,775 | > 0,5 |
| | X1.3 | 0,703 | > 0,5 |
| Financial Capital (X2) | X2.1 | 0,847 | > 0,5 |
| | X2.2 | 0,620 | > 0,5 |
| | X2.3 | 0,719 | > 0,5 |
| Human Resource Competency (M) | M1 | 0,522 | > 0,5 |
| | M2 | 0,713 | > 0,5 |
| | M3 | 0,882 | > 0,5 |
| | M4 | 0,861 | > 0,5 |
| | M5 | 0,888 | > 0,5 |
| MSME Performance (Y) | Y1 | 0,811 | > 0,5 |
| | Y2 | 0,728 | > 0,5 |
| | Y3 | 0,717 | > 0,5 |
| | Y4 | 0,703 | > 0,5 |

The results of the outer model analysis showed that all latent constructs had loading factors > 0.5 so that the analysis could be continued to inner model analysis to determine the effects between latent constructs. The latent construct of social capital has an indicator value between 0.703-0.788 so that the next analysis uses 3 indicators. The latent construct of financial capital uses 3 indicators with a range of 0.620-0.847. The latent construct of human resource competence uses 5 indicators with factor loading values of 0.522-0.888. The latent construct of MSME performance uses 4 indicators with a value of 0.703-0.811.

**Reliability Test Results**
By testing, it can be seen how much confidence there is in the instrument and its ability as a data collection tool. The method commonly used is Cronbach Alpha. Research instruments are considered reliable or trustworthy if the alpha value is > 0.7.

**Table 6. Reliability Test Result**

| Latent Construct | Cronbach's Alpha | rho_A | Composite Reliability |
|---|---|---|---|
| Social Capital (X1) | 0.647 | 0.667 | 0.800 |
| Financial Capital (X2) | 0.607 | 0.666 | 0.776 |
| Human Resource Competency (M) | 0.846 | 0.915 | 0.887 |
| MSME Performance (Y) | 0.728 | 0.736 | 0.829 |

Based on the table above, it can be seen that all latent constructs used in this research are reliable and trustworthy for data collection. In this study, the reliability of the instrument was determined using the composite reliability coefficient (rho_A), with a value greater than 0.7 which indicates good reliability of the measurement results. Apart from that, the AVE value for each latent construct is > 0.5, which means the questionnaire used is valid and reliable to measure the latent construct.

**Discriminant Analysis**
Validity means measuring what should be measured (Ghozali, 2016). Discriminant validity is carried out to ensure that each concept from each latent model is different from other variables. Validity testing is carried out to determine how precisely a measuring instrument performs its measurement function (Ghozali, 2016). In SMART-PLS discriminant validity testing can be assessed based on the Fornell-Larcker criterion. In the Fornell-Larcker criterion test, discriminant validity can be said to be good if the root of the AVE in the construct is higher than the correlation of the construct with other latent variables.

**Table 7. Discriminant Analysis Result**

| | MSME Performance (Y) | Human Resource Competency (M) | Financial Capital (X2) | Social Capital (X1) |
|---|---|---|---|---|
| MSME Performance (Y) | 0.741* | | | |
| Human Resource Competency  (M) | 0.410 | 0.786* | | |
| Financial Capital (X2) | 0.390 | 0.201 | 0.735* | |
| Social Capital (X1) | 0.373 | 0.163 | 0.272 | 0.756* |

The results of the discriminant analysis showed that the AVE root value for the Financial Capital variable (X2) was 0.735, greater than the construct correlation value for the other latent variables. The square root value of AVE in the HR Competency variable (M) is 0.786 and the square root value of AVE in the Social Capital variable (X1) is 0.756, and the square root value of AVE in the MSME Performance variable (Y) is 0.741. All of them are greater when compared to the construct correlation values on other latent variables. This can prove that all research variables have met discriminant validity. Therefore, it can be concluded that the indicators used in the research have met good discriminant validity in the preparation of each variable.

**Coefficient of Determination Test Results**
SEM analysis, an alternative method, namely the Partial Least Square outer model, also produces an R Square value for the endogenous construct, which is a Goodness of Fit model test (Ghozali, 2014), a t-test to assess the significance of the coefficient of structural path parameters. There are three categories in grouping R-square values, namely 0.75 (strong), 0.50 (moderate) and 0.25 (weak) (Hair et al, 2010). The R-square value of the dependent variable in this research model can be seen in the following table:

**Table 8. Coefficient of Determination**

|                          | R Square | R Square Adjusted |
| ------------------------ | -------- | ----------------- |
| **MSME Performance (Y)** | 0,324    | 0,303             |

Based on the table, it is known that the adjusted R-square value for the MSME Performance variable (Y) is 0.303, which means that 30.3% of the variation in MSME Performance (Y) can be explained by variations in exogenous constructs, namely Social Capital (X1) and Financial Capital (X2). and the remaining HR Competency (M) is influenced by other variables outside the model.

**Inner Model**
The next step after carrying out the reliability test is to re-execute the PLS model with bootstrapping analysis, which aims to produce structural model equations. This is necessary to find out what factors influence the endogenous latent construct. In structural model analysis, there are two types of tests, namely direct influence tests and indirect influence tests through moderation. The results of this analysis are shown by the output in the PLS analysis which includes the original sample value, t-statistic value, and p value. If the original sample value is positive, then the direction of influence is positive and if the original sample value is negative, then the direction of influence is negative. The t-statistics value is used to show significance. If the t-statistic value is > 1.96 and the p value is < 0.05 then the hypothesis is accepted.

Bootstrapping is a technique in statistics that is used to obtain the sampling distribution of a statistic by re-sampling the available data. The use of this bootstrapping technique in the PLS model aims to obtain a sampling distribution of the coefficient values estimated in the PLS model, so that it can be used to test the significance of the coefficient. Furthermore, the results of structural model analysis can help researchers identify factors that influence endogenous latent constructs and evaluate the significance of the influence of each factor.

**Direct Effect Test Results**

The direct influence test aims to determine the influence between latent constructs directly.
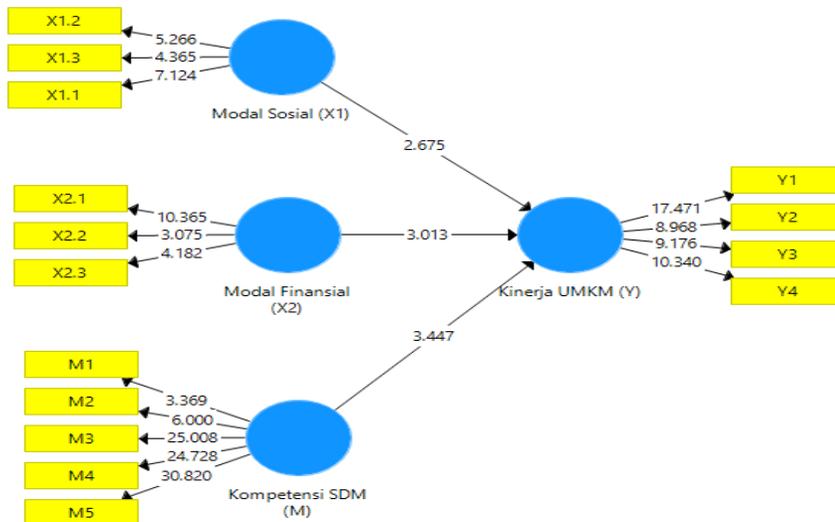


**Figure2. Structural Model of Direct Effect Analysis**

Next, the direct dirrect test image is equipped with the results table as follows:

**Table 9. Direct Effect Test Results**

| Hubungan antar Konstruk | Original Sample (O) | T Statistics (\|O/STDEV\|) | P Values |
|---|---|---|---|
| Social Capital (X1) → MSME Performance (Y) | 0,251 | 2,675 | 0,008 |
| Financial Capital (X2) →MSME Performance (Y) | 0,258 | 3,013 | 0,003 |
| Human Resource Competency  (M) →MSME rformance (Y) | 0,317 | 3,447 | 0,001 |

Based on the results of the direct influence test, it is known that the influence of Social Capital (X1) has a positive original sample value of 0.251 with a t-statistic value of 2.675 > 1.96 and a p value of 0.008 where the value is < 0.05. These results indicate that Social Capital (X1) has a positive influence on MSME Performance (Y) (H1 is accepted). The better the Social Capital (X1) that MSMEs have, the higher the MSME Performance (Y), and vice versa, the lower the Social Capital (X1), the lower the MSME Performance (Y). The influence of financial capital (X2) has a positive original sample value of 0.258 with a t-statistic value of 3.013 > 1.96 and a p value of 0.003 where the value is < the significance value of 0.05. These results indicate that Financial Capital (X2) has a positive influence on MSME Performance (Y) (H2 is accepted). The better the Financial Capital (X2) that an MSME has, the higher the MSME Performance (Y), and vice versa, the lower the Financial Capital (X2), the lower the MSME Performance (Y). HR Competency (M) has a positive original sample value of 0.317 with a t-statistic value of 3.447 > 1.96 and a p value of 0.001 where the value is smaller than the significance value of 0.05. This means that HR Competency (M) has a positive influence on MSME Performance (Y). The better the

HR Competency (M) that an MSME has, the higher the MSME Performance (Y), and vice versa, the lower the HR Competency (M), the lower the MSME Performance (Y).

**Moderation Effect Test Results**
The moderating effect test aims to evaluate the indirect impact of the independent variable on the dependent variable through the mediating variable, taking into account the influence of the moderator variable. Independent variables can have an indirect influence on the dependent variable which is moderated by other variables called moderator variables.
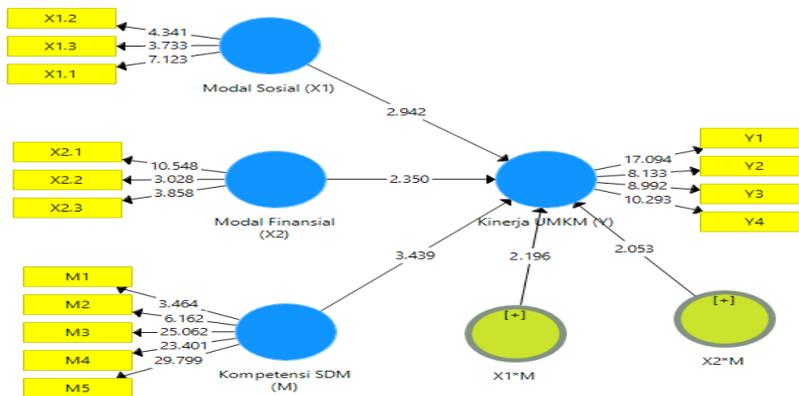


**Figure 3. Structural Model of Indirect Effect Analysis**

**Table 10. Indirect Effect Test Results**

| Relationships between constructs | Original Sample (O) | T Statistics (|O/STDEV|) | P Values |
|---|---|---|---|
| Kompetensi SDM (M) -> Kinerja UMKM (Y) | 0,339 | 3,439 | 0,001 |
| X1*M -> Kinerja UMKM (Y) | 0,131 | 2,196 | 0,023 |
| X2*M -> Kinerja UMKM (Y) | 0,116 | 2,053 | 0,038 |

Based on the results of the moderating influence test, it is known that the influence of HR Competency (M) on MSME Performance (Y) is significant with a calculated t value of 3.439 and a sig of 0.001. So it can be concluded that HR Competency has a significant influence on MSME Performance, thus HR Competency is an important factor in improving MSME performance. The original sample value of the positive interaction X1*M is 0,131 with t value 2,196 > 1,96 and significance value is 0,023 < 0,05 so It can be interpreted that HR Competency strengthens the influence of Social Capital (X1) on MSME Performance (Y) **(H3 is accepted)**. The positive interaction between HR Competency (M) and Social Capital (X1) shows that the combination of these two factors has a greater impact than expected individually on MSME performance. In other words, MSMEs that have a high level of HR Competency with high Social Capital capability (X1), tend to have better MSME performance (Y). This shows that the involvement of HR Competence together with Social Capital can synergistically improve the performance of MSMEs.

The original sample value of the positive interaction X2*M is 0,116 with t value 2,053 > 1,96 and significance value is 0,038 < 0,05 so It can be interpreted that HR Competency strengthens the influence of Financial Capital (X2) on MSME Performance (Y) **(H4 is accepted)**. The positive value of the sample interaction variable X2*M of 0.116 indicates that HR Competency strengthens the influence of Financial Capital (X2) on MSME Performance (Y). In other words, the combination of HR Competency (M) and Financial Capital (X2) has a greater positive impact on MSME performance (Y). This shows that auditors who have a high level of HR Competency together with a high level of Financial Capital tend to have higher MSME performance.

## 5. Discussion

**The Influence of Social Capital on MSME Performance**
The better the Social Capital (X1) that MSMEs have, the higher the MSME Performance (Y), and vice versa, the lower the Social Capital (X1), the lower the MSME Performance (Y). Based on the results of respondents' answers, several forms of social capital that MSMEs in Bendungan District, Semarang, need to have are the ability to interact with local residents, fulfilling employees who come from residents around the MSME location, the need to frequently socialize with the community which also opens up opportunities. to market the products produced. Another thing could be involving local residents in promotional activities which are expected to be able to improve the performance of MSMEs in the form of increased sales turnover and increase potential profits. The results of this research are in line with the research conclusions of Analia et al. (2020). However, research findings conducted by Purwati et al. (2021) actually prove that there is no influence of social capital on the performance of MSMEs.

**The Influence of Financial Capital on MSME Performance**
The better the Financial Capital (X2) that an MSME has, the higher the MSME Performance (Y), and vice versa, the lower the Financial Capital (X2), the lower the MSME Performance (Y). Based on the results of respondents' answers from MSME actors, financial capital is needed to be able to purchase several production equipment, increase the amount of raw materials purchased and to pay promotional costs. In addition, some respondents need financial capital to pay business debts at financial institutions that provide higher loan interest rates. The hope of the respondents with this financial capital is that opportunities will open up to develop the business by increasing the types and number of products produced so that the profits obtained will also increase. The findings of this research support the research conclusions of Ratnawati (2022). However, Hamidah et al. (2020) found empirical evidence that financial capital does not have an impact on the performance of MSMEs.

**The Influence of Social Capital on MSME Performance is Moderated by Human Resource Competence**
MSMEs that have a high level of HR Competency with high Social Capital capabilities (X1), tend to have better MSME performance (Y). Human resource (HR)

competency refers to the skills, knowledge and quality of an organization's workforce. When MSMEs have good human resources, it means that employees have the ability to carry out their duties effectively and efficiently. This includes abilities in terms of management, sales, marketing, production, and various other aspects needed to run a business well.

Social capital refers to the network of relationships, norms, and mutual trust between individuals or groups in a community. Social capital can help MSMEs in various ways, such as gaining support from local communities, expanding customer networks, and gaining access to necessary resources. When HR competency is combined with social capital, it can have a significant positive impact on MSME performance. With competent human resources, MSMEs can utilize their social capital networks more effectively. Skilled employees can build and maintain relationships with customers, suppliers, and other stakeholders, which in turn can increase sales and business reputation. In addition, skilled employees can also optimize the use of resources obtained through social capital, such as market information obtained through networks, collaboration opportunities with other businesses in the network, or support from local communities in overcoming operational challenges. Thus, the combination of good HR competency and strong social capital can strengthen each other, creating an environment where MSMEs can develop and improve their performance significantly.

**The Influence of Financial Capital on MSME Performance Moderated by Human Resource Competency**

MSMEs that have a high level of HR competency with high financial capital capabilities (X1), tend to have better MSME performance (Y). Human resource (HR) competency refers to the skills, knowledge and abilities of employees in carrying out the tasks assigned to them in an organization. When MSMEs have strong human resources, this means that employees have the ability to manage important aspects of the business, such as production, marketing, financial management, and others well. On the other hand, financial capital refers to the financial resources available to MSMEs, including initial capital, income, investment, and so on. Financial capital plays an important role in the growth and survival of MSMEs, because it can be used to finance daily operations, business expansion, infrastructure improvements, etc. When HR competency is combined with financial capital, this can have a significant positive impact on MSME performance. For example, employees who have good managerial and financial skills can use financial capital efficiently and effectively. They can create a solid business plan, manage cash flow well, and allocate financial resources according to appropriate business priorities.

Apart from that, skilled employees can also help in optimizing the use of financial capital to generate maximum profits. They can engage in smart marketing strategies, innovative product or service development, and efficient supply chain management, all aimed at increasing MSME revenues and profitability. Thus, the combination of good human resource competence and sufficient financial capital can strengthen each other, creating an environment where MSMEs can grow and develop sustainably.

## 6. Conclusions

The results of this research concluded several key findings: (1) social capital and financial capital have a positive and significant effect on the performance of MSMEs, and (2) human resource competence is proven to enhance the impact of social capital and financial capital on MSME performance. However, this study has a limitation in that the coefficient of determination for MSME performance is only 30.3%. Future research should consider incorporating additional variables to develop a more comprehensive and accurate research model. Possible variables to explore include technological adoption, market access, and entrepreneurial orientation, which could provide deeper insights into the determinants of MSME performance. Additionally, longitudinal studies could offer a better understanding of how these factors influence performance over time.

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