UNIVERSITI TEKNOLOGI MARA

IMPLEMENTING MAQASID SHARIA AS PERFORMANCE MEASUREMENT OF SMES IN HALAL INDUSTRY: THE ROLE OF INTELLECTUAL CAPITAL AND ISLAMIC INNOVATION

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ABSTRACT

The halal business sector in Indonesia is growing rapidly, supported by rising global demand and government initiatives such as the Indonesia Halal Industry Master Plan 2023–2029. At the regional level, this plan is implemented through local autonomy to strengthen Indonesia's position as a global halal hub. In Banyumas, the largest regency in Central Java, Small and Medium-Sized Enterprises dominate the economy, yet most still operate at the micro level with limited capacity for strategic performance evaluation. Although these businesses are expected to reflect Islamic principles, performance measurement based on Maqasid Sharia is not yet widely or effectively implemented. Many Small and Medium-Sized Enterprises continue to rely on conventional indicators that overlook ethical, spiritual, and social dimensions align with Islamic values. This study explores how Intellectual Capital components, which consist of human, structural, relational, and spiritual capital affects Maqasid Sharia performance, with Islamic Innovation as a mediator. Data were collected through purposive sampling with a convenience approach from 207 halal Small and Medium-Sized Enterprises with at least five employees, engaged in halal industry value chain. The data were analyzed using Partial Least Square-Structural Equation Modeling. The results show that relational and spiritual capital significantly enhance Maqasid Sharia performance, whereas human and structural capital have no direct effect. Structural, relational, and spiritual capital also strengthen Islamic Innovation, which in turn mediates their relationship with Maqasid Sharia performance. This study extends Resource-Based Theory by integrating Islamic perspectives, demonstrating that sustainable advantage depends not only on tangible assets but also on ethical, knowledge-based, and spiritual dimensions. The findings provide valuable insights for policymakers and SME practitioners on how to strengthen Maqasid Sharia performance through intellectual capital and Islamic innovation.

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LIST OF ABBREVIATIONS

Abbreviations

DOI	Diffusion of Innovation
HC	Human Capital
IC	Intellectual Capital
INV	Islamic Innovation
MS	Maqasid Sharia Performance
MSME	Micro, Small, and Medium-Sized Enterprise
PLS-SEM	Partial Least Squares Structural Equation Modelling
RBT	Resource-Based Theory
RC	Relational Capital
SC	Structural Capital
SEM	Structural Equation Modelling
SME	Small Medium-Sized Enterprise
SPC	Spiritual Capital
SPSS	Statistical Package for the Social Sciences
VRIN	Valuable, Rare, Imperfectly Imitable, Non-Substitutable
VRIO	Valuable, Rare, Imperfectly Imitable, Organization

CHAPTER 1
INTRODUCTION

1.1 Introduction of The Chapter

This chapter introduces the foundation of the study focusing on the implementation of Maqasid Sharia as a performance measurement framework for Small and Medium Enterprises (SMEs) operating in the halal industry. As the halal sector continues to expand globally, the need for performance assessment that aligns with Islamic principles has become increasingly important. Conventional performance measures often emphasize financial outcomes, while overlooking the social, ethical, and spiritual objectives that are align to Sharia. Therefore, this research seeks to explore how Maqasid Sharia can serve as a more holistic performance measurement, ensuring that halal SMEs not only achieve economic sustainability but also fulfill Islamic values and societal welfare.

Moreover, the chapter explains the role of intellectual capital and Islamic innovation as a strategic resource that may enhance SMEs' performance when assessed through the lens of Maqasid Sharia. The research problem, research questions, and objectives are clearly formulated to guide this study. This chapter also defines the scope and limitations of the study, highlights its expected academic and practical contributions, and includes key definitions to ensure conceptual clarity. It ends by outlining the structure of the thesis, providing a roadmap for readers to follow the development of the research across subsequent chapters.

1.2 Research Background

The global growth of the halal lifestyle and the Sharia economy has become an important driver for sustainable and inclusive development (State of the Global Islamic Economy Report, 2025). There is a growing trend of integrating Islamic economic principles into national agendas as consumer demand increasingly focuses on ethical and faith-based consumption (DinarStandard, 2020). This is driven by the rising global Muslim population and their preference for halal products. As consumer demand shifts toward ethical and faith-based consumption, countries are increasingly integrating

Islamic economic principles into their national agendas. Indonesia, as the largest Muslim-majority country, is taking a proactive role by positioning itself as a global leader in the halal economy. This ambition is formalized through the Indonesian Halal Industry Master Plan 2023–2029, which aims to make Indonesia the world's halal industry hub by strengthening sectors such as halal food and beverages, Muslim fashion, halal pharmaceuticals and cosmetics, halal tourism, and Islamic finance (Komite Nasional Ekonomi dan Keuangan Syariah, 2024).

Indonesia's progress in the halal economy has become increasingly visible at the global level. Indoensia ranked third globally in the 2025 Global Islamic Economy Indicator (GIEI), a significant jump from its 11th position in 2018 (State of the Global Islamic Economy Report, 2025). It also achieved third place in both the Islamic Finance Development Indicator (IFDI) and the Global Islamic Finance Report (GIFR) and secured the top rank in the Global Muslim Travel Index (GMTI) for Muslim-friendly tourism destinations. Additionally, Indonesia ranks third in the Islamic fintech sector, showcasing its success in integrating financial technology with Sharia compliance (Komite Nasional Ekonomi dan Keuangan Syariah, 2024). These achievements are further underscored by data showing that Sharia-based economic activities contributed 46.71% to the national GDP in 2023 which equivalent to IDR 9,758.8 trillion, while halal exports contibuted to USD 63.86 billion, reflecting an 11.9% increase from 2021 (National Islamic Finance Committee, 2023).

Small and Medium Enterprises (SMEs) are central to this development agenda. SMEs contribute more than 60% to the Gross Domestic Product (GDP), employ over 97% of the workforce, and account for around 15% of total exports (Indonesian Chamber of Commerce and Industry, 2025). Their contribution is particularly important in halal-related sectors because SMEs dominate industries such as food and beverages, Muslim fashion, cosmetics, tourism services, and creative economy activities (National Islamic Finance Committee, 2023). Their role is particularly strategic in the halal industry, where they support inclusivity, foster employment, drive innovation, and contribute to regional development, especially in rural and underdeveloped areas (National Islamic Finance Committee, 2023).

To strengthen SME contributions, the government has implemented targeted initiatives such as the Free Halal Certification Program (Sehati Program) launched in 2021 by the Ministry of Religious Affairs. Halal certification program (Sehati program) is designed to raise awareness among Micro and Small Enterprises (MSEs) about the

importance of halal certification in accelerating business growth and complying with Law No. 33 of 2014 on Halal Product Assurance (Indonesian Ministry of Religious Affairs, 2021). These regulatory frameworks and support systems indicate that SMEs are not only expected to fulfill conventional financial performance metrics but are also required to align with Sharia principles and value as an aspect that sets them apart from SMEs in other economies.

Despite the growing importance of halal SMEs, existing studies continue to evaluate SME performance primarily using conventional indicators such as profitability, productivity, operational efficiency, and sales growth (Aljuboori et al., 2022; Muda et al., 2020; Khalique et al., 2018; Khalique & Pablos, 2015). Although these indicators remain important, they provide limited explanation regarding whether business activities also contribute to broader ethical, social, and spiritual objectives emphasized in Islamic economics. This focus different with the multidimensional expectations of SME contributions outlined in the Indonesian Halal Industry Master Plan, which emphasizes not only economic output but also contribute to social inclusion, ethical business practices, and environmental sustainability (Komite Nasional Ekonomi dan Keuangan Syariah, 2024).

The integration of Sharia principles into business practices is based on the foundational teachings of the Qur'an and Sunnah (Yusmazida et al., 2025; Yusmazida et al., 2022). According to the Indonesian Sharia Economic Masterplan 2019–2024, Islamic economic actors are expected to ensure that their decisions and behaviors align with Islamic teachings that advocate for socio-economic justice, ethical conduct, and communal welfare. This understanding inline what was highlighted by (Khotimah, 2022), who emphasized the importance of balancing material and spiritual needs in the Islamic economic framework. Islam not only encourages individual prosperity but also mandates justice, brotherhood, and human well-being (Rice & Al-Mossawi, 2002).

Embedding Islamic principles into organizational practices leads to ethical and sustainable outcomes that align both spiritual and operational goals. Qur'anic values such as stewardship (khalifah), fairness (adl), and trustworthiness (amanah) emphasize transparency, social equity, and ecological balance (Chapra, 1985; Helfaya et al., 2018). These principles are not only religiously mandated but also instrumental in fostering long-term business legitimacy. Pandey et al. (2009) argue for the creation of a spiritual climate in organizations to enhance engagement, productivity, and stakeholder relationships. Similarly, Javaid et al. (2020) illustrate how communities relying on

Islamic principles such as zakat, waqf, and equitable wealth distribution can build resilience and financial stability. Recent findings by Hamzah et al. (2024) reinforce that adherence to Sharia economic principles promotes competitive advantage through ethical governance, transparency, social responsibility, and risk management.

The concept of Maqasid Sharia (objectives of Islamic law) provides a valuable framework for understanding and evaluating these multidimensional aspects of SME performance. It promotes an integrated vision of business that balances economic goals with ethical and social outcomes (Azmin Shompa et al., 2025; Mohd Zain et al., 2024; Sheikh & Hussain, 2024; Zuhaili, 1997). The concept of Maqasid Sharia from Zahrah (1997) classifies Maqasid Sharia into three main dimensions: tahdib al-fard (education and moral development of individuals), iqamah al-'adl (establishing justice), and jalb al-maslahah (promoting public welfare). Among these, education is considered the foundation, as morally upright individuals are essential to realizing the other objectives. Hasan et al. (2018) support this view by emphasizing the prioritization of human development to ensure effective implementation of Maqasid Sharia. In alignment with this, the Indonesian Halal Industry Master Plan 2023–2029 places strong emphasis on human resource development, particularly among halal industry players like SMEs. This human-centric approach not only nurtures capacity but also promotes values-based leadership and operations.

These national priorities are particularly relevant to regions such as Central Java, which has been identified as a priority area for halal industry development due to its cultural richness and strategic economic positioning (National Islamic Finance Committee, 2023). Under Indonesia's regional autonomy framework (Law No. 23/2014), provinces are empowered to tailor economic strategies while remaining aligned with national goals. This allows local governments to optimize sectoral potentials such as halal tourism, creative economy, and SME empowerment.

Under Indonesia's administrative system, a regency (kabupaten) refers to a regional administrative area that generally combines semi-urban and rural economic characteristics. One key district in this regard is Kabupaten Banyumas (Banyumas Regency). Kabupaten Banyumas represents one of the strategic economic growth centers in the southwestern region of Central Java. In 2025, Banyumas contributed approximately 27.52% to the total Gross Regional Domestic Product (GRDP) of the Banyumas Raya region, reflecting its important role in regional economic development (BPS-Statistic Banyumas Regency, 2025). The regency recorded an economic growth

rate of 5.97%, exceeding the national average and reinforcing its position as a regional hub for services, education, tourism, and SME activities (BPS-Statistic Banyumas Regency, 2025). This growth is supported by the expansion of urban infrastructure, educational institutions, tourism destinations, and increasing entrepreneurial activities across the regency.

Under Indonesia's administrative system, Banyumas is classified as a regency (kabupaten), which refers to a regional administrative area that generally combines semi-urban and rural economic characteristics. Banyumas consists of 27 districts (kecamatan) with economic activities distributed across urban centers such as Purwokerto as well as rural-based productive sectors including culinary businesses, tourism, agriculture, handicrafts, fashion, and creative industries (BPS-Statistic Banyumas Regency, 2025). This combination creates a diverse halal SME ecosystem that reflects both modernization and local economic resilience.

Based on the explanation above, this study aims to assess SME performance in the halal industry, particularly in Banyumas, using an Islamic performance measurement framework grounded in Maqasid Sharia. Thus, the study contributes to a more comprehensive understanding of how intangible assets and Islamic values can foster sustainable and inclusive development in Muslim-majority economies.

1.3 Problem Statement

Banyumas Regency, one of the strategic economic centers in the southwestern region of Central Java, demonstrates strong potential for halal SME development. The region recorded economic growth of 5.97% in 2025, exceeding the national average, and contributed approximately 27.52% to the Gross Regional Domestic Product (GRDP) of the Banyumas Raya region (BPS-Statistic Banyumas Regency, 2025). Supported by dynamic business activities in sectors such as halal food and beverages, tourism, Muslim fashion, and creative industries, Banyumas also has one of the largest SME populations in Central Java, with approximately 4,400 registered SMEs located in 27 districts (kecamatan) (Dinas Komunikasi dan Informatika Kabupaten Banyumas, 2023). These conditions indicate the strategic role of SMEs in supporting regional economic development and strengthening the halal industry ecosystem.

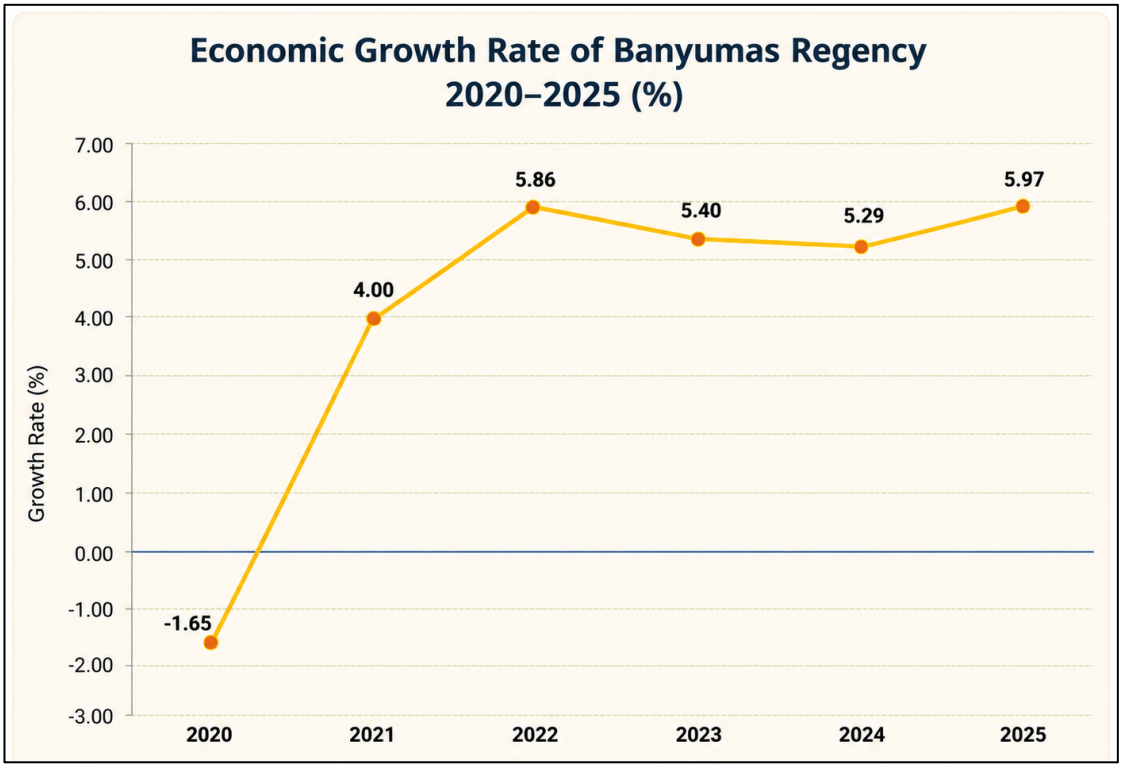


Figure 1.1 Banyumas Regency Economic Growth Rate

Source: BPS-Statistic Banyumas Regency (2025)

Despite its strong economic performance, the growth trend in Banyumas has gradually slowed, declining from 5.86% in 2022 to 5.40% in 2023 and further to 5.29% in 2024 (Badan Pusat Statistik, 2024). Although the growth rate remains above the national average, the slowing trajectory suggests that the economic potential of SMEs, including halal-oriented SMEs, has not yet been fully optimized. Regional reports indicate that many halal SMEs in Banyumas continue to face capability-related challenges. Many SMEs experience difficulties in accessing broader national and international markets due to weak branding, limited technological capability, low product standardization, and insufficient understanding of export procedures and halal market requirements (BPS-Statistic Banyumas Regency, 2025). These challenges may weaken SME competitiveness, limit business scalability, reduce participation in broader halal value chains, and hinder SMEs from creating sustainable economic and social value. Consequently, halal SMEs may struggle not only to improve organizational performance but also to achieve broader Maqasid Sharia objectives related to justice, human development, and societal welfare.

This issue becomes increasingly important because Banyumas is positioned as one of the emerging regions supporting halal industry development in Central Java,

particularly through sectors such as halal food, Muslim-friendly tourism, fashion, and creative industries. As SMEs represent the dominant business actors within these sectors, suboptimal SME performance may weaken the region's ability to fully support and sustain halal industry development. Consequently, strengthening SME capability is important not only for improving economic competitiveness but also for ensuring that halal industry development aligns with broader Islamic economic objectives and sustainable regional growth.

In this regard, Maqasid Sharia (MS) becomes highly relevant because it functions not only as a moral reference point but also as a multidimensional performance framework integrating financial, social, ethical, and spiritual outcomes (Khotimah, 2022; Sarif et al., 2017; Zuhaili, 1997). Existing studies predominantly evaluate SME performance using conventional indicators such as profitability, productivity, and operational efficiency, which may not fully capture the broader objectives of halal-oriented businesses (Aljuboori et al., 2022; Herera et al., 2023; Khan & Wan Yusoff, 2023; Kim & Tran, 2023).

Therefore, there is a growing need for a more comprehensive performance measurement framework that aligns with the objectives of the halal industry and reflects broader value creation in line with Maqasid Sharia principles.

One of the main reasons halal SMEs in Banyumas struggle to achieve sustainable competitiveness is the limitation in different dimensions of intellectual capital (IC), which represents intangible knowledge-based resources driving long-term business success. While IC is widely recognized as important for performance, especially in knowledge-driven economies (Khalique et al., 2015; Tjahjadi et al., 2022), its role in the halal SME sector, particularly when connected with Maqasid Sharia remains underexplored.

Human capital, the foundation of IC, is underdeveloped in many Banyumas halal SMEs. SME practitioner frequently lacks understanding of halal principles and business models (Fahham, 2017), hindering their ability to embed Sharia-compliant practices into operations. This results in superficial engagement with halal standards and reduces the ethical distinctiveness of their offerings (Hamzah et al., 2024). The low level of Islamic financial and business literacy weakens their capacity to align with tahdhib al-fard, a key Maqasid dimension focused on individual development.

Structural capital also presents barriers. Although halal certification is available through programs such as Sehati, many SMEs report difficulties navigating the certification process due to bureaucratic complexity, weak internal documentation systems, and low operational readiness (National Islamic Finance Committee, 2023). These problems suggest an inability to manage structural capital in alignment with halal principles, particularly regarding compliance mechanisms and process standardization.

Relational capital, involving external networks and stakeholder interactions, is similarly constrained. Many halal SMEs are unable to develop integrated halal tourism products or market them effectively. Low digital engagement and weak branding reduce their reach and visibility, especially in sectors like halal tourism and Muslim-friendly services (Central Java Central Statistics Agency (BPS), 2023; Mimba et al., 2021). This limits their ability to create jalb al-maslahah (public benefit).

Spiritual capital, a critical yet often overlooked aspect of IC in Islamic business, reflects an entrepreneur's ability to internalize Islamic ethics and purpose in their strategic vision. While halal labels are frequently pursued for compliance purposes, their deeper spiritual meaning is not always internalized (Javaid et al., 2020; Sarif et al., 2017). This weakens the potential of SMEs to practice values-based leadership and align their goals with broader community well-being and trust as the key aspect of iqomah al-adl (justice) and maslahah.

To address these challenges, Islamic innovation emerges as a potentially important strategic mechanism. Islamic innovation refers to the development of products, services, and business practices that integrate innovation capability with Sharia compliance and ethical values (Malik et al., 2019; Adham et al., 2013; Tushman & Nadler, 1986). Its integration is crucial not only for enhancing competitiveness, but also for ensuring ethical, sustainable, and socially beneficial development in line with Maqasid Sharia (Ghoniyah et al., 2024; Azmi & Hashim, 2022; Abdullah & Sofian, 2012). However, SMEs in Banyumas remain weak in innovation capability. Studies report low awareness of halal tourism opportunities, poor adoption of digital tools, and minimal investment in research and development or creative design (Badan Pusat Statistik Jawa Tengah, 2020; Fahham, 2017), all of which limit their competitiveness and resilience in a rapidly evolving market.

The relationship between IC and business performance has been widely studied, but most research focuses on financial or operational outcomes rather than ethical or Sharia-based metrics (Aljuboori et al., 2022; Kim & Tran, 2023). Furthermore, much

of the literature is focused on formal Islamic financial institutions rather than SMEs operating in the halal industry (Andini et al., 2025; Aisyah et al., 2021; Mergaliyev et al., 2021; Mohammed & Taib, 2015; Tarique et al., 2021). Recent studies (Khalique & Shaari, 2022; Wook et al., 2021) have shown promising results in specific halal sectors, such as food and hospitality, yet a holistic view of IC's impact on Maqasid Sharia performance across the halal industry ecosystem remains limited.

There is also a limit of research integrating IC and innovation within the halal SME context (Khalique & Shaari, 2022). Aljuboori et al. (2022) stress the importance of investigating how IC supports innovation to drive performance, while Santos-Rodrigues & Dorrego (2010) and Subramaniam & Youndt (2005) highlight the need to better understand the mechanisms linking IC to innovation outcomes. Despite the global relevance of these findings, they remain concentrated in specific country contexts, with few applications to Indonesia's unique socio-economic and religious landscape.

Therefore, this study aims to develop a model that connects four components of intellectual capital (human, structural, relational, and spiritual) to Maqasid Sharia performance, with Islamic innovation as a mediating variable. The goal is to provide a more holistic understanding of how halal SMEs in Banyumas can create economic, ethical, and social value in alignment with Sharia principles.

1.4 Research Questions

Based on the research background described above, several questions that are proposed in this research are as follows:

RQ 1 : To what extent does Intellectual Capital influence Maqasid Sharia performance?

RQ 2 : To what extent does Intellectual Capital influence Islamic Innovation?

RQ 3 : To what extent does Islamic Innovation influence Maqasid Sharia performance?

RQ 4 : How Islamic Innovation influence the relationship between Intellectual Capital and Maqasid Sharia Performance?

1.5 Research Objectives

Based on the research problems stated above, the objectives of this research are as follows:

RO 1 : To examine the effect of Intellectual Capital on Maqasid Sharia Performance.

RO 2 : To analyze the effect of Intellectual Capital on Islamic Innovation.

RO 3 : To investigate the effect of Islamic Innovation on Maqasid Sharia Performance.

RO 4 : To examine the influence of Islamic Innovation in the relationship between Intellectual Capital and Maqasid Sharia Performance.

1.6 Scope and Limitation of the Study

This study examines the relationship between Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance among halal industry SMEs in Banyumas Regency. The respondents consist of business practitioner who are directly involved in managing, supervising, and making strategic or operational decisions within their business. This includes owner–managers, co-owners, business partners, supervisory managers, middle managers, and top managers operating in halal-oriented sectors, particularly food, beverage, fashion, and service businesses. Intellectual Capital is treated as the independent variable, Maqasid Sharia Performance serves as the dependent variable, and Islamic Innovation is positioned as a mediating variable in the proposed research model.

This study has several limitations. First, although respondents hold different formal positions, the study relies on single key informants who possess sufficient knowledge of organizational operations and decision-making. This approach may introduce subjective bias, as responses reflect individual perceptions rather than collective organizational views. Second, the use of purposive sampling was necessary due to the absence of a comprehensive and official database of halal SMEs, which may limit the generalizability of the findings. Third, the study is confined to halal SMEs within a single regency and predominantly involves micro and small enterprises, restricting comparisons across firm sizes and sectors. Fourth, the cross-sectional design captures data at one point in time, limiting the ability to observe dynamic changes in intellectual capital, Islamic innovation, and Maqasid Sharia Performance over time.

Finally, the study is conducted within a specific cultural and religious context, which shapes how business practitioner interprets and implement Maqasid Sharia principles in their business practices. Therefore, the findings should be interpreted with caution when applied to other regions or institutional environments.

1.7 Significance of the Study

This study contributes to the advancement of knowledge and practice by extending the understanding of Intellectual Capital, Islamic Innovation, and Maqasid Sharia performance within the context of halal industry SMEs.

1.7.1 Academic Significance

First, this study develops and validates a Maqasid Sharia performance measurement framework derived from the foundational work of Zahrah (1997) in Ushul Fiqh, particularly the concept of Maqasid al-Ahkam. While prior studies applying Abu Zahrah's Maqasid framework have predominantly focused on Islamic banking and financial institutions, often relying on secondary financial data (Andini et al., 2025; Aisyah et al., 2021; Mergaliyev et al., 2021; Mohammed & Taib, 2015; Tarique et al., 2021), this study extends its application to halal industry SMEs. By employing a meta-synthesis approach, this study aims to generate a more comprehensive understanding of Maqasid Sharia performance measurement, specifically to the Halal Industry. This approach addresses the existing gap in literature by extending the application of Maqasid Sharia beyond financial institutions to include broader organizational contexts.

Second, this study adopts a combination approach that combines a rigorous literature review with an empirical survey method. The literature review brings together findings from different studies, giving a balanced and comprehensive view (Crane et al., 2018; Fakis et al., 2014). Meanwhile, the survey method provides a realistic depiction of how Maqasid Sharia principles are applied within the organizational scope, particularly among SMEs. This method is highly effective for capturing a wide range of unobservable data, such as values, perceptions, and practices (Horton, 2020). Unlike most earlier studies that rely heavily on secondary financial data (Andini et al., 2025; Aisyah et al., 2021; Mergaliyev et al., 2021; Mohammed & Taib, 2015; Tarique et al., 2021), this study incorporates primary data to offer deeper insights into the practical

implementation of Maqasid Sharia in non-financial contexts. The findings can also help SME stakeholders design policies that combine both economic and ethical goals. By including Islamic education as one of the indicators, this study gives practical recommendations for SMEs to improve alignment with Sharia principles while supporting sustainable growth.

Third, this study examines the mediating role of Islamic Innovation in the relationship between Intellectual Capital and Maqasid Sharia performance, offering a clearer understanding of how Intellectual Capital drives value creation in SMEs. As highlighted by Malik et al. (2019), innovation is essential for achieving Maqasid Sharia performance. However, innovation models must be adapted to Islamic principles so that they reflect both ethical and spiritual values. To address this, the study proposes a specific innovation model grounded in Islamic principles, referred to as Islamic Innovation. This model not only emphasizes creativity and competitiveness but also integrates ethical considerations, as well as promoting societal welfare and spiritual fulfillment. By exploring the mediating role of Islamic Innovation, this study contributes to a more holistic understanding of how SMEs can harness Intellectual Capital to achieve both commercial success and Maqasid Sharia objectives.

1.7.2 Practical Significance

From a practical perspective, this study provides valuable insights for halal SMEs, policymakers, and industry stakeholders. The validated Maqasid Sharia performance framework offers SME practitioners a practical tool to assess organizational performance beyond conventional financial indicators. By incorporating dimensions such as human development, justice, and social welfare, the framework helps halal SMEs align their business strategies with Islamic values while pursuing sustainable growth.

The findings also highlight the importance of managing Intellectual Capital holistically, including spiritual capital, which is often overlooked in conventional SME development programs. By demonstrating how human, structural, relational, and spiritual capital contribute to Maqasid Sharia performance through Islamic Innovation, this study provides guidance for SMEs to strengthen internal capabilities, ethical culture, and innovation practices in line with Sharia principles.

Furthermore, the results offer important implications for policymakers and supporting institutions, such as halal certification program, Islamic financial institutions, and SME development agencies. The study suggests that capacity-building programs should not focus solely on technical or financial aspects but also emphasize Islamic values, ethical innovation, and knowledge development. Such an approach can support the creation of a more resilient, competitive, and ethically grounded halal SME ecosystem that contributes to broader Islamic economic objectives.

1.8 Definition of Terms

1.8.1 Intellectual Capital

Intellectual capital refers to the collective knowledge, skills, experiences, and intellectual property that contribute to an organization's value creation and competitive advantage (Aljuboori et al., 2022; Alkhatib & Valeri, 2024; Bontis, 1998; Rehman et al., 2022; Vaz et al., 2019). It encompasses intangible resources such as human, structural, relational, and spiritual capital that enable innovation and enhance organizational performance.

1.8.2 Maqasid Sharia Performance

Maqasid Sharia Performance is the evaluation of organizational or economic activities based on the objectives of Sharia (Maqasid Sharia), ensuring that they comply with Islamic principles and contribute to societal well-being (Gold et al., 2001; Mohammed & Taib, 2015; Zahrah, 1997)).

1.8.3 Islamic Innovation

Islamic innovation refers to the intentional and ethical process of generating, developing, and implementing new ideas, products, or services that align with Islamic teachings. It emphasizes the principle of tawhid (oneness of God), ensuring that innovation contributes to societal benefit while upholding Sharia values of justice, transparency, and moderation (Azmi & Hashim, 2022).

1.8.4 Halal Industry SME

The halal industry encompasses economic activities that produce goods and services in accordance with Islamic law (Sharia), ensuring they are lawful (halal) and free from prohibited (haram) elements. Small and medium-sized enterprises (SMEs) in the halal sector typically operate in areas such as halal

food and beverages, pharmaceuticals and cosmetics, modest fashion, halal tourism, and creative industries (KNEKS, 2023).

1.9 Organization of Thesis

This study presented in five chapters. Each chapter is discussed and organized as follows:

Chapter One provides a basic understanding of the study. It includes the background of the study, explains the research problem, and states the research questions and objectives. It also describes the scope and limitations, the significance of the study, and defines key terms used in this study.

Chapter Two begins with the underlying theory that is related to Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance. It also identifies gaps in the literature and develops the research framework and hypotheses.

Chapter Three presents the research methodology adopted in this study. It covers the research design, sample and data collection, variable measurement, and data analysis techniques, including reliability and validity tests. The reasons for choosing these methods are also explained.

Chapter Four presents the research findings. It includes descriptive results, the outcomes of measurement and structural model tests, and hypothesis testing.

Chapter Five present the discussion of the results. The discussion connects the findings with previous studies and answers the research questions.

Chapter Six summarizes the main findings, readdressing research questions and shows how the research objectives were achieved. It also explains the contributions, both theoretical and practical, and gives suggestions for future studies.

CHAPTER 2
LITERATURE REVIEW

2.1 Introduction of the Chapter

This chapter reviews previous research relevant to this study and is divided into eleven sections. It begins with a discussion on Resource-Based Theory, which serves as the underpinning theory supporting the study. Next, it introduces the Diffusion of Innovation Theory, which provides additional theoretical support by explaining how innovations are adopted and spread within organizations and society, making it highly relevant for understanding Islamic Innovation in SMEs. Furthermore, it explores Halal Tourism from an Islamic perspective, followed by the definition and measurement of SME Maqasid Sharia Performance based on the Abu Zahrah Model. The chapter then examines Intellectual Capital, its components, and the methods for measuring Intellectual Capital in SMEs. Additionally, it discusses the definition and measurement of Islamic Innovation. Subsequently, the Research Framework is presented, along with an analysis of the relationships between independent, mediating, and dependent variables in this study. Finally, the chapter concludes with a summary of the chapter.

2.2 Underpinning Theory

Underpinning theories provide the conceptual foundation of this study, guiding the formulation of research questions, hypotheses, and interpretation of findings (Bacharach, 1989; Thompson & Skau, 2023). They provide a structured lens through which relationships among variables are examined, ensuring theoretical rigor and coherence within the broader academic discourse (Ntlatywa & Van-Greunen, 2025; Whetten, 1989). In this study, the theoretical grounding supports the investigation of how intellectual capital influences Maqasid Sharia performance, both directly and indirectly through Islamic innovation, within the context of halal industry SMEs.

In this study, two principal theories underpin the conceptual model: Resource-Based Theory (RBT) and the Diffusion of Innovation (DOI) Theory. RBT explains how organizations achieve and sustain competitive advantage by effectively utilizing valuable, rare, inimitable, and well-organized (VRIO) resources, with intellectual

capital serving as a crucial intangible asset in this regard (Barney, 1991; Wernerfelt, 1984). Meanwhile, DOI Theory (Rogers, 2003) complements RBT by elucidating how innovations are disseminated and adopted, emphasizing the importance of value alignment. Integrating these two theories provides a comprehensive foundation for understanding how internal resources and innovation capabilities interact to strengthen Maqasid Sharia performance, thereby extending conventional organizational theory within an Islamic ethical framework.

2.2.1 Resource-based Theory

Resource-based theory (RBT) firstly introduces by Wernerfelt (1984) and provides a fundamental framework for describing and predicting what drives competitive advantage and organizational performance. Furthermore, Barney (1986) to deepen and improve this theory. Barney (1991) expands on the underlying principles and defines the resource and competitive advantage features. According to recent study (Alkhatib & Valeri, 2024), RBT is one of the most often debated theories on how firms get a competitive advantage. This theory may be characterized as a management framework for determining the strategic resources that a company can leverage to gain a sustained competitive advantage (Ahuja & Chan, 2021). RBT has been frequently employed as an underpinning hypothesis to explain intellectual capital, even in recent studies (Aljuboori et al., 2022; Alkhatib & Valeri, 2022; Olarewaju & Msomi, 2021; Oliveira et al., 2020; Truong & Nguyen, 2023).

According to the RBT, the organization's capacity to effectively manage and use its resources would give a competitive advantage in creating value for the organization (Wernerfelt, 1984). As a result, organizational capacities play critical roles in fostering innovation and gaining a competitive advantage. Having a sustained competitive advantage is intimately related to the organization's capacity to maintain valuable, rare, and irreplaceable resources while successfully using and allocating these resources (Barney, 1991). An organization’s capacity to collect, evaluate, and use new external knowledge will increase the flow of ideas within the organization and aid in innovation, allowing it to gain a competitive advantage and improve organizational performance (Harris et al., 2020; Medase & Barasa, 2019).

Barney (1991) highlighted that according to the resource-based view; in order to have the possibility of sustained competitive advantages, an organization resource

must have four traits, which compose the VRIN (valuable, rare, imperfectly imitable, non-substitutable) framework:

a) Valuable Resources

   Valuable resources help an organization to develop or implement strategies that increase its effectiveness and efficiency.

b) Rare Resources

   Organization's current and prospective competitors must have unusual resources. Organizations gain a competitive advantage when they implement a value-creating strategy that is not being pursued by many other organizations at the same time.

c) Imperfectly Imitable Resources

   To retain a long-term competitive advantage, an organization must have unusual and valuable organizational resources that competitors cannot duplicate.

d) Non-substitutable Resources

   Finally, an organization's resource can only give a long-term competitive advantage if no other strategically equal valued resources exist that are neither scarce nor easily replicated. When two equally valuable resources in a corporation can be used independently to carry out the same strategies, they are said to be strategically comparable.

Later, the VRIN model evolved into the VRIO (valuable, rare, imperfectly imitable, organization). Capacity to utilize resources or capabilities is vital to the organization, which is why the last letter of the acronym has been changed. To completely enjoy the benefits of a resource, an organization must be prepared and capable of using it. If an organization possesses a resource that meets these four criteria, it will have a competitive edge over its rivals. The VRIO characteristics identify four factors for analyzing how effectively a resource will produce a long-term competitive advantage (Kozlenkova et al., 2014). The VRIO features described below are essential separately, but they are insufficient to provide a durable competitive advantage. According to resource-based theory, gaining a sustained competitive advantage requires resources that match these four characteristics (Barney, 1991). VRIO has four characteristics as follows (Kozlenkova et al., 2014).

a) Valuable

   Organization resources can be beneficial if they enable the organization to create and implement strategies that decrease organization expenses and/or improve

organization income in ways that would not be possible otherwise. According to the SWOT (Strength, Weakness, Opportunity, Threat) paradigm, a resource is valuable if it enables the organization to capitalize on external opportunities and/or mitigate external risks.

b) Rare

Second, resources are deemed rare when they are controlled by a small number of competing organizations. Assume these resources are useful but not scarce. In such situation, their utilization might contribute to competitive equality rather than a competitive advantage, as other organization with similar resources can also utilize them.

c) Imperfectly imitable

A resource is called imperfectly imitable if a competitor that acquires or creates it incurs significant expenses. Imperfectly imitable resources cannot be obtained by substitution or direct replacement by organization that do not own them.

d) Organization

The fourth characteristic concerns the organization. However, if resources meet the valuable, rare, and imperfectly imitable criteria, the organization's resources must be structured to harness their maximum potential. This suggests that weak structure, processes, and regulations would not maximize the potential competitive advantage of these resources. As a result, the organization acts as a catalyst, allowing or prohibiting the organization from utilizing the benefits connected with such valuable, rare, and inimitable resources.

According to RBT, Intellectual Capital has a high potential to meet the above VRIO standards and provide a competitive advantage for the organization (Barney, 1991). With this competitive advantage, organization can compete and achieve higher performance in a competitive situation. Organizations, on the other hand, are incorporated into society because they play an important social function. They are accountable for offering services or goods that meet the demands of social members. They manage the resources necessary for various social activities, construct methods by which resources are employed, build connections with one another and economic agents, and make all of these decisions for their own ends (Mathews, 2002, 2003).

RBT is also the theory that underpins the mediating role of innovation in the link between intellectual capital characteristics and organizational success. According to RBT, an organization's competitive advantage could derive from its intellectual capital

(Barney, 1991). The organization's aims will be achieved by IC's capacity to retain a competitive edge over time. An organization's ability to innovate is a significant value generator. The RBT describes how MSMEs might use a coordinated set of resources to target and confront the aim of improving their organizational innovation capabilities (Raghuvanshi & Garg, 2022). Organization with innovative goods and processes and the ability to export them can reap significant benefits (Love & Roper, 2015).

Zhang et al. (2021) did a bibliometric study of 2771 RBT-related primary focus papers published between 1991 and 2020. They recommend that future study should gather data from emerging economies to get insights into the theoretical limitations of RBT. Furthermore, organizations worldwide are dealing with technological advancements. Emerging businesses, such as in Indonesia, use varied techniques to acquire resources and gather value. As a result, they encourage that future studies investigate the use of RBT to examine technological change in emerging economies, such as Indonesia. Finally, RBT used as an underlying theory for this study.

2.2.1.1 Resource-Based Theory from an Islamic Perspective: Intellectual Capital as a Strategic Resource for Maqasid Sharia Performance

The Resource-Based Theory (RBT) posits that organzation achieve a sustainable competitive advantage by leveraging valuable, rare, inimitable resource and organize them (VRIO) (Barney, 1991; Kozlenkova et al., 2014). From an Islamic perspective, these resources are not only tangible assets but also encompass ethical, knowledge-based, and spiritual dimensions, aligning with Maqasid Sharia principles ((Chapra, 1985). Intellectual capital serves as a critical internal resource that influences organizational success (Aljuboori et al., 2022; Kim & Tran, 2023; Muda et al., 2020) and sustainability (Kliestik et al., 2020; Mukarromah et al., 2020). However, in the context of Maqasid Sharia performance, the effectiveness of intellectual capital must be evaluated through the lens of ethical value creation, fairness, and societal well-being rather than mere financial gains (Sumi et al., 2024).

Much of the literature accepts that its components are human capital, structural capital, and relational capital (Aljuboori et al., 2022; Khan & Wan Yusoff, 2023; Muda et al., 2020; Teoh et al., 2023). This study also interested to examine spiritual capital as an important intellectual capital component as previously suggested by Tjahjadi et al. (2022). Here is the component of intellectual capital:

a) Human Capital

Human capital, which includes employees' skills, and competencies, aligns with tahdhib al-fard (educating individuals), a key Maqasid Sharia dimension (Zahrah, 1997). According to Islamic perspective, knowledge is an amanah (trust) from Allah, and its utilization must reflect ihsan (excellence) and taqwa (God-consciousness). Employees who are well-trained in both technical and ethical aspects contribute not only to organizational efficiency but also to the ethical distribution of resources, just wages, and the development of socially responsible business practices. Organization that invests in human capital aligned with Islamic ethics enhance Maqasid Sharia performance by ensuring fairness (iqomah al-adl) and contributing to community well-being (jalb al-maslahah).

b) Structural Capital

Structural capital, which encompasses organizational culture, policies, information systems, and infrastructure, plays a pivotal role in shaping business performance (Aljuboori et al., 2022; Kim & Tran, 2023; Muda et al., 2020). From Islamic perspective, an organization's internal processes must not only drive efficiency but also uphold Sharia principles. Well-structured databases, transparent accounting systems, and effective knowledge management frameworks ensure compliance with ethical financial practices, and fair business transactions. However, if structural capital, such as infrastructure supporting efficient employee performance, is underdeveloped, it may hinder organization from achieving Maqasid Sharia objectives, particularly in maintaining continuous growth and wealth redistribution.

c) Relational Capital

Relational capital reflects an organization's ability to build long-term relationships with customers, suppliers, and stakeholders (Aljuboori et al., 2022; Kim & Tran, 2023; Muda et al., 2020). Islamic business ethics emphasize siddiq (honesty), amanah (trustworthiness), and adl (justice) in all transactions. Strong relational capital contributes to customer trust and business sustainability, particularly in halal industry, ethical supply chains, and social impact initiatives. In Maqasid Sharia performance, this relates to business gaining more customers due to the ethical and value-driven nature of their offerings, ultimately fostering barakah (divine blessing) in business.

d) Spiritual Capital

Beyond intellectual capital, spiritual capital plays a fundamental role in shaping an organization's ethical orientation. Spiritual capital refers to faith-driven values, moral consciousness, and the integration of religious beliefs in decision-making (Khalique et al., 2018; Khalique & Pablos, 2015; Zohar & Marshall, 2004). It fosters taqwa (God-consciousness), sincerity (ikhlas), and a sense of accountability to Allah, which ensures that business owners or managers operate with integrity (Azmi & Hashim, 2022). From an Islamic perspective, organization that embed spiritual capital in their leadership and corporate culture are more likely to sustain ethical practices, avoid exploitative behaviors, and prioritize long-term well-being over short-term profit motives.

Spiritual capital strengthens Maqasid Sharia performance by ensuring that businesses uphold social justice (iqomah al-adl), promote ethical wealth distribution (tahdhib al-fard), and contribute to public welfare (jalb al-maslahah). Organizations with a strong spiritual foundation prioritize zakat, fair wages, employee well-being, and ethical investment practices, ensuring that their financial gains benefit society at large.

Finally, intellectual capital is not just a competitive advantage but also a moral responsibility. While conventional RBT views resources as a means for profitability, Islamic RBT expands this to include spiritual, ethical, and social dimensions. Organizations that effectively manage their intellectual capital in alignment with Maqasid Sharia principles will not only achieve financial sustainability but also contribute to social justice, employee welfare, and ethical economic growth.

2.2.2 Diffusion of Innovation Theory

The Diffusion of Innovation (DOI) theory, as explained by Rogers (2003), provides a foundational framework for understanding how new ideas spread. Rogers defines this diffusion as the process through which innovative ideas are interconnected via precise mediums in various periods of time amid the participants of a social system. Innovation is not only generating new ideas or inventions, but it requires implementation and practical use. An idea becomes an innovation only when it is applied or made accessible for use by others, whether by firms, organizations, or individuals (OECD Eurostat, 2018). The economic and social impact of new ideas

depends on how innovations are diffused and adopted. Moreover, innovation is not confined to the business sector alone but is a continuous process occurring across all areas of the economy. Various organizations and individuals contribute by improving products, refining processes, and creating or sharing knowledge that supports innovation.

The process of adopting an innovation is divided into two distinct phases: initiation and implementation. This journey begins when an individual or organization first perceives a problem or an opportunity that requires a new solution (Shahid, 2022). Central to the DOI theory is the innovation-decision process, a five-stage mental sequence that potential adopters undergo (Rogers, 2003):

a) Knowledge: An individual first becomes aware of the innovation and gains a basic understanding of how it functions.
b) Persuasion: The individual forms a favorable or unfavorable attitude toward the innovation.
c) Decision: A choice is made to either adopt or reject the innovation.
d) Implementation: The innovation is put into practice.
e) Confirmation: The adopter seeks reinforcement for their decision, which may lead to long-term adoption or a reversal if the outcomes are negative.
f) Compatibility: Aligning Innovation with Islamic Values

A critical factor determining the success of the diffusion process is compatibility, which refers to how well an innovation fits with the cultural values, beliefs, and existing practices of potential adopters (Everdingen & Waarts, 2003). According to the DOI theory, an innovation is far more likely to be adopted if it resonates with the target audience's cultural norms and does not clash with their established ways of thinking and behaving (Ghoniyah et al., 2024; Shahid, 2022).

This principle of compatibility is especially relevant in Muslim-majority countries (Jaiyeoba et al., 2024). For businesses operating in these markets, an innovation's alignment with Islamic values is a key determinant of its acceptance and sustainability. Innovations that are explicitly Sharia-compliant are more likely to be embraced by Muslim consumers and entrepreneurs than those driven solely by technology without a religious or cultural context. When consumers form the dominant market group, culturally aligned innovations have a significantly higher chance of successful adoption.

In businesses guided by Islamic values, innovation is not merely about profit generation, it must also serve the greater good and align with the fundamental objectives of Islamic law, known as Maqasid Sharia. This authentic approach provides distinctive solutions to various issues by ensuring that business activities remain within the boundaries of Sharia. This involves avoiding prohibited elements like riba (interest) and unethical practices, while actively promoting fairness, transparency, and both social and environmental responsibility (Azmi & Hashim, 2022).

The conceptualization of Islamic innovation has been shaped by various scholars and is increasingly linked to Maqasid Sharia (National Islamic Finance Committee, 2023). For SMEs in Muslim-majority regions, integrating these principles represents a powerful fusion of spiritual values and modern business strategy. By incorporating Maqasid Sharia into their innovation initiatives, firms can effectively address market needs while ensuring their development is sustainable, ethical, and beneficial to society at large (Bsoul et al., 2022; Hamidi & Worthington, 2021).

2.3 Halal Industry in Indonesia

Halal industry can be defined to be the activity of processing or processing halal goods/services using raw material resources, equipment facilities, and processing processes permitted by Islamic law to produce halal products, as well as the value chain associated with these industrial activities (National Islamic Finance Committee, 2023). The halal industry value chain consists of interconnected sectors that ensure products and services comply with Sharia principles. This ecosystem extends beyond halal food, covering finance, pharmaceuticals, cosmetics, fashion, tourism, and the creative economy. Table 2.1 illustrates the halal value chain as a supporting sector for the halal industry in Indonesia.

Table 2.1
Halal Industry Value Chain in Indonesia

Sector	Value chain
Halal Food and Beverages	Agriculture, plantation, livestock, fisheries & seafood, and food processing.
Halal Pharmacy and Cosmetics	Logistic or channel (wholesale and retail) of pharmacy and cosmetics.
Moslem Fashion	Textiles, and complementary materials.

Sector	Value chain
Halal Tourism	Cafes, restaurant, other food & beverages, hotels, transportation, spas, saunas, massages, health care, Takaful medical (insurance), travel agents, and tour guides, tourism destination, craft.
Creative Economy	Media, advertisement, financial entity and banks.

Source: National Islamic Finance Committee (2023)

One of the core sectors of the halal industry value chain is halal food and beverages, which ensures compliance with Islamic dietary laws. This sector is the largest contributor to the halal economy and includes food processing, supply chains, and distribution. Given Indonesia's large Muslim population, the demand for halal-certified food products continues to grow, both for domestic consumption and exports.

The halal pharmaceutical and cosmetics sector is another critical component of the value chain. This industry ensures that medicines, skincare, and personal care products do not contain non-halal or harmful ingredients. The expansion of halal-certified pharmaceutical products aligns with the global trend of ethical and organic product consumption.

Halal tourism is a fast-growing sector in Indonesia. The country ranked 1st in the Global Muslim Travel Index (GMTI) in 2023, highlighting its strength in Muslim-friendly tourism services. Halal tourism refers to the provision of a tourist product and service that fits the demands of Muslim travelers in terms of worship and dietary requirements that are consistent with Islamic teachings (National Islamic Finance Committee, 2023). Azam et al. (2019) define halal tourism, also known as Islamic tourism or Muslim friendly tourism, as a novel idea in the tourist sector that creates new and exciting potential for economic growth.

The concept of halal is closely related to the concept of tayyib (طيب). The term tayyib should be interpreted carefully within the Islamic context. Linguistically, tayyib does not merely mean “wonderful,” but generally refers to something that is good, pure, wholesome, lawful, beneficial, and ethically acceptable according to Islamic principles (Kadad et al., 2026). In the context of halal industries, the concept of halalan tayyiban emphasizes not only permissibility (halal) but also quality, safety, cleanliness, ethical production, and societal benefit. Therefore, this study adopts the formal interpretation of tayyib based on authoritative Islamic scholarly references rather than a general literal translation.

Halal tourism is a subtype of religious tourism (Ekka, 2023). Muslims engage in tourism; these followers conduct their life according to Sharia Law. Following Sharia Laws is one approach to become Halal. Halal is an Arabic term that meaning "countenanced" for Muslims, referring to acceptable and permissible kinds of behavior. Thus, halal tourism is essentially a Muslim-oriented tour created to satisfy Muslim concerns and demands, in which customers follow Sharia regulations as supported by their hosts. Halal tourism is responsible for providing vacation packages and other products and services that meet the needs of tourists, particularly Muslim customers. Halal cuisine, Muslim-friendly hotels and beach resorts, airlines, theme parks, halal tourist packages, health care, Takaful medical (insurance), travel agents, and digital apps are some examples of responsible Halal travel sector products that meet the needs of customers (Crescentrating, 2018).

The Muslim fashion industry, or modest fashion, is also a significant part of the halal value chain. Indonesia is one of the leading global players in Muslim fashion, with local designers gaining international recognition. The government's focus on developing halal-certified textiles and modest wear aims to position Indonesia as the world's center for Muslim fashion.

The halal creative economy includes Islamic media, digital content, entertainment, and the arts, all of which are developed in compliance with Islamic ethical guidelines. The expansion of Islamic digital platforms, Islamic finance technology (fintech), and Sharia-compliant e-commerce has played a significant role in promoting the halal lifestyle. Indonesia ranks 3rd in the Global Islamic Fintech Report, reflecting the increasing role of technology in the halal economy.

Halal industry has grown enormously over the past decade. According to the Masterplan Ekonomi Syariah Indonesia (MEKSI) 2025-2029, strengthening the halal value chain is essential for boosting Indonesia's global competitiveness and integrating Islamic economic principles into national development. Given the critical role of Small and Medium Enterprises (SMEs) in driving the growth of these sectors, the masterplan places a strong emphasis on empowering SMEs within the halal value chain. By enhancing regulations, improving governance, investing in research and development, developing human capital, and increasing public awareness, the Indonesian government aims to create a more structured and competitive halal industry. Strengthening SMEs in this ecosystem not only contributes to Indonesia's goal of becoming a global leader in

the Islamic economy but also promotes economic inclusivity, innovation, and sustainability within the halal sector.

Indonesia has developed the halal industry significantly, and the number of SMEs applying for halal certification is growing significantly. Figure 2.1 shows the development of the halal industry in Indonesia, which has played an important role in the development of the national industry.

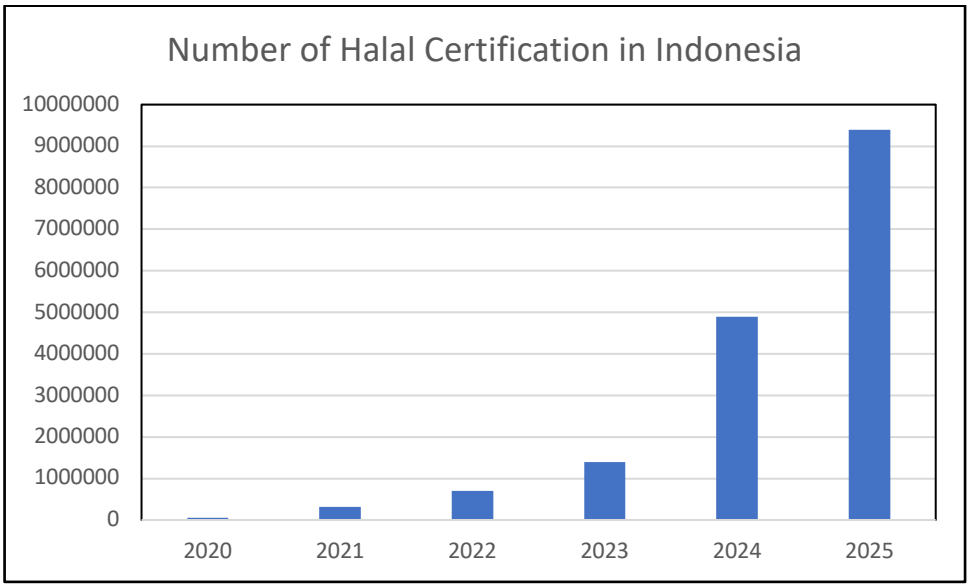


Figure 2.1 Number of Halal Certification in Indonesia

Source: Satu Data Kementerian Agama RI (2024) and BPJPH (2025)

The challenges faced by Indonesia's halal industry can also be analyzed through the lens of Intellectual Capital (IC). First, human capital remains a major issue. Many SMEs lack awareness and understanding of halal compliance, which creates misperceptions, especially in halal tourism (Fatwa Dewan Syariah Nasional-Majelis Ulama Indonesia, 2016). This knowledge gap reflects limited competencies and literacy in halal business practices, which hinders their ability to integrate Sharia principles into operations. Second, the structural capital of SMEs is still weak. The halal certification process is often described as complex and costly, which discourages small businesses from obtaining it (National Islamic Finance Committee, 2023). This difficulty shows that SMEs struggle to align their systems, documentation, and processes with halal certification requirements, highlighting structural limitations that slow down industry development.

Third, relational capital is also constrained. Many SMEs have weak linkages with stakeholders such as certification bodies, government agencies, and international partners (Mohsin et al., 2016). Limited collaboration and market connections reduce their ability to promote halal products abroad, limiting competitiveness in the global halal market. Finally, spiritual capital is underdeveloped. For many SMEs, halal certification is pursued more as a compliance formality than as a reflection of spiritual responsibility and commitment to societal welfare (National Islamic Finance Committee, 2023). Without strong spiritual grounding, the deeper ethical and value-driven purpose of halal business is not fully realized, which limits the industry's contribution to broader community well-being.

2.3.1 SMEs in Banyumas in Relation to Halal Industry

Small and Medium Enterprises (SMEs) represent a classification of businesses based on their size and operational scale, with specific criteria (Indonesian Law No. 200 Regarding MSME, 2008). Indonesian's goverment divides enterprises into three distinct categories: micro, small, and medium enterprises. Small enterprises are independent economic entities operated by individuals or business entities that are not subsidiaries or branches of medium or large businesses, nor are they controlled or affiliated directly or indirectly with such entities, while meeting the specified criteria. Medium enterprises are similarly independent, productive businesses run by individuals or entities that are neither subsidiaries nor branches of small or large businesses, and they must meet specific thresholds for net worth or annual sales as stipulated in the law.

The classification of enterprises is further determined by factors such as the value of assets, annual revenue, and the number of employees, as detailed in Table 2.2. This structured framework ensures clarity in defining and supporting businesses at various stages of growth within Indonesia's economy.

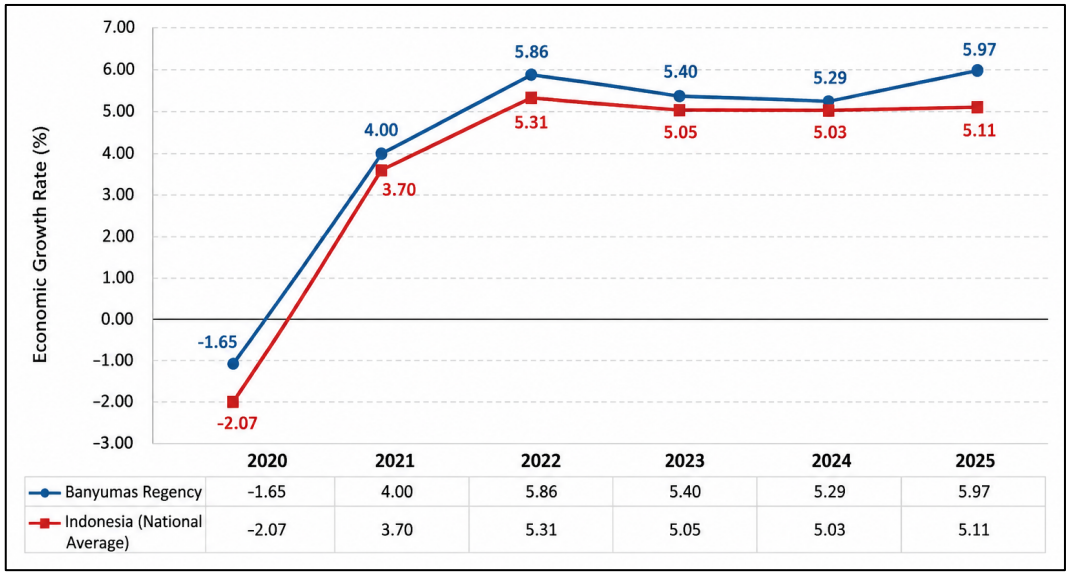
Table 2.2
Enterprises Category in Indonesia

Category	Asset	Revenue	Employee
Small Enterprise	50 million y IDR - 500 million IDR	> 300 million IDR - 2.5 billion IDR	5-19
Medium Enterprise	> 500 million IDR - 10 billion IDR	> 2.5 billion IDR - 50 billion IDR	20-99

Source: Indonesian Law No. 200 Regarding MSME (2008)

SMEs occupy a unique position in the business ecosystem, as they are large enough to demonstrate organizational complexity and scalability but small enough to maintain agility and adaptability (Beltramino et al., 2020; Games et al., 2024). Those characteristic makes them particularly interesting subjects for research on intellectual capital and innovation (Hanifah et al., 2022; Molthar & Indarti, 2021; Muda et al., 2020).

According to data from the Central Java Central Statistics Agency (BPS), (2023), Banyumas Regency (Kabupaten Banyumas) is one of the major regional economic centers in Central Java in terms of SME activity and workforce participation. Compared to several neighboring regencies within the Banyumas Raya region, Banyumas demonstrates stronger business concentration and economic performance across various halal-related sectors, including halal food and beverages, Muslim fashion, hospitality, creative industries, tourism-related services, and other SME-based activities (Dinas Komunikasi dan Informatika Kabupaten Banyumas, 2023).



	2020	2021	2022	2023	2024	2025
Banyumas Regency	-1.65	4.00	5.86	5.40	5.29	5.97
Indonesia (National Average)	-2.07	3.70	5.31	5.05	5.03	5.11

Figure 2.2. Comparison Of Banyumas Economic Growth with National Average
Source: BPS-Statistic Banyumas Regency (2025) and Badan Pusat Statistik (2026)

Administratively, Banyumas Regency (Kabupaten Banyumas) consists of 27 districts (kecamatan), creating broad economic distribution across semi-urban and rural areas. In 2025, Banyumas contributed approximately 27.52% to the Gross Regional

Domestic Product (GRDP) of the Banyumas Raya region and recorded economic growth of 5.97%, exceeding provincial and national averages as presented in the figure 2.2 (BPS-Statistic Banyumas Regency, 2025).

These indicators highlight Banyumas' strategic importance as a regional economic center and demonstrate its growing relevance within the halal industry ecosystem. To provide a clearer geographical context, Figure 2.2 illustrates the location of Banyumas Regency within Central Java Province.

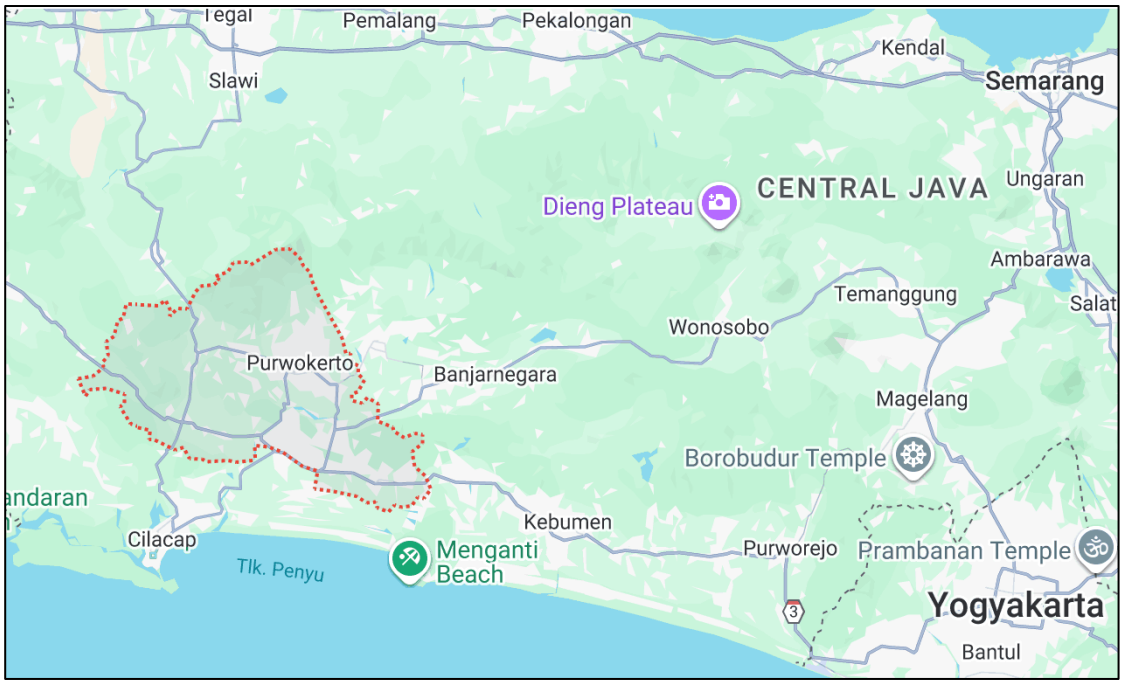


Figure 2.3 Map of Central Java Province Showing the Location of Banyumas Regency

Source: Adapted from Central Java Geospatial Information Agency (2025)

The selection of Banyumas Regency as the focus of this study is based on several considerations. First, Banyumas has one of the largest SME populations in Central Java, with approximately 4,400 registered SMEs distributed across multiple halal-related sectors (Dinas Komunikasi dan Informatika Kabupaten Banyumas, 2023). Second, the regency demonstrates growing halal industry potential supported by strong SME participation in sectors associated with halal value chains (National Islamic Finance Committee, 2023). Third, Banyumas combines semi-urban economic development with strong local cultural identity, making it a relevant context for examining how halal SMEs integrate business competitiveness with Islamic values and sustainable development principles (BPS-Statistic Banyumas Regency, 2025).

As part of the halal industry ecosystem, SMEs in Banyumas operate across various halal-related sectors, halal food and beverages, halal pharmacy and cosmetics, moslem fashion, halal tourism, and creative economy. Among these sectors, tourism-related industries represent one of the major contributors to regional economic activities due to Banyumas' strong natural attractions and growing tourist arrivals (BPS-Statistic Banyumas Regency, 2025).

Despite this significant potential, several reports indicate that many SMEs in Banyumas continue to face capability-related challenges limiting their competitiveness and long-term sustainability. Many SMEs still experience weak digital integration, limited innovation capability, low product standardization, restricted export readiness, and insufficient understanding of halal market requirements and Sharia-compliant business practices (BPS-Statistic Banyumas Regency, 2025). According to the Indonesia Sharia Economic Masterplan 2019–2024 developed by the National Islamic Finance Committee (KNEKS) (2019), the limited availability of skilled SME practitioners with adequate knowledge of Sharia principles and halal business management remains a major challenge in supporting halal industry development. In addition, many SMEs still have limited awareness regarding the strategic value of halal certification beyond administrative compliance, despite its important role in strengthening product credibility, market trust, and business competitiveness (Fahham, 2017).

These conditions suggest that the strong halal industry potential of Banyumas has not yet been fully translated into sustainable SME competitiveness and performance. As SMEs represent the dominant business actors within halal-related sectors, their capability limitations may weaken the region's ability to strengthen halal industry development at both national and global levels. Therefore, strengthening SME capability through intellectual capital development, innovation capability, and Sharia-oriented business practices becomes increasingly important for supporting sustainable regional economic growth and enhancing halal industry competitiveness in Banyumas Regency.

2.4 Organizational Performance

Organizational performance is widely recognized as an important indicator of an organization's success and overall effectiveness in an increasingly dynamic global

environment (Almasarweh et al., 2024). It reflects how well an organization achieves its strategic, market-oriented, and financial goals (Gold et al., 2001). Measuring performance allows organizations to evaluate their competitive position, identify areas for improvement, and ensure that their strategies and operations are aligned with intended outcomes.

Performance in organizational research is often understood primarily in financial terms, emphasizing profitability and value creation as key indicators of success (Aljuboori et al., 2022; Khan & Yusoof, 2023). A study by Aljuboori et al. (2022) utilized Return on Assets (ROA) as their primary financial measure of performance. Similarly, Aljuboori et al. (2022) characterized firm performance through its capacity to generate revenue, achieve profits, reduce costs, enhance sales, and improve asset returns. Khan & Wan Yusoff (2023) further included measures like market share, sales, cash flow, and profit margin to assess the financial health. While these financial measuremnet provide critical insights into a business's economic viability, it is important to acknowledge that a single measure may not fully explicate all aspects of performance (Cunha et al., 2023; Kaplan & Norton, 2005).

Kaplan (2009) define performance not as a single outcome but as a comprehensive view of how well a business translates its strategy into measurable action. Their framework suggests that performance must be assessed across four balanced perspectives: the financial perspective (how the company appears to shareholders), the customer perspective (how customers perceive the firm), the internal business process perspective (which internal operations must be excellent), and the learning and growth perspective (how the organization can continue to improve and create value). In this view, true performance is about achieving a balance across all these areas to drive long-term, sustainable success, rather than focusing exclusively on short-term financial results. He argues that the systematic and comprehensive measurement of performance is indispensable for ensuring the achievement of organizational goals and for navigating complex challenges.

Consequently, performance measurement has evolved to incorporate non-financial indicators, providing a more holistic and comprehensive view of organizational health and success. Beltramino et al. (2022) adopted a multidimensional approach, measuring performance through indicators like sales volume, profitability, productivity, customer satisfaction, employee satisfaction, and the satisfaction of owners, investors, or shareholders. Gold et al. (2001) define organizational

effectiveness, a key aspect of performance, through an improved ability to innovate, enhanced coordination of efforts, rapid commercialization of new products, the capacity to anticipate surprises, responsiveness to market change, and reduced information and knowledge redundancy. Furthermore, it is widely acknowledged that using perceptual measures of firm performance can correlate strongly with more traditional objective measures, such as sales growth, net income growth, and return on investment. This integrated approach acknowledges that sustained organizational success is driven by a complex interplay of both tangible financial outcomes and intangible operational and strategic capabilities. Table 2.3 shows the summary of organizational performance perspectives.

Table 2.3
Summary of Organizational Performance Perspectives

Performance Dimension	Sub-Dimension	Description	Author
Financial performance	Measures a business's economic viability and health using financial outcomes such as Return on Assets (ROA), revenue, profit, cash flow, market share, profit margin.		Aljuboori et al. (2022), Kaplan & Norton (2005), Khan & Wan Yusoff (2023) Kim & Tran, 2023; Kliestik et al., 2020; Muda et al., 2020; Mukarromah et al., 2020)
Non-Financial Performance	Focuses on operational and strategic capabilities that drive future success, such as productivity, customer/employee satisfaction, innovation, coordination, responsiveness to market change, new product commercialization.		
	Product	Internal Process & Operational Efficiency (i.e.) quality and demand for the products or services offered	Aragón-Sánchez & Sánchez-Marín, (2005), Gin Chong (2008), Rokhman et al. (2023)
	Marketing	sales growth, customer satisfaction, and market share expansion	Beltramino et al. (2020), Kaplan & Norton (1996), Muda et al. (2020)
	Internal Business Process	Productivity, Product/Service Quality, Operational Efficiency, Innovation, Market Response	Beltramino et al., (2022), Gold et al. (2001), Kaplan & Norton (1996)

Performance Dimension	Sub-Dimension	Description	Author
		Time, New Product Commercialization.	

Source: compiled by researcher

Measuring performance in small and medium-sized enterprises (SMEs) requires a different approach than in large corporations. SMEs often operate with fewer resources but benefit from greater agility, simpler organizational structures, and closer customer relationships, which allows for faster, more flexible decision-making. Given these unique traits, performance measurement systems (PMS) for SMEs should be kept simple and focused (Heinicke, 2018).

The performance achievement of Small and Medium Enterprises (SMEs) is crucial due to their significant contribution to the development of economic regions. As highlighted by previous studies (Nursini, 2020; Yacob et al., 2021), SMEs play a pivotal role in job creation, income generation, poverty alleviation, and fostering local economic circulation. They also contribute to social development, community involvement, government revenue generation, and rural development (Endris & Kassegn, 2022; Nursini, 2020).

There has yet to be a consensus regarding the performance measurement for SMEs. Previous studies divided SMEs performance measurement based on financial and non-financial performance (Gold et al., 2001; Muda et al., 2020; Wang et al., 2014). Financial performance is evaluated through indicators such as revenue, profitability, and the ability to generate capital, which are critical for ensuring the sustainability of SMEs (Kliestik et al., 2020; Mukarromah et al., 2020). Effective financial management, including cash flow management, expense control, and access to financing, is essential for maintaining financial stability and supporting operational growth (Herera et al., 2023; O. Olarewaju & Msomi, 2021).

Non-financial performance, on the other hand, encompasses product and marketing aspects. Product performance can be assessed based on the quality and demand for the products or services offered, while marketing performance is measured through sales growth, customer satisfaction, and market share expansion (Aragón-Sánchez & Sánchez-Marín, 2005; Gin Chong, 2008; Rokhman et al., 2023). These dimensions provide a comprehensive view of SME performance, reflecting their

operational efficiency, market competitiveness, and contribution to the economy. Table 2.4 show the summary of SME performance based on the previous studies.

Table 2.4
Summary of SME Performance

Performance Dimension	Author
Financial performance	Aljuboori et al. (2022), Herera et al. (2023), Khan & Wan Yusoff (2023), Kim & Tran (2023), Kliestik et al. (2020), Muda et al. (2020), Mukarromah et al. (2020), O. M. Olarewaju & Msomi (2021), Z. Wang et al. (2014)
Non-Financial Performance	
Product	Aragón-Sánchez & Sánchez-Marín (2005), Gin Chong (2008), Rokhman et al. (2023), Z. Wang et al. (2014), Haroon Hafeez et al. (2012), Taticchi et al. (2010)
Marketing	Muda et al. (2020), Rokhman et al. (2023), Z. Wang et al. (2014), Haroon Hafeez et al. (2012), Taticchi et al. (2010)

2.5 Maqasid Sharia

Islamic economics offers the concept Maqasid Sharia, which aims to provide benefit (goodness) for humans in this world and hereafter. Islamic law has a sharia goal called Maqasid Sharia. The term maqasid is a plural version of maqshad, which means aim and purpose, whereas sharia has the meaning of God's laws that are created for mankind to be led to seek happiness in life in this world and the next (Antonio et al., 2020).

Maqasid Sharia, or the objectives of Islamic law, represents the foundational wisdom and purpose behind divine legislation and is a central paradigm in Islamic economics and jurisprudence. The core purpose of Sharia is to realize human welfare (maslahah) in this world and the hereafter by maximizing benefits and minimizing harm (Azmi & Hashim, 2022). These objectives have been applied to address changing social conditions since the time of the Prophet Muhammad and his companions. Scholars like Muhammad Abu Zahrah later systemized this framework, grounding it in the Qur'an (Zahrah, 1997). He explains that Islamic regulations are fundamentally a source of compassion, healing, guidance, and mercy for humanity, as emphasized in verses like Surah Al-Anbiya (21:107) and Surah Yunus (10:57). Allah states in Surah Al-Anbiya' 21:107 (الأنبياء):

وَمَا أَرْسَلْنَاكَ إِلَّا رَحْمَةً لِّلْعَالَمِينَ

"And We have not sent you, [O Muhammad], except as a mercy to the worlds."

This verse reflects the concept of *rahmatan lil 'alamin* (رحمة للعالمين), which emphasizes universal mercy, compassion, and societal welfare within Islamic teachings. Furthermore, Allah states in Surah Yunus 10:57 (يونس):

يَا أَيُّهَا النَّاسُ قَدْ جَاءَتْكُم مَّوْعِظَةٌ مِّن رَّبِّكُمْ وَشِفَاءٌ لِّمَا فِي الصُّدُورِ وَهُدًى وَرَحْمَةٌ لِّلْمُؤْمِنِينَ

"O mankind, there has come to you instruction from your Lord and healing for what is in the breasts and guidance and mercy for the believers." This verse highlights the importance of guidance, ethical conduct, spiritual well-being, and human development as core principles in Islamic teachings.

The comprehensive nature of maslahah is what makes the concept so crucial (Antonio et al., 2020). It offers a view of well-being that integrates material, moral, and spiritual aspects, distinguishing it from many Western concepts that often focus primarily on material prosperity. This holistic approach serves as not only a vital tool for legal interpretation but also as the foundational philosophy for a comprehensive Islamic economic system, making it a solution for a wide range of societal problems.

2.5.1 Maqasid Sharia Concept According to the Scholars

2.5.1.1 Al- Juwaini's Concept

Imam al-Haramain al-Juwaini (1028-1087 AD) is recognized as a key early figure who placed maslahah (public interest) at the core of Maqasid Sharia (Antonio et al., 2020). He developed the study of maqasid by connecting it to the study of 'illat (the underlying reason for a ruling) in qiyas (analogical reasoning). Al-Juwaini's framework divided the basis of 'illat into three hierarchical levels of public interest: dharuriyyah (necessities), haajiyyat (needs), and tahsiniyyat (embellishments or perfections). This classification system became a foundational element that was later expanded upon by his student, Al-Ghazali (Okumuş, 2024).

However, Al-Juwaini's discussion of Maqasid Sharia remained relatively general and abstract, as it primarily focused on legal reasoning and jurisprudential interpretation within usul fiqh. His framework emphasized the preservation of essential human interests but did not yet provide a comprehensive operational framework applicable to broader socio-economic or organizational contexts. The conceptualization

of maqasid during this period was still largely normative and legal-oriented. Later scholars, particularly Imam al-Shatibi, further systematized and expanded the maqasid framework into a more holistic and practical approach emphasizing human welfare (maslahah), ethical values, and societal well-being across various dimensions of life, including economics and business activities.

2.5.1.2 Al-Ghazali's Concept

Imam Al-Ghazali (1058-1111 AD) is credited as a Muslim intellectual who formally introduced and systematized the concept of Maqasid Sharia (Setiyanto, 2019). He developed the framework of maslahah, defining it as that which brings benefits (jalb manfa'ah) or rejects harm (daf madarrah) (Okumuş, 2024). Al-Ghazali is most famous for classifying the primary objectives of Sharia (dharuriyyah) into five essential protections (al-usul al-khamsah): the preservation of religion (din), life/soul (nafs), intellect ('aql), progeny/lineage (nasl), and wealth/property (mal) (Setiyanto, 2019). He argued that anything ensuring the protection of these five essentials serves the public interest, while anything that harms them must be prevented (Setiyanto, 2019).

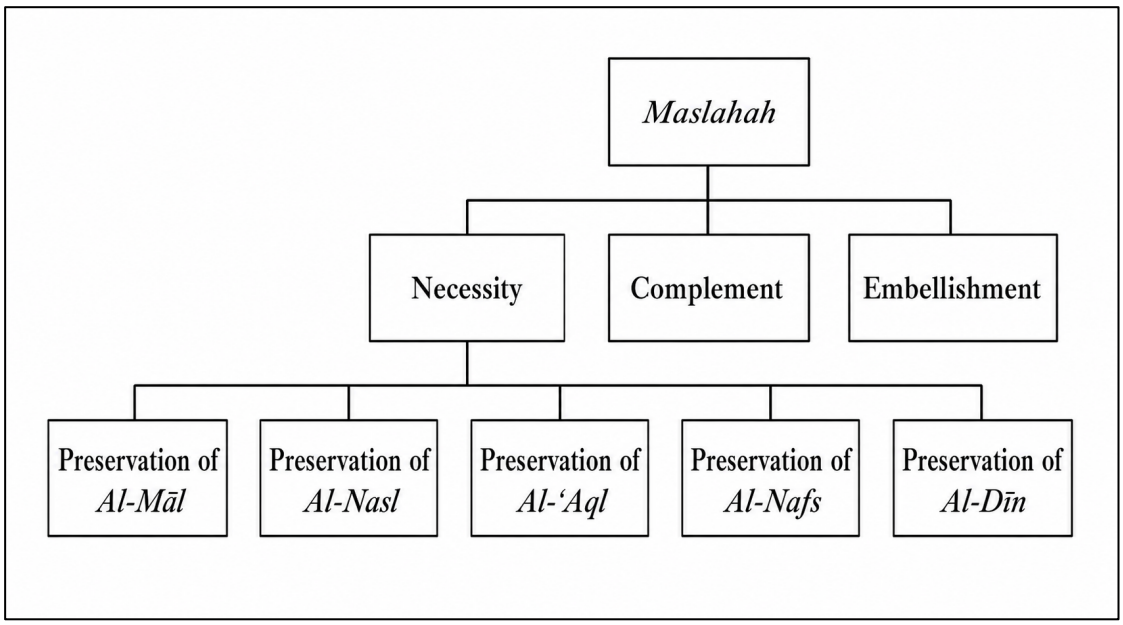


Figure 2.3 Maqasid Sharia Framework According to Imam Al-Ghazali

Source: (Mohammed & Taib, 2015)

2.5.1.3 Al-Syatibi's Concept

Imam Abu Ishaq As-Syatibi (d. 1388 AD) further developed the theory of Maqasid Sharia, asserting that every divine law is intended to create human happiness and realize the welfare of people in this world and the hereafter (Antonio et al., 2020; Hudayati & Tohirin, 2019). He identified two fundamental aspects of Maqasid Sharia: the legal rulings based on their underlying cause (illat), and the concept of benefits versus harms (almashalih wa al-mafasid) (Setiyanto, 2019) . As-Syatibi also adopted and reinforced the tripartite classification of maslahah into necessities (Daruriyyah), needs (Haajiyyah), and embellishments (Tahseeniyyah), establishing this hierarchy as central to understanding the objectives of Islamic law (Bahri et al., 2019; Sheikh & Hussain, 2024). Al-Shatibi's framework identifies five fundamental elements that must be protected: religion (ad-din), life (an-nafs), intellect (al-aql), lineage (an-nasl), and wealth (al-mal) (Mohammed & Taib, 2015; Mohammed et al., 2008).

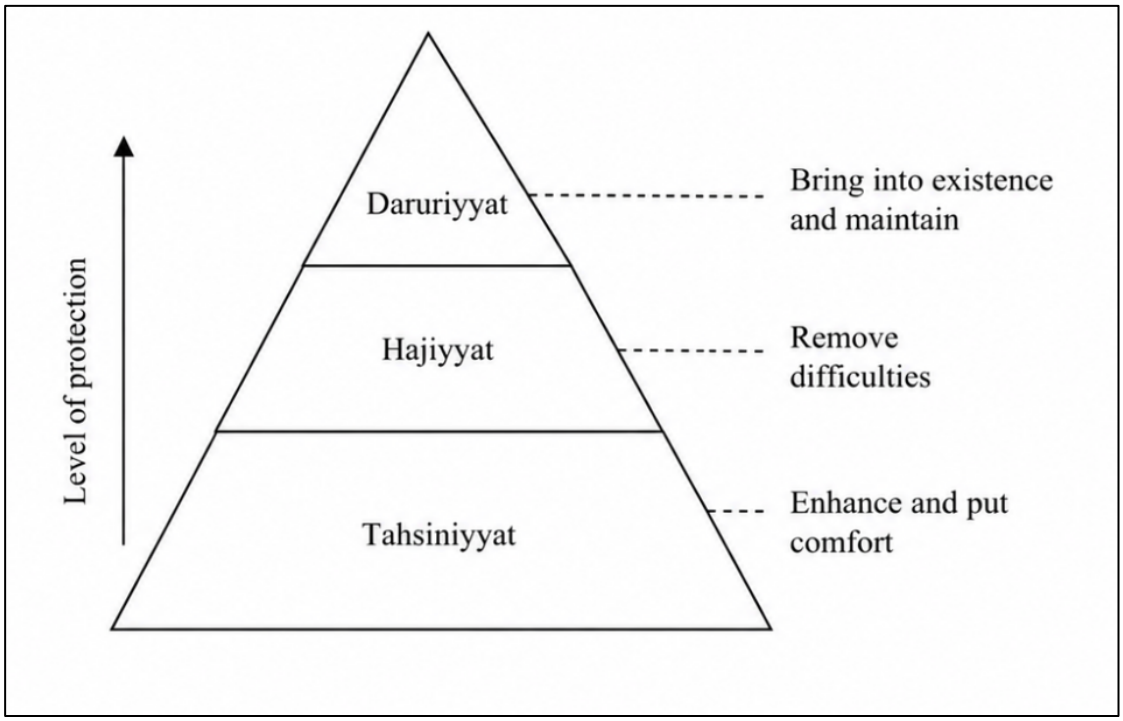


Figure 2.4 Maqasid Sharia Framework According to al-Juwaini and Al-Syatibi

Source: Mohammad & Shahwan (2013)

2.5.1.4 Abu Zahrah's Concept

Muhammad Abu Zahrah (1898-1974), an influential modern Egyptian jurist, simplified and categorized the concept of Maqasid Sharia into three core domains: educating the individual (tahdhib al-fard), establishing justice (iqamah al-adl), and promoting public interest or welfare (al-maslahah) (Zahrah, 1997). These dimensions position maslahah (public interest) as the goal of Islamic law.

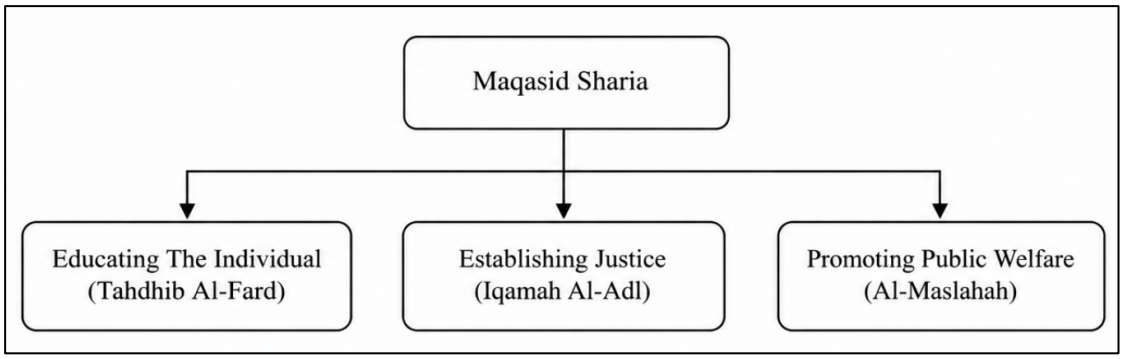


Figure 2.5 Maqasid Sharia Framework According to Abu Zahrah

Source: Zahrah (1997)

2.5.2 Comparison of Maqasid Sharia Models and Selection of Abu Zahrah's Model

The concept of Maqasid Sharia has evolved through contributions from various Islamic scholars, each offering different perspectives and emphases in understanding the objectives of Islamic law. While earlier scholars mainly focused on legal reasoning and the preservation of essential human interests, later scholars expanded the framework into broader ethical, social, and developmental dimensions. Therefore, comparing these Maqasid frameworks is important to identify the most relevant and applicable model for this study.

Figure 2.6 compares the Maqasid Sharia frameworks proposed by Abu Zahrah, Al-Shatibi, and Al-Ghazali. These three scholars were selected because their frameworks provide more systematic, operational, and widely applied conceptualizations of Maqasid Sharia in contemporary studies. While earlier scholars such as Al-Juwaini contributed significantly to the foundational development of maqasid thinking, his framework remained relatively abstract and primarily focused on legal reasoning within usul fiqh. Therefore, the comparison among these three scholars

provides clearer theoretical justification for identifying the most relevant Maqasid framework for this study.

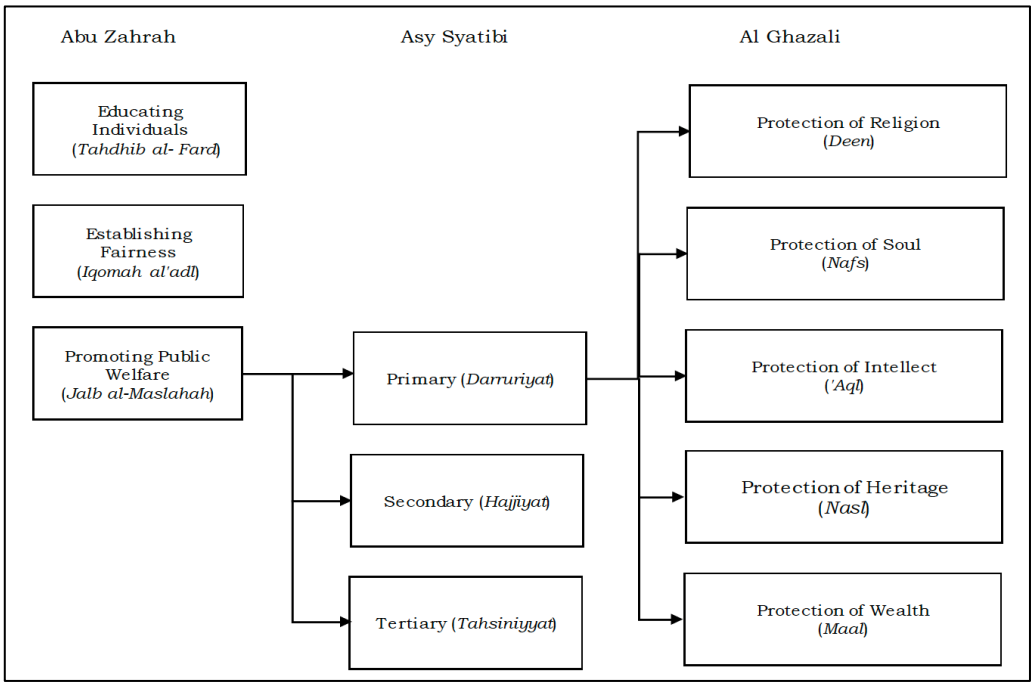


Figure 2.6 Comparison of Maqasid Sharia Framework

Source: Mohammad & Shahwan (2013)

Abu Zahrah's conceptualization of Maqasid Sharia is considered superior to earlier frameworks, such as those proposed by Al-Ghazali. His model shifts the focus from merely protecting fundamental rights to actively fostering societal and economic development (Zahrah, 1997). Furthermore, this framework is highly practical for performance measurement, making it relevant for modern economic and social challenges (Mergaliyev et al., 2021; Mohammad & Shahwan, 2013). Jazil & Syahruddin (2013) argue that Abu Zahrah's classification provides a more effective tool for evaluating organizational and economic performance.

One of the key strengths of Abu Zahrah's framework is its human-centered and development-oriented approach. Abu Zahrah's model prioritizes the development of ethical and knowledgeable individuals through tahdib al-fard. He argues that education is the foundation of an Islamic society, as it produces individuals who uphold justice and contribute positively to societal well-being (Hasan et al., 2018). This perspective aligns with modern economic theories that emphasize human capital development as a driver of sustainable economic growth.

Another distinguishing feature of Abu Zahrah's model is its explicit emphasis on justice (iqomah al- 'adl). Zahrah (1997) highlights it as a fundamental and independent goal of Islamic law. Justice is not merely a byproduct of legal and economic systems but a core objective that ensures fairness in wealth distribution, governance, and social interactions. This principle is particularly relevant in addressing contemporary issues such as economic inequality, financial ethics, and corporate governance in Islamic finance.

Furthermore, Abu Zahrah's third dimension, public welfare (jalb al-maslahah), strengthens the practical application of Maqasid Sharia in modern economic policies. Abu Zahrah expands this concept to actively promote economic activities that benefit society. His approach aligns closely with the principles of Islamic finance, corporate social responsibility, and sustainable development (Chapra, 1985). This makes his framework particularly relevant in the context of global economic challenges, such as poverty alleviation, environmental sustainability, and social entrepreneurship.

Additionally, Abu Zahrah's model is simpler and more practical than earlier frameworks. Instead of dealing with multiple overlapping objectives, policymakers and businesses can focus on three key areas, including education, justice, and public welfare. This streamlined approach makes it easier to implement Islamic principles in governance, economic planning, and business ethics. Moreover, his emphasis on tahdib al-fard ensures that ethical values are embedded at the individual level, creating a ripple effect that strengthens institutions and economic systems.

Abu Zahrah's conceptualization of Maqasid Sharia offers a more dynamic, justice-driven, and development-oriented approach than classical models. His emphasis on human development, fairness, and public welfare makes his framework highly relevant to contemporary economic, social, and governance challenges. By prioritizing education, justice, and social well-being, his model provides a practical and adaptable framework for addressing modern-day issues while remaining true to Islamic principles.

Zahrah (1997) emphasizes that education serves as the foundation of Maqasid Sharia, as it fosters individuals who are trustworthy and committed to Sharia principles. By prioritizing education, new aspects of Maqasid Sharia can be effectively realized (Hasan et al., 2018). This emphasis aligns with the Master Plan Industri Halal Indonesia (MPIHI) 2023–2029, which underscores the importance of developing exceptional and competitive human resources, particularly by enhancing the capabilities of halal industry participants, including small, and medium enterprises (SMEs).

2.5.3 Maqasid Sharia in Business Research

The implementation of Maqasid Sharia is a widely used framework in business research, as shown in Table 2.5. This body of work moves beyond theoretical discussion to apply the higher objectives of Islamic law to various business practices, primarily focusing on performance measurement, conceptual model development, and integration with established Western theories.

Table 2.5
Research of Maqasid Sharia in Business

Author	Focus	Mesurement
Andini et al. (2025)	This study focuses on developing a Maqasid-based performance measurement model for Islamic banks that integrates economic, social, and ethical dimensions in line with Islamic principles.	Maqasid-based banking performance indicators
Azmin Shompa et al. (2025)	The study focuses on developing a conceptual framework to harmonize the principles of Maqasid Sharia with sustainable waste management practices, with Malaysia as a contextual example.	-
Abdullah et al. (2025)	The study focuses on developing a novel conceptual framework and measurement index to understand employee motivation.	Survey-based maqasid motivation dimensions
Sheikh & Hussain (2024)	The study explores how Islamic banks in Pakistan align their practices with Maqasid Sharia for enhancing societal well-being.	Financial participation and financing performance ratios
Okumuş (2024)	The performance of all six participation banks (PBs) operating in Türkiye based on the Maqasid Sharia framework.	Financial ratios
Mohd Zain et al. (2024)	The study focuses on developing a comprehensive blueprint for the integration of Environmental, Social, and Governance (ESG) principles within the operations of Takaful (Islamic insurance).	ESG and governance-related maqasid indicators
Abdullah et al. (2024)	The study focuses on developing a new scale to measure whistleblowing likelihood by integrating Western (Kohlberg) and Islamic (Maqasid Sharia) ethical frameworks.	Conceptual dimensions of wealth, people, and property protection
Hamidi & Worthington 2023)	The study proposes and tests a new "Quadruple Bottom Line" (4Ps: Prosperity, People, Planet, Prophet) performance framework for Islamic banks.	Survey-based maqasid dimensions
Prasojo et al. (2023)	The research examines the relationship between intellectual capital, sharia governance, and the Maqasid Sharia-based performance of 70 Islamic banks from various countries.	Financial ratio-based performance indicators
Mahyudin & Rosman (2022)	The study explores and synthesizes the approaches used in previous empirical research to measure the performance of Islamic banks based on Maqasid Sharia.	Non-financial maqasid performance dimensions
Hasan (2022)	Comparing the environmental performance of 481 Sharia-compliant versus non-compliant non-financial firms listed on the US stock exchange from 2017 to 2021.	Sharia screening and compliance indicators
Tarique et al. (2021)	The study focuses on developing and validating a comprehensive performance evaluation model for Islamic banks.	Stakeholder- and value-oriented maqasid dimensions

Author	Focus	Mesurement
Monawer et al. (2022)	Formulating a conceptual framework to facilitate the actualization of Maqasid Sharia in the product design and consumption cycle within Islamic financial institutions.	-
Alkhan & Hassan (2021)	The research focuses on analyzing whether the practice of Islamic microfinance serves Maqasid Sharia, using an Islamic microfinance window in Kyrgyzstan as a case study.	Qualitative methodology through semi-structured, face-to-face interviews
Hudaefi & Noordin (2019)	Developing a new performance yardstick and using it to measure the Maqasid Sharia -based performance of a sample of 11 Islamic banks from 11 different countries.	Maqasid Index approach using financial data

Research about maqasid sharia in business demonstrates a significant and evolving effort to translate the theoretical principles of Maqasid Sharia into practical applications for modern business. The most prominent application is in the performance measurement of Islamic banks, where various indices have been developed to assess how well these institutions adhere to the higher objectives of Sharia beyond purely financial metrics. However, the scope of implementation is broadening, with researchers now developing conceptual frameworks to apply Maqasid Sharia to diverse areas such as Islamic insurance (Takaful), environmental sustainability, and internal corporate functions like employee motivation and ethical conduct. By embedding Maqasid Sharia into their core strategies and measurements, businesses are increasingly being evaluated on their ability to create not only economic value but also societal and ethical well-being (Sheikh & Hussain (2024).

2.5.4 The Implementation of Maqasid Sharia as Performance Measurement

While the traditional dimensions of performance measurement are valuable, they may not fully capture the unique values and objectives of businesses (Papulová et al., 2021), especially business operating within the halal industry. Implementing Islamic principles in organizations fosters sustainability, trust, and long-term success. By embracing stewardship, justice, transparency, and social responsibility, businesses can build trust, enhance reputation, and achieve long-term success. These principles provide both ethical grounding and strategic advantages, enabling organizations to thrive in competitive markets and address global challenges effectively (Hamzah et al., 2024; Helfaya et al., 2018; Javaid et al., 2020; Pandey et al., 2009; Sumi et al., 2024).

Helfaya et al. (2018) emphasize that Qur'anic principles like stewardship (khalifa) promote environmental responsibility by encouraging wise resource use and ecological balance. Aligning business practices with these values enhances corporate image and builds stakeholder trust. Pandey et al. (2009) highlight the role of a spiritual climate in creating workplaces where employees are motivated to contribute to higher purposes, improving satisfaction and performance. Such alignment attracts ethically conscious consumers and investors, strengthening market positioning.

Islamic teachings on social justice and community welfare align with fostering ethical workplaces. Pandey et al. (2009) stress that a spiritual climate improves employee engagement and motivation. Sumi et al. (2024) adds that principles like moderation (Wasatiyya) and avoiding wastefulness (Israf) encourage sustainable practices and accountability. These values not only enhance employee well-being but also strengthen brand loyalty and customer relationships, essential for competitive success.

Incorporating Islamic values into corporate social responsibility (CSR) strategies enhances reputation and societal trust. Sumi et al. (2024) notes that businesses in Muslim-majority contexts benefit from aligning profit-making with communal well-being. Javaid et al. (2020) highlights how communities leverage Islamic principles such as fairness and equitable wealth distribution to build resilient economic frameworks. These practices reduce inequality, ensure stability, and create safety nets for members, promoting upward mobility and economic resilience.

Sharia Economic Principles offer strategic advantages, particularly for small and medium-sized enterprises (SMEs). Hamzah et al. (2024) explains that emphasizing justice, transparency, and social responsibility builds trust and loyalty among stakeholders. These principles ensure customer satisfaction, community ties, and financial stability. Javaid et al. (2020) adds that mutual support and wealth redistribution within entrepreneurial community's foster cooperation and reduce economic shocks. For SMEs, integrating these values enables differentiation, sustainability, and stronger market positions.

From an Islamic perspective, performance measurement must go beyond financial and non-financial metrics to incorporate the principles of Maqasid Sharia, which emphasize educating individuals (tajdid al-fard), establishing justice (iqamat al-adl), and promoting public welfare (maslahah). Maqasid Sharia serves as a comprehensive performance assessment in the Islamic economic framework. This

concept integrates financial and social considerations, aiming to generate public welfare while minimizing harm (mudharat) (Mawardi, 2010). Over time, the discourse on Maqasid Sharia has been developed by leading their contributions have shaped the framework into a holistic model for ethical economic decision-making (Mawardi, 2010). Maqasid Sharia encompasses an entrepreneur's vision, mission, and strategic goals, ensuring long-term competitive advantages while prioritizing social welfare (Sarif et al., 2017). Additionally, Asutay & Marzban (2015) argue that implementing the Maqasid Sharia index enhances organizational performance by providing ethical and operational solutions to business challenges.

The urgency for a new measurement framework based on Maqasid Sharia arises from the need to ensure that halal businesses align their activities with broader Islamic values, such as ethical business practices, equitable wealth distribution, environmental stewardship, and contributions to community development. This approach ensures that the performance measurement is not merely a tool for financial evaluation but a mechanism for achieving spiritual and societal goals.

To create a systematic performance measurement process aligned with Maqasid Sharia, it is essential to clearly define objectives and link performance metrics to strategic, tactical, and operational levels. Papulová et al. (2021) stress the importance of designing key performance indicators (KPIs) that reflect higher Islamic objectives. KPIs could include measures of ethical compliance, equitable treatment of employees and customers, environmental sustainability, and contributions to community well-being. Rojas-Lema et al. (2021) further emphasize the need for performance to be flexible, easy to implement, and tailored to the unique characteristics and environments of SMEs. Such a system would enable SMEs to systematically and continuously evaluate all areas of their business activities, thereby improving competitiveness, managing development over time, and achieving high operational levels despite resource limitations. By embedding Maqasid Sharia into performance measurement, SMEs in the halal industry can ensure that their operations align with Islamic principles while fostering long-term success and sustainability.

Measuring SME performance is vital for their competitiveness, growth, and contribution to the economy. While financial and non-financial performance dimensions provide a solid foundation, there is an urgent need for a new measurement framework based on Maqasid Sharia to comprehensively address the values and objectives of the halal industry. Implementing a suitable PMS aligned with Islamic

principles can lead to more effective management control, improved business processes, and a clearer understanding among employees about their roles and objectives (Papulová et al., 2021). This approach is particularly critical for SMEs, which face unique challenges and limitations compared to larger companies, making systematic and values-driven performance measurement even more essential for their success and sustainability.

The theoretical framework of Maqasid Sharia, particularly Abu Zahrah's model, has been widely applied in empirical studies, though research in this area remains predominantly focused on Islamic banking (see Table 2.6). Moreover, Mohammed & Taib (2015) developed an Islamic bank performance measurement framework grounded in Abu Zahrah's Maqasid Sharia theory. Their framework defines the objectives of Islamic banks and establishes corresponding performance metrics. This model, known as the Performance Measures Based on Maqasid Sharia Model (PMMS), provides a structured approach to evaluating Islamic banking performance.

Table 2.6
Research of Performance Measurement using Abu Zahrah's Framework of Maqasid Sharia

Author	Year	Method (data & technique)	Subject
Andini et al.	2025	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks
Tarique et al.	2021	Qualitative model, literature review, in-depth interviews	Islamic banks (Saudi Arabian, Malaysia, Algeria, Nigeria, Afghanistan, Bangladesh)
Aisyah, et al.	2021	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks
Mergaliyev et al.	2021	Quantitative and descriptive (ratio calculation), annual report	Islamic banks from 12 countries (including: Indonesian, Malaysian, Sudan, Bahrain, Jordan, and Bangladesh)
Antonio, et al.	2020	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks
Mukhibad et al.	2020	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks
Lesmana & Haron	2019	Sytematic Literature Review	Islamic banks

Setiyobono et al	2019	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks

Source: compiled by author

As shown in Table 2.6, previous studies have applied Abu Zahrah's framework to evaluate Islamic banks. Previous studies used financial ratio analysis based on the annual reports of Indonesian Islamic banks (Andini et al., 2025; Aisyah et al., 2021; Mergaliyev et al., 2021; Mohammed & Taib, 2015; Tarique et al., 2021). Mergaliyev et al. (2021) expanded this approach to Islamic banks in twelve countries, such as Indonesia, Malaysia, Sudan, Bahrain, Jordan, and Bangladesh, showing that the framework can be applied across different contexts. In another study, Lesmana & Haron (2019) conducted a systematic literature review to summarize how the Maqasid framework has been used in previous research. Tarique et al. (2021) focuses on developing and validating a comprehensive performance evaluation model for Islamic banks. Andini et al. (2025)'s study focuses on developing a Maqasid-based performance measurement model for Islamic banks that integrates economic, social, and ethical dimensions in line with Islamic principles. Overall, these studies show that Abu Zahrah's framework is a useful way to understand and measure how well Islamic banks meet their Sharia-based goals.

Despite the significance of Abu Zahra's framework, research on Maqasid Sharia within the SME sector remains limited. Given the growing urgency to establish performance measurement models based on Maqasid Sharia principles, this study aims to develop a performance measurement model for SMEs based on Abu Zahrah's three key dimensions: Educating Individuals (Tahdhib al-Fard), Establishing Fairness (Iqomah al-'Adl), and Promoting Public Welfare (Jalb al-Maslahah). By integrating these dimensions into SME performance evaluation, this research seeks to provide a robust framework for assessing business sustainability and ethical compliance in alignment with Islamic principles.

The implementation of Maqasid Sharia is closely aligned with the objectives of this study, particularly intellectual capital and Islamic innovation. Maqasid principles provide an ethical and strategic foundation for developing human, structural, relational and spiritual capital, while simultaneously encouraging innovation that promotes halal values, social welfare, and sustainable business practices. In the context of halal SMEs, the integration of Maqasid Sharia supports the development of knowledge-based

capabilities and Islamic-oriented innovation to enhance overall organizational performance.

2.5.5 The development of Maqasid Sharia Performance using Abu Zahrah's Model

The Maqasid Sharia framework outlines the essential objectives that guide Islamic law and governance, emphasizing the holistic welfare of individuals and society. This framework highlights that Islamic regulations are designed to promote compassion, guidance, and justice for all of creation. In his seminal work Maqasid Al Ahkam (The Objectives of Islamic Regulations), Zahrah(1997) elaborates on these principles by referencing Qur'anic passages such as Surah Al-Anbiya (21:107), which conveys that Islam brings mercy to all, and Surah Yunus (10:57), which describes the Qur'an as a source of healing, guidance, and mercy for believers. From these foundations, Zahrah identifies three primary objectives of Islamic law, as illustrated in Figure 2.4 (Zahrah, 1997, pp. 364–366).

a) Educating individuals (Tahdhib Al-Fard)

The primary objective of education in Islam is to cultivate individuals of exemplary character, free from negative traits such as jealousy and arrogance. Nurhadi (2019) highlights that the aim of education in Islam is to develop moral excellence and ethical conduct. Abu Zahrah's concept of tah'dib is closely aligned with Al-Attas (1999), who extends the discussion beyond physical and material aspects to include moral and spiritual dimensions of human development. Ali & Hassan (2020) further affirm that education plays a crucial role in helping individuals understand and fulfill their purpose in life which to serve Allah Almighty, as stated in Surah Adh-Dhariyat (51:56).

Zahrah (1997) asserts that worship practices such as prayer, fasting, zakat, and hajj serve as mechanisms for refining the human soul, freeing it from immoral and corrupt tendencies. Surah Al-Ankabut (29:45) states that prayer prevents individuals from engaging in evil and wrongdoing. Similarly, in social life, zakat fosters a spirit of mutual assistance between the wealthy and the needy, as emphasized in the hadiths recorded by Bukhari (no. 1395) and Muslim (no. 19). Through education, individuals develop a heightened sense of responsibility and ethical awareness, reducing injustice and cruelty in society.

This measurement aims to capture the business's efforts to safeguard the intellectual for several reasons. First, educating individuals within halal industry ensures that employees and business practitioners possess the necessary skills and knowledge to produce halal products and services in compliance with Islamic principles. This includes understanding halal standards, hygiene practices, and ethical business operations. Second, education fosters a solid ethical foundation among employees and management. This leads to adherence to Islamic ethical principles in all business dealings, enhancing the credibility and trustworthiness of the enterprise. Third, continuous education encourages innovation and improvement, allowing business to adapt to changing market demands and maintain competitiveness in the halal industry.

Educating individuals in business enhances their overall performance. By investing in business education, organizations can build a knowledgeable and skilled workforce capable of driving financial success. Educated individuals can identify inefficiencies in business processes and implement best practices to streamline operations. This can lead to cost savings, reduced waste, and increased productivity. Moreover, educating individuals in business equips them with the skills to make informed decisions, leading to more efficient and innovative market operations. This knowledge fosters a competitive environment, driving overall market performance. Finally, this dimension represents a business effort to develop its sustainable competitive advantage in a dynamic business landscape.

b) Establishing Fairness (Iqamat Al-'Adl)

The second dimension of Maqasid Sharia is fairness (iqamat al-'adl), as mandated in Surah Al-Hujurat (49:8), which instructs believers to act justly even towards those they dislike. Fairness extends across various aspects of life, including legislation, social interactions (muamalah), and economic transactions, particularly in upholding property rights and wealth distribution.

Zainuldin et al. (2018) emphasize that Islam calls for the establishment of justice in all domains, including economic activities. In Surah Al-A'raf (7:29), Allah commands believers to uphold justice (bil-al-qist), specifically in socioeconomic matters. The Prophet Muhammad (PBUH) further reinforces the importance of honesty and fairness in social interactions, treating all individuals equally regardless of social or economic status. Surah Al-Hujurat (49:13)

highlights that Allah created diverse tribes and nations to foster mutual understanding and respect.

Justice is fundamental to Islamic law, especially during times of conflict. Acts of mutilation and brutality, even against non-believers, are explicitly prohibited. Surah Al-Isra (17:70) affirms the dignity and honor bestowed upon all humans, underscoring the sanctity of life and the necessity of just treatment (Wani, 2018). In the context of business transactions, fairness (al-'adl) refers to ensuring ethical dealings in contracts and financial obligations. Moreover, in debt agreements, the lender has the right to receive payment when due, but if the debtor faces hardship, Surah Al-Baqarah (2:280) instructs creditors to grant them a grace period. Additionally, acts of generosity (al-fadl), such as forgiving debts, are considered even more virtuous.

Ishak (2019) discusses fairness in pricing, emphasizing that forcing merchants to lower prices during times of scarcity would be unjust. The balance of rights and responsibilities in Islam ensures that individuals reap the rewards of their labor, preventing exploitation and injustice. Zahrah (1997) illustrates this principle by citing classical examples, such as the differing legal rights of slaves and free individuals under Islamic law.

Establishing fairness is important to implement in halal industry SMEs because of several reasons. First, fairness ensures that all stakeholders, including employees, customers, suppliers, and the community, are treated justly. This helps build a positive reputation and foster loyalty among customers and partners. Second, fair practices promote transparency in business operations, which is crucial for gaining the trust of consumers who are particular about the authenticity and quality of halal products. Third, establishing fairness provides a framework for resolving conflicts and disputes justly, essential for maintaining harmony and stability within the enterprise and its relationships with external parties.

c) Promoting Public Welfare (Jalb al-Maslahah)

The third component of Maqasid Sharia is maslahah (jalb al-maslahah), which refers to fostering public welfare. Surah Al-Anbiya (21:107) declares that Islam is a mercy for all of creation, emphasizing the universal application of maslahah across all societies. This principle ensures the long-term viability of businesses, particularly in the halal industry, where consumer trust and social responsibility play a pivotal role (Ishak, 2019). A major challenge in implementing

maslahah arises from individual desires that prioritize personal gain over communal benefit. Unethical consumer behavior, such as failing to pay for SME products or services, can disrupt the liquidity of small businesses, ultimately harming economic stability.

For several reasons, promoting public welfare is important for halal industry SMEs. By focusing on public welfare and adhering to halal standards, businesses can ensure their products and services meet the health, safety, and ethical expectations of consumers (Nisa et al., 2025). This compliance not only fosters consumer trust and loyalty but also supports sustainable practices and market expansion, ultimately contributing to long-term business success and public welfare.

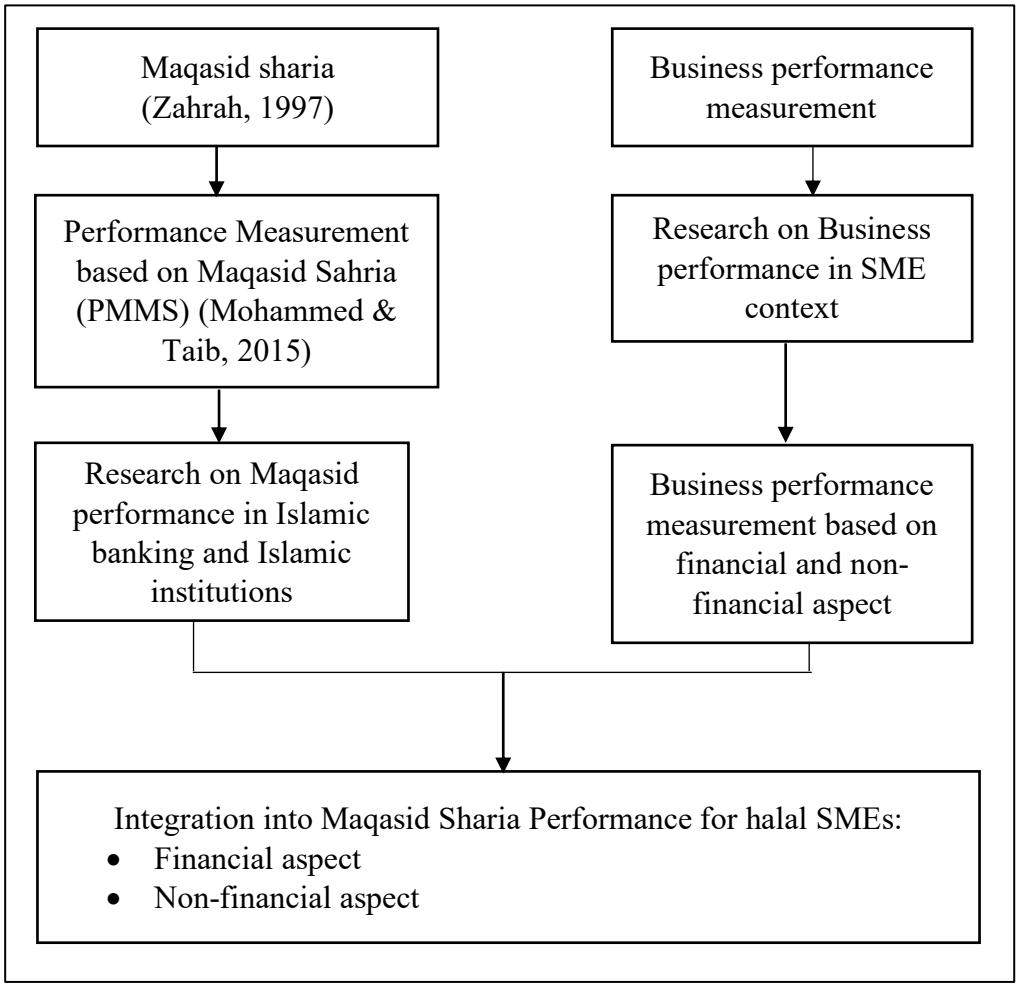


Figure 2.7 The Development of Maqasid Sharia Performance Measurement

Source: Researcher

Although early applications of Maqasid Sharia performance measurement were predominantly developed within the context of Islamic banking and Islamic financial institutions (Mohammed & Taib, 2015), the underlying principles of Maqasid Sharia are not limited to the financial sector. The concept emphasizes broader objectives related to ethical conduct, justice, human development, and public welfare, which are also highly relevant to SMEs operating within the halal industry ecosystem. Therefore, this study extends the application of Maqasid Sharia performance measurement from Islamic banking to halal SMEs by integrating conventional business performance dimensions with Maqasid Sharia principles.

This study builds on previous research by developing a broader conceptual framework that connects Maqasid Sharia with business performance in the context of small and medium-sized enterprises. Maqasid Sharia is reflected in three main dimensions: tahdhib al-fard (educating individuals), iqamat al-'adl (establishing fairness), and jalb al-maslahah (promoting public welfare)(Zahrah, 1997). On the other hand, business performance is evaluated through two primary aspects: financial and non-financial performance (Gold et al., 2001; Muda et al., 2020; Wang et al., 2014). Figure 2.7 presents the conceptual framework used in this study, showing how Maqasid Sharia principles interact with business performance measures. Table 2.7 outlines how Maqasid Sharia performance has been developed and measured.

Table 2.7
The Development of Maqasid Sharia Performance Measurement

Maqasid Sharia Dimension	Organizational Performance Dimension	Measurement Item	Literature Review
Educating individuals	Financial aspect	Our business allocates a budget for employee character development training.	Adapted from Zahrah (1997) and Muda et al. (2020)
		Our business allocates a budget to support employees' participation in spiritual retreats.	Adapted from Zahrah (1997) and Muda et al. (2020)
	Non-financial aspect	Our production has improved as we educate employee to enhance their sense of responsibility.	Adapted from Zahrah (1997) and Wang et al. (2014)
		Our production has grown as we train employees to focus on producing high-quality products.	Adapted from Zahrah (1997) and Wang et al. (2014)

Maqasid Sharia Dimension	Organizational Performance Dimension	Measurement Item	Literature Review
Establishing fairness	Financial aspect	Our business has ensured a fair and balanced distribution of profits among employees.	Adapted from Zahrah (1997) and Muda et al. (2020)
	Non-financial aspect	Our production has risen due to the equitable distribution of tasks among employees.	Adapted from Zahrah (1997) and Wang et al. (2014)
		Customers feel assured purchasing our products as we strictly adhere to halal procedures.	Adapted from Zahrah (1997) and Khalique et al. (2020)
		Customer trust has strengthened because we prioritize transparency in our operations.	Adapted from Zahrah (1997) and Khalique et al. (2020)
Promoting public welfare	Financial aspect	Our business pays Zakat, Infaq, Sadaqat, and Waqf (ZISWAF) every year.	Adapted from Zahrah (1997) and Muda et al. (2020)
	Non-financial aspect	The rising demand for our products has allowed us to create more job opportunities.	Adapted from Zahrah (1997) and Muda et al. (2020)
		Our business has gained more customers because our products offer better benefits.	Adapted from Zahrah (1997) and Khalique et al. (2020)
		Customer trust has grown due to our active involvement in charitable activities.	Adapted from Zahrah (1997) and Khalique et al. (2020)
Conventional performance		For the last three years, our business generates profit.	Bontis et al. (2000), Gold et al. (2001); Muda et al. (2020)
		For the last three years, our sales have shown continuous growth.	Bontis et al. (2000), Gold et al. (2001); Muda et al. (2020)

2.5.6 Conceptual Differences Between Organizational Performance and Maqasid Sharia Performance

Organizational performance and Maqasid Sharia performance are differed in their underlying objectives, dimensions, and evaluation criteria. Organizational performance generally refers to the extent to which an organization achieves its strategic and operational objectives, commonly measured through financial and non-financial indicators such as profitability, productivity, efficiency, market share, customer satisfaction, and business growth (Kaplan & Norton, 1992; Venkatraman & Ramanujam, 1986). The concept primarily emphasizes organizational effectiveness, competitiveness, and economic achievement.

Maqasid Sharia performance adopts a broader and more holistic perspective grounded in Islamic principles. While it also recognizes the importance of achieving financial and non-financial performance, the concept extends beyond organizational effectiveness by emphasizing the achievement of Islamic objectives (Maqasid Sharia). Maqasid Sharia performance evaluates whether organizational activities contribute to ethical conduct, justice, human development, social welfare, and spiritual well-being in accordance with Islamic teachings (Dusuki & Abdullah, 2007; Mohammed & Taib, 2015). Thus, business success is not assessed solely based on economic outcomes but also on the organization's contribution to societal benefit (maslahah) and alignment with Islamic ethical values.

According to Zahrah (1997), Maqasid Sharia consists of three major dimensions: tahdhib al-fard (educating and developing individuals), iqamah al-adl (establishing justice and fairness), and jalb al-maslahah (promoting public interest and societal welfare). These dimensions indicate that Maqasid Sharia performance integrates material and spiritual objectives simultaneously. Therefore, while organizational performance primarily focuses on achieving operational and economic effectiveness, Maqasid Sharia performance emphasizes achieving financial and non-financial performance while simultaneously educating individuals, establishing fairness, and contributing positively to society in line with Islamic principles.

In the context of halal SMEs, this distinction becomes increasingly important because halal-oriented businesses are expected not only to achieve profitability and competitiveness but also to create ethical, social, and spiritual value. Therefore, this study adopts Maqasid Sharia performance as a more comprehensive framework for

evaluating halal SMEs operating within the halal industry ecosystem. Table 2.8 further explainsthe conceptual distinction and integration between both performance perspectives.value aligned with Islamic principles.

Table 2.8
Comparison Between Organizational Performance and Maqasid Sharia Performance

Aspect	Organizational Performance	Maqasid Sharia Performance
Main Orientation	Achieving organizational goals, competitiveness, and operational effectiveness	Achieving organizational goals while fulfilling the objectives of Maqasid Sharia
Main Focus	Financial and non-financial organizational performance	Achieving financial and non-financial performance while creating ethical, social, and spiritual value
Financial Dimension	Profitability, growth, efficiency, productivity, ROI	Profitability and financial sustainability achieved in line with Sharia principles, where business profits are also utilized to support individual development, employee welfare, ethical business practices, and societal benefit
Non-Financial Dimension	Customer satisfaction and production	Ethical conduct, justice, human development, social welfare, spiritual well-being, and improving customer trust and product value through education, ethical practices, and Sharia-compliant business activities
Ethical Perspective	Usually complementary to business objectives	Embedded as a core organizational objective
Stakeholder Orientation	Shareholders, customers, employees, market	Society, stakeholders, environment, and accountability to Allah
Success Measurement	Achievement of strategic and operational targets	Achievement of economic, ethical, social, and spiritual objectives
Ultimate Objective	Organizational sustainability and competitiveness	Achievement of maslahah (public benefit) and balanced well-being
Key Dimensions	Financial and non-financial performance	Financial and non-financial performance while also contribute in tahdhib al-fard (educating individuals), iqamah al-adl (establishing justice), and jalb al-maslahah (promoting public welfare)
Relevance to Halal SMEs	Measures business effectiveness and competitiveness	Measures business performance aligned with Islamic values and halal industry objectives

Source: compiled by researcher

2.6 Intellectual Capital

2.6.1 Definition of Intellectual Capital

Intellectual capital has been defined in various ways by researchers, with differing interpretations of the concept. According to intellectual capital literature, the definition of intellectual capital can be interpreted as a collection of assets, concept, system, strategy, and process (see Table 2.9). Despite these variations, intellectual capital is widely regarded as a dynamic set of resources that provide a competitive advantage and enhance organizational performance (Rehman et al., 2022). Xu & Li (2022) describe intellectual capital as a structured form of usable knowledge, encompassing information, intellectual property, and experience, which can be leveraged to create value.

This study uses intellectual capital's definition as a collection of assets (Aljuboori et al., 2022; Alkhatib & Valeri, 2024; Bontis, 1998; Rehman et al., 2022; Vaz et al., 2019) which can be utilized for corporate value creation (Xu & Li, 2022). Collection of assets owned by the company such as experience, information, relations will have an impact on innovation capability (Alkhatib & Valeri, 2024; Beltramino et al., 2022; Liu et al., 2023; Teoh et al., 2023) and company performance (Khalique & Shaari, 2022; Khan & Wan Yusoff, 2023; Kim & Tran, 2023).

Table 2.9
Definition of Intellectual Capital

Category	Definition	Literature Review
Intellectual capital as a collection of assets	Intellectual capital represents the foundational resources that contribute to the creation of corporate value	Rehman et al. (2022), Aljuboori et al. (2022), Alkhatib & Valeri (2022), Vaz et al., (2019), Bontis (1998)
Intellectual capital as a concept	Intellectual capital refers to a set of methods that help organizations manage and leverage their assets more effectively	Xu & Li (2022), Nahapiet & Ghoshal (1998)
Intellectual capital as a system	Intellectual capital is closely integrated with organizational activities aimed at knowledge utilization	Nahapiet & Ghoshal (1998), (Bontis et al., 2000), Stewart (1998)

Category	Definition	Literature Review
Intellectual capital as a strategic tool	Intellectual capital is the strategic tool that enable organization to assess their wealth accumulation and achievement of goals	Roos et al. (1997), Kong (2003), G. Roos & Pike, 2018)
Intellectual capital as a process	Intellectual capital involves the transformation of information into organizational knowledge, ensuring that organizations optimize their informational assets	Bontis (1998), Bontis et al. (2000)

Source: compiled by researcher

From an Islamic perspective, organizational resources should not only create competitive advantage but also contribute to ethical conduct, fairness (*adl* / عدل), trustworthiness (*amanah* / أمانة), and public benefit (*maslahah* / مصلحة). Therefore, intellectual capital in halal SMEs encompasses not only human, structural, and relational resources but also spiritual and ethical capabilities that enable organizations to operate in accordance with Sharia principles and halal industry objectives. In this study, intellectual capital is viewed as a strategic capability that supports Islamic innovation, sustainable business performance, and Maqasid Sharia performance among halal SMEs.

2.6.2 Intellectual Capital Component

There are several different frameworks that have been developed to address the elements or components of intellectual capital. Several frameworks have been developed individually and at various times throughout the past ten years. They were developed to categorize and research the elements of intellectual capital more accurately. In the literature, the following categories of intellectual capital elements have been covered. Much of the literature accepts that its components are human capital, structural capital, and relational capital (Aljuboori et al., 2022; Khan & Wan Yusoff, 2023; Muda et al., 2020). This study also interested to examine spiritual

capital as an important intellectual capital component. Table 2.10 shows component of IC based on the literature review.

Table 2.10
Summary of Intellectual Capital Components by Various Researchers

Author	Year	IC Component	Subject
Carmine et al.	2025	Human capital, structural capital, relational capital	Italian Academic Spin-offs
Gong & Ribiere	2025	Human capital, structural capital, relational capital	Various industries in China & Thailand
Alkhatib & Valeri	2024	Human capital, structural capital, relational capital	Jordania Hotel Firms
Dinku et al.	2024	Human capital	Ethiopia SMEs
Masyhuri et al.	2024	Human capital	Indonesian service industry
Khan & Yusoof	2023	Human capital, structural capital, relational capital	Pakistan SMEs
Teoh et al.	2023	Human capital, structural capital, relational capital	Malaysian SMEs
Truong & Nguyen	2023	Human capital, structural capital, relational capital	Vietnamese company
Kim & Tran	2023	Human capital, structural capital, capital employed	Vietnamese SMEs
Dwikat et al.	2023	Human capital, social capital, organizational capital	Malaysian SMEs
Ferreira et al. (2022)	2022	Human capital, structural capital, relational capital	Portugal SMEs
Alkhatib & Valeri	2022	Human capital, structural capital, relational capital	Jordanian hotel firms
Aljuboori et al.	2022	Human capital, structural capital, relational capital	Malaysian manufacturing firms
Al-khatib	2022	Human capital, structural capital, relational capital	Jordanian commercial banks
Khalique & Shaari	2022	Human capital, customer capital, structural capital, social capital, technological capital, spiritual capital	Malaysian halal industry SMEs
Olarewaju & Msomi	2021	Human capital, structural capital, relational capital	South African companies

Author	Year	IC Component	Subject
Purwati et al.	2021	Human capital, customer capital, social capital, technological capital	Indonesian Hotel and Culinary MSMEs
Muda et al.	2020	Human capital, structural capital, relational capital	Malaysian SMEs
Oliveira et al.	2020	Human capital, structural capital, relational capital	SMEs in Brazil and Portugal
Khalique et al.	2020	Human capital, customer capital, structural capital, social capital, technological capital, spiritual capital	Pakistan tourism SMEs
Abash et al.	2018	Human capital, structural capital, social capital, technological capital	Indonesian Fashion MSMEs
Khalique et al.	2018	Human capital, customer capital, structural capital, social capital, technological capital Spiritual capital	Malaysian SMEs
Khalique et al.	2015	Human capital, customer capital, structural capital, social capital, technological capital, spiritual capital	Pakistan SMEs
Sivalogathasan & Xiaobo	2015	Human capital, social capital, organizational capital	Sri Lanka textile and apparel industry
Bontis	2004	Human capital, market capital, process capital, renewal capital	National intellectual capital of the Arab region
Bontis	2001	Human capital, structural capital, customer capital	A review of various models used to measure intellectual capital
Bontis	1996	Human capital, structural capital, customer capital	Cross-section of various industries
Bontis	1996	Human capital, structural capital, relational capital	Conceptual framework of strategic management of organizations in the knowledge economy

Source: compiled by researcher

Edvinsson (1996) identified two fundamental components of intellectual capital: structural capital and human capital. Structural capital comprises both tangible assets, such as buildings and financial resources, and intangible assets, including strategic plans and technology. Expanding on this, Stewart (1998) introduced a three-component model of intellectual capital, consisting of structural capital, customer capital, and

human capital. This three-dimensional approach has been widely adopted in subsequent studies (Khan & Wan Yusoff, 2023; Teoh et al., 2023; Aljuboori et al., 2022; Muda et al., 2020; Castro & Sápez, 2008; Cohen & Kaimenakis, 2007; Bontis, 1998). Moreover, de Castro & Sápez (2008) categorized intellectual capital into human capital, organizational capital, and relational capital, while Cohen & Kaimenakis (2007) classified customer capital as relational capital, encompassing interactions with all stakeholders, including customers and suppliers. Given its prevalence in the literature, this study adopts the three primary components of intellectual capital, which are human capital, structural capital, and relational capital (Aljuboori et al., 2022; Bontis, 1998; Cohen & Kaimenakis, 2007; de Castro & Sápez, 2008; Khan & Wan Yusoff, 2023; Muda et al., 2020; Teoh et al., 2023).

In addition to these traditional components, spiritual capital has emerged as a significant factor influencing organizational sustainability performance. Zohar and Marshall (2004) introduced the concept of spiritual capital, emphasizing its role in addressing environmental and ethical challenges in business. Despite its potential significance, empirical research on spiritual capital remains limited, particularly in Indonesia (Tjahjadi et al., 2022). As a Muslim-majority nation, Indonesia prioritizes Islamic economic development, as outlined in the Indonesian Halal Industry Master Plan 2023–2029. Given this context, further exploration of spiritual capital is necessary, as it may contribute to intellectual capital by enhancing ethical decision-making, corporate sustainability, and overall business performance. This study aims to bridge this gap by incorporating spiritual capital as an essential component of intellectual capital.

2.6.2.1 Human Capital

Human capital represents the collective knowledge, expertise, and capabilities of an organization's employees. It encompasses a wide range of attributes, including skills (e.g., technical know-how, education), attitudes (e.g., motivation, behavioral tendencies), and knowledge (both tacit and explicit) that are unique to individuals and cannot be replicated by organizations (Kim & Tran, 2023). Bontis (1998) defines human capital as the organization’s ability to harness the best solutions from its employees' expertise. He highlights its critical role in driving innovation, fostering strategic renewal, and enhancing organizational performance. Human capital is fundamentally

rooted in the cognitive abilities of organizational members, encompassing their competencies, skills, and problem-solving capacities. As Youndt et al. (2004) note, it reflects the overall intellectual and problem-solving potential of an organization's workforce.

Several studies have emphasized the pivotal role of human capital in organizational success. Khan and Yusoff (2023) investigated its significance in Pakistani SMEs and found that human capital is a key determinant of sustainable competitive advantage. Organizations with highly educated and skilled employees tend to outperform their competitors, demonstrating greater potential for innovation, creativity, and overall success. Similarly, Kim and Tran (2023) explored the role of human capital in Vietnamese SMEs, emphasizing the importance of high-quality human resources in knowledge-based organizations. They suggested that transparent recruitment processes, targeted training programs (both formal and informal), and incentive systems to enhance employee retention are essential strategies for nurturing and sustaining human capital. These practices not only improve employee loyalty and efficiency but also contribute to the long-term growth and competitiveness of SMEs.

Past studies from Indonesia further underscores the importance of human capital in improving both financial and non-financial performance metrics. Purwati et al. (2021) found that human capital significantly enhances the performance of micro, small, and medium enterprises (MSMEs) in the hospitality and culinary sectors. The study highlighted that human capital enables organizations to leverage the expertise of their employees to generate innovative solutions, renew strategies, and upgrade workforce capabilities. This form of capital adds daily value through employee motivation, dedication, competence, and collaborative efforts. Employees contribute to organizational success by developing corporate competencies, transferring knowledge from individuals to the organization, and fostering cultural transformation.

The measurement of human capital, particularly as a component of intellectual capital, has been explored by several scholars. This study draws on the frameworks proposed by Bontis (1998), Khalique et al. (2020), Khalique & Pablos (2015), Muda et al. (2020). Finally, human capital is a cornerstone of organizational success, driving innovation, enhancing performance, and fostering strategic renewal. Its value lies in the unique knowledge, skills, and attitudes that employees bring to the organization, which can be leveraged to achieve both financial and non-financial objectives. Studies from diverse contexts, including Pakistan, Vietnam, and Indonesia, consistently highlight the

importance of investing in human capital through effective recruitment, training, and retention strategies. By measuring and nurturing human capital, organizations can unlock their full potential and maintain a competitive edge in an increasingly knowledge-driven economy.

2.6.2.2 Structural Capital

Structural capital refers to the non-physical assets that support human capital in an organization, such as databases, organizational procedures, strategies, and corporate culture. It captures the systems and structures that allow knowledge to be stored, shared, and applied effectively (Khan & Wan Yusoff, 2023). Aljuboori et al. (2022) highlight that strong structural capital enables organizations to manage information efficiently, respond quickly to market demands, and embed knowledge into technologies and processes that drive value creation. Organizations with well-developed structural capital are better positioned to achieve innovation, deliver high-quality products and services, and sustain superior performance.

Earlier studies also emphasized the role of structural capital. Bontis (1998) described structural capital as the embodiment and support framework for human capital, including routines, trademarks, and organizational culture that ensure long-term performance. Similarly, Khalique et al. (2020) and Muda et al. (2020) recognized structural capital as a key element of intellectual capital, essential for building the infrastructure that fosters knowledge generation, competitiveness, and strategic growth. In this study, structural capital is measured following the previous studies (Bontis, 1998; Khalique et al., 2020; Muda et al., 2020).

2.6.2.3 Relational Capital

Relational capital represents the knowledge embedded in external relationships that organizations establish with their stakeholders, such as customers, suppliers, and partners (Aljuboori et al., 2022). These relationships play a crucial role in enhancing trust, loyalty, and collaboration, which in turn strengthen an organization's ability to sustain competitive advantage. Kim and Tran (2023) revealed that customer relationships encompass knowledge related to contracts, market share, loyalty, and satisfaction that collectively reflect the current and potential value of client interactions.

Previous studies consistently highlight relational capital as a critical driver of organizational success, particularly for small and medium-sized enterprises (SMEs). Muda et al. (2020) found relational capital to be the strongest predictor of performance among Malaysian SMEs. Long-term stakeholder relationships provide organizations with a competitive edge by enabling cost reduction, pricing optimization, and the maintenance of product quality. Furthermore, the exchange of information between internal and external entities enhances value creation through practices such as educating customers, involving them in product development, conducting seminars, and effectively addressing complaints.

Aljuboori et al. (2022) also emphasize that robust relational capital reduces operational costs, supports effective pricing strategies, and ensures consistent product quality. Despite being more complex than other components of intellectual capital due to its external orientation, relational capital is considered one of the most decisive factors influencing organizational performance.

Earlier studies also emphasized the role of relational capital. Bontis (1998) described relational capital as the value derived from external connections, particularly customer relationships. Cohen and Kaimenakis (2007) extended this view by classifying customer capital as a subset of relational capital, encompassing broader stakeholder interactions. Building on this foundation, the lastest studies (e.g., Khalique et al., 2020; Sharabati et al., 2010) have revealed the importance of relational capital as a key component in measuring intellectual capital.

2.6.2.4 Spiritual Capital

In a knowledge-based economy, intangible assets have become increasingly valuable to organizations. Among these intangible assets, spiritual capital has emerged as a critical factor influencing organizational sustainability and success. Introduced by Zohar & Marshall (2004), spiritual capital is considered one of the most vital elements contributing to an organization's long-term performance. It is often linked to intellectual capital due to its impact on an organization’s intangible and non-material characteristics. While traditional components of intellectual capital include human capital, structural capital, and relational capital, spiritual capital expands this framework by acknowledging the importance of intangible values, ethical dimensions, and moral principles that contribute to an organization's overall intellectual resources. This

broader perspective provides a more comprehensive understanding of the factors influencing organizational performance, innovation, and sustainability. Spiritual capital encompasses aspects such as religion, morality, transcendence, the sanctity of life, generosity, and creativity, which reflect spirituality in individuals and organizations (Mas-Machuca & Marimon, 2019).

Despite its significance, empirical research on spiritual capital remains limited, particularly in contexts like Indonesia, a Muslim-majority nation prioritizing Islamic economic growth under the Indonesian Halal Industry Master Plan 2023-2029. This gap highlights the need for further exploration of spiritual capital as an essential component of intellectual capital (Tjahjadi et al., 2022). Juliana et al. (2023) expanded the concept of spiritual capital beyond conventional religious influences, introducing the term Spiritual Capital Economy (SCE). SCE emphasizes the role of spiritual resources and ideals in driving economic and social development. It represents a collection of media associated with religious entrepreneurs who integrate spiritualist principles into their business practices, aligning their operations with the moral standards of their faith while achieving sustainable success.

Kolade et al. (2023) define spiritual capital as a set of intangible and transcendent resources derived from individuals' religious beliefs or spiritual interactions. Similarly, Osunmakinde et al. (2021) describe it as the intangible knowledge, faith, beliefs, and emotions embedded in individuals' minds and hearts, as well as the core values, vision, and culture of an organization. Spiritual capital manifests through qualities such as honor, integrity, sincerity, honesty, trust, love, morality, and ethics. It also fosters motivation, self-esteem, courage, commitment, teamwork, and enthusiasm which essential for long-term success and satisfaction. By emphasizing interrelationships, connectivity, and interdependence, spiritual capital serves as a foundation for sustainable growth and collective well-being.

Osunmakinde et al. (2021) further explore spiritual capital as a resource available to social entrepreneurs, highlighting its role in enhancing dedication, productivity, flexibility, and creativity in business strategy and implementation. Developing spiritual capital is closely linked to sustainability (Astrachan et al., 2020) and emotional intelligence (Skrzypińska, 2021). Organizations with strong moral intelligence are more likely to adopt value-driven visions, demonstrate global empathy, and focus on future-oriented goals. Unlike traditional business models often perceived as rigid, hierarchical, and profit-driven, spiritual capital introduces a more humanitarian

approach. By integrating purpose and worth into business operations, spiritual capital enriches the human soul and promotes overall well-being (Osunmakinde et al., 2021; Zohar & Marshall, 2004).

For organizations, particularly Small, and Medium Enterprises (SMEs), spiritual capital plays a pivotal role in fostering sustainability and overall development. Research from Tjahjadi et al. (2024) emphasize that robust spiritual capital is essential for ensuring the commercial continuity of MSMEs. Incorporating spiritual capital as a component of intellectual capital offers several advantages, including the promotion of values-driven cultures, ethical leadership, and enhanced employee engagement and well-being. MSMEs with strong spiritual capital tend to cultivate a values-driven organizational culture, serving as a foundation for ethical behavior, appropriate business practices, and a positive workplace environment. Such a culture fosters trust among stakeholders, including employees, customers, and local communities.

Spiritual capital also underscores the importance of ethical leadership, where leaders manage organizations based on principles and values (Liu et al., 2023). In the context of SMEs, ethical leadership is crucial for building trust among employees, customers, suppliers, and other stakeholders. It helps establish a reputation for honesty and reliability, which is especially vital for smaller organizations operating in competitive markets. Additionally, SMEs that prioritize spiritual capital are more likely to focus on employee well-being, addressing aspects such as work-life balance, personal growth, and a supportive work environment. Engaged and satisfied employees are more likely to contribute to the organization's intellectual capital through knowledge sharing, innovation, and collaboration.

Although spiritual capital is a promising concept, empirical research in this area remains scarce (Tjahjadi et al., 2022). This gap motivates further study into its potential applications and benefits. Spiritual capital is expected to play a critical role in addressing environmental sustainability challenges, making it a fundamental value in ecologically sound management processes. To enhance MSMEs' performance, spiritual capital must be integrated into business activities that emphasize environmental stewardship. Osunmakinde et al. (2021) highlight the necessity of spiritual capital for achieving long-term prosperity and collective satisfaction. Furthermore, incorporating spiritual capital into business operations can improve MSMEs' Maqasid Sharia performance, particularly in contexts prioritizing ethical and sustainable practices. This study draws on previous research by Khalique et al. (2018), Khalique and Pablos (2015)

and Khalique et al. (2020) to measure spiritual capital as a component of intellectual capital.

From the perspective of Maqasid Sharia, spiritual capital is not merely related to spirituality in a general sense but also reflects Islamic values, religious consciousness, and accountability to Allah in organizational activities. Spiritual capital encompasses Islamic ethical principles such as amanah (trustworthiness), adl (justice), ihsan (excellence), sincerity (ikhlas), and taqwa (God-consciousness), which guide business actors in making ethical and socially responsible decisions (Dusuki & Abdullah, 2007; Khalique et al., 2018). In halal SMEs, spiritual capital supports the achievement of Maqasid Sharia objectives by encouraging business practices that promote individual development (tahdhib al-fard), fairness (iqamah al-adl), and public welfare (jalb al-maslahah). Therefore, spiritual capital is viewed in this study not only as an intangible organizational resource but also as a religious and ethical foundation that shapes organizational culture, leadership behavior, innovation orientation, and sustainable business performance in accordance with Islamic principles.

2.6.3 Intellectual Capital in Small and Medium-sized Enterprises

Intellectual capital has emerged as a critical factor in enhancing the performance of Small, and Medium Enterprises (SMEs) across various sectors, particularly in developing countries. However, research on intellectual capital within the context of the halal industry remains limited. Wook et al. (2021) highlighted the significance of Islamic principles in managing intellectual capital within Malaysia's hotel industry. Their study, which involved 80 hotel managers, revealed that integrating Islamic principles more effectively into Malaysia's tourism sector could enhance the Muslim-Friendly concept, thereby fostering better alignment with halal tourism objectives. Similarly, Khalique and Shaari (2022) demonstrated that intellectual capital positively impacts the performance of 185 MSMEs in Malaysia's halal food sector, which is certified by the Department of Islamic Development Malaysia (JAKIM), the country's exclusive halal regulator. This certification not only ensures compliance with halal standards but also serves as an effective marketing tool for businesses operating in this niche.

The broader literature has frequently explored the role of intellectual capital in improving SMEs performance across diverse industries, particularly in emerging

economies. Khan and Wan Yusoff (2023) used Pakistan as a case study to illustrate the characteristics of SMEs in developing nations, including inadequate law enforcement, underdeveloped institutions, and rapid changes. Their study, which surveyed 486 respondents comprising owners, CEOs, managing directors, and senior managers, found that intellectual capital significantly boosts SME performance. Similarly, Khalique et al. (2015) confirmed that intellectual capital enhances organizational performance, with human capital identified as the most significant antecedent variable. Training and development were acknowledged as key mechanisms for strengthening human capital, underscoring its pivotal role in driving innovation and competitiveness.

In Vietnam, Kim and Tran (2023) emphasized that intellectual capital (IC) is the most critical factor in enhancing MSME productivity, which directly contributes to improved profitability. Human capital was identified as a cornerstone of long-term organizational success due to its ability to foster competitiveness, innovation, and creative potential. Organizations with highly educated and competent personnel are better positioned to succeed, highlighting the importance of investing in training and research and development (R&D). These findings align with earlier studies conducted in Malaysia, where intellectual capital was shown to improve the performance of SMEs across various sectors (Aljuboori et al., 2022; Khalique et al., 2018; Khalique & Pablos, 2015; Muda et al., 2020).

Aljuboori et al. (2022) examined 262 manufacturing MSMEs in Malaysia and found that maintaining intellectual capital significantly enhances organizational performance. The study underscored the importance of human capital in retaining knowledgeable and skilled individuals who can drive innovative practices within organizations. Talented and experienced employees possess a unique ability to generate new ideas, which directly contributes to improved organizational outcomes. Muda et al. (2020) further corroborated these findings by analyzing 153 SMEs across industries such as professional services, food and beverage (F&B), and engineering. Their research revealed that human, structural, and relational capital have a positive and significant impact on firm performance. Notably, the influence of human capital was found to be more pronounced during the expansion stage of the business lifecycle, while the effects of structural and relational capital remained consistent across different lifecycle phases.

Khalique et al. (2018) and Khalique & Pablos (2015) focused on Malaysia's electrical and electronics manufacturing industry, examining data from 273 and 237

respondents, respectively. Both studies concluded that intellectual capital components play a vital role in improving MSME performance. Intellectual capital was identified as a prime strategic asset for organizational success, reinforcing its importance in achieving sustainable competitive advantage.

Previous scholars have also explored the relationship between the components of intellectual capital, which are human capital, structural capital, relational capital, and spiritual capital, and their impact on SME performance (Aljuboori et al., 2022; Khalique et al., 2015, 2018; Khalique & Pablos, 2015; Muda et al., 2020; Purwati et al., 2021; Tjahjadi et al., 2022; Truong & Nguyen, 2023). These studies collectively emphasize the need for organizations with substantial intellectual capital to adopt Islamic principles in halal industry SMEs. By doing so, they can more effectively contribute to and enhance Maqasid Sharia performance, which reflects the broader objectives of Islamic principles in improving people's lives. The framework of Maqasid Sharia focuses on three key aspects: educating individuals, establishing justice, and contributing to societal welfare. Intellectual capital can play a pivotal role in enabling halal industry SMEs to achieve Maqasid Sharia performance aligned with these goals, thereby promoting sustainable development and ethical business practices.

2.7 Innovation

2.7.1 Definition of Innovation

The concept of innovation has been defined in various ways. Rogers (2003) define innovation as any idea, practice, or object that is seen as new by an individual or a group adopting it. The novelty here depends on the adopter's perception rather than on absolute newness. Moreover, OECD (2005) provided a more systematic and widely used definition. Here, innovation is defined as the introduction and practical use of a product, process, marketing approach, or organizational method that is either new or substantially improved. It highlights applying novelty in ways that improve a business's operations and competitiveness.

Wang & Ahmed (2004) took a broader view, introducing the idea of organisational innovativeness. They argued that innovation is not just about producing new products or entering markets, but about an organisation's overall capability to innovate across multiple dimensions, including products, processes, markets,

behaviours, and strategies. This perspective adds depth by highlighting that innovation is not a one-time outcome but a holistic trait of organisations that enables them to adapt and grow over time.

Huang & Li (2017) emphasized that innovation is seen as a firm's capacity to combine knowledge, technology, and resources to create new products, processes, or services. It is not limited to idea generation but involves turning those ideas into practices that strengthen performance and competitiveness. Looking at innovation from a more applied perspective, Kafetzopoulos & Psomas (2015) focus on the manufacturing sector. They define innovation as the introduction of new or considerably improved products and processes, which allow firms to increase efficiency, stay competitive, and meet customer expectations more effectively.

More recently, scholars have refined the definitions further. Gault (2018) describe innovation as putting into practice a product or process that is new or significantly modified. Products may be goods or services, while processes can include production, delivery, organizational systems, or marketing activities. Similarly, the OECD Eurostat (2018) updated the Oslo Manual, defining innovation as any product or process, or combination of the two, that represents a significant improvement compared to what existed before. For products, this means being offered to users, while for processes, it means being adopted by the firm. In business contexts, it highlights the launch or use of new or improved offerings within firms. In this study, innovation is defined as the successful implementation of novel ideas and efforts that result in a new or significantly improved product, process, or a combination of both (Bulut et al., 2022; OECD Eurostat, 2018). Table 2.11 presents the definitions of innovation as proposed by several studies.

Table 2.11
Definitions of Innovation from Previous Studies

Literature	Definition
Gault (2018)	Innovation is described as putting into practice a product or process that is new or significantly modified.
OECD Eurostat (2018)	Innovation is any product or process, or combination of the two, that represents a significant improvement compared to what existed before.
Kafetzopoulos & Psomas (2015)	Innovation is defined as the introduction of new or considerably improved products and processes, which allow firms to increase efficiency, stay competitive, and meet customer expectations more effectively.

Literature	Definition
Huang et al. (2012)	Innovation is seen as a firm's capacity to combine knowledge, technology, and resources to create new products, processes, or services.
OECD (2005)	Innovation refers to the introduction and practical use of a product, process, marketing approach, or organizational method that is either new or substantially improved.
Wang & Ahmed (2004)	Innovation is conceptualized as a firm's overall capability to innovate across multiple dimensions, including products, markets, processes, behaviours, and strategies.
Rogers (2003)	Innovation can be understood as any idea, practice, or object that is seen as new by an individual or a group adopting it.

2.7.2 Type of Innovation

Innovation has been classified into several types, and this categorization has evolved over the years. According to Wang & Ahmed (2004), innovation is a multidimensional concept that extends beyond mere outputs to include a business's orientation and behaviors. Their framework identifies five key dimensions: product innovativeness, which involves introducing new and meaningful products; market innovativeness, which focuses on novel approaches to enter and develop new market opportunities; and process innovativeness, which refers to adopting new methods in production or management to improve efficiency. These are supported by behavioral innovativeness, the fostering of a culture of creativity and change, and strategic innovativeness, which is an organization's ability to reconfigure its strategies and resources to seize emerging opportunities.

OECD (2005) manual grouped innovation into four categories: product, process, marketing, and organizational. This framework widely adopted by researchers. Kafetzopoulos & Psomas (2015) adopting the OECD framework, applying the four types of innovation, including product, process, marketing, and organizational to explain how innovation predicts product capability and operational outcomes. These studies demonstrate how the Oslo Manual inspired various adaptations depending on the research context. In contrast, Huang et al. (2012) adopted for a simpler classification, focusing only on product and process innovations when examining how organizational innovation influences start-up performance

Over time, the type of business innovation was simplified from four categories (product, process, organizational, and marketing) to only two, namely product

innovation and business process innovation. The 2018 revision of the Oslo Manual categorize innovation into just two main types: product innovation and business process innovation (OECD Eurostat, 2018). Product innovation refers to introducing new or improved goods or services that are different from what a firm has offered before and are made available to the market. Business process innovation, meanwhile, covers new or improved methods across one or more business functions that differ significantly from previous practices and are put into use within the firm. This simplification reduced confusion and made it clearer by comparing new innovations directly with a business's existing products and processes (Bulut et al., 2022; Edwards-Schachter, 2018).

Recent studies have also aligned with this two-type framework. Edwards-Schachter (2018) observed that product and process innovations are deeply interconnected new products often require new processes, while improved processes can trigger the creation of new products. Moreover, Hwang & Hsu (2019) applied the same two categories to analyze innovation in manufacturing firms. These two types of innovation have also been applied in studies across different countries (Asghar et al., 2023; Begum et al., 2022; Ben Khalifa, 2023; Domnich, 2022; Gunday et al., 2011; Najafi-Tavani et al., 2018). Thus, this study adopts two-type classification of innovation presented earlier, as mentioned above. Table 2.12 presents the type of innovation as identified in the literature.

Table 2.12
Types of Innovation in the Literature

Type of Innovation	Literature
Product innovation	Asghar et al. (2023), Begum et al. (2022), Ben Khalifa (2023), Domnich (2022), Edwards-Schachter (2018), Gault (2018), Gunday et al. (2011), Huang et al. (2012), Hullova et al. (2016), Hwang & Hsu (2019), Kafetzopoulos & Psomas (2015), Najafi-Tavani et al. (2018), OECD (2005), OECD Eurostat (2018), Prajogo (2016), Wang & Ahmed (2004)
Process innovation	Asghar et al. (2023), Begum et al. (2022), Ben Khalifa (2023), Domnich (2022), Edwards-Schachter (2018), Gault (2018), Gunday et al. (2011), Huang et al. (2012), Hullova et al. (2016), Hwang & Hsu (2019), Kafetzopoulos & Psomas (2015), Najafi-Tavani et al. (2018), OECD (2005), OECD Eurostat (2018), Prajogo (2016), Wang & Ahmed (2004)

Type of Innovation	Literature
Production or delivery innovation	Gault (2018), OECD (2005)
Organisational innovation	Gault (2018), Kafetzopoulos & Psomas (2015), OECD (2005)
Marketing/communication innovation	Gault (2018), Kafetzopoulos & Psomas (2015), OECD (2005), Wang & Ahmed (2004)
Strategic innovativeness	Wang & Ahmed (2004)
Behavioral innovativeness	Wang & Ahmed (2004)

2.7.3 Innovation in Small and Medium-sized Enterprises

Innovation is generally seen as the process of bringing new ideas, products, or ways of working into practice so that they create value for both the business and its stakeholders (Bulut et al., 2022). For many businesses, innovation is what keeps them competitive, especially in markets that change quickly (Al-Khatib, 2022; Huang et al., 2012). In the case of small and medium-sized enterprises (SMEs), innovation becomes even more important because these businesses often face limited resources (Molthar & Indarti, 2021). By innovating, SMEs can find ways to stand out, survive, and grow despite their constraints (Dinku et al., 2024; Fikri et al., 2022; Ryu et al., 2021).

Previous studies point to two main types of innovation: product and process innovation (Asghar et al., 2023; Begum et al., 2022; Ben Khalifa, 2023; Domnich, 2022; Gunday et al., 2011; Najafi-Tavani et al., 2018). According to Bulut et al. (2022) and Hwang & Hsu (2019), product innovation means developing new or improved goods and services that can attract and satisfy customers. Process innovation, meanwhile, focuses on improving how things are done inside the company, such as lowering costs, improving efficiency, reducing delivery times, or increasing flexibility. These two are not separate; they often support each other. A new product might require new methods of production, while better processes can open the door for new products. Studies also show that product innovation is more visible to customers, while process innovation works more quietly in the background to improve efficiency, but both are critical for long-term competitiveness (Ismanu & Kusmintarti, 2020; Xu et al., 2019).

From the point of view of Resource-Based Theory (RBT), the ability to innovate depends on the resources and capabilities that a company has. Lukovszki et al. (2020) explain that intangible resources like knowledge, skills, and routines which can be turned into competitive advantages if firms know how to use them well. Product

innovation helps companies meet customer needs faster than competitors, while process innovation makes operations more efficient and adaptable. In this way, innovation capability is seen as a dynamic capability that helps companies improve their resources over time and respond to market changes (Kolbe et al., 2021; Matarazzo et al., 2021).

Empirical studies further demonstrate the centrality of innovation for SMEs. Beltramino et al. (2022) found that both product and process innovation improve the performance of small businesses in developing countries by increasing sales, customer loyalty, and market share. In Indonesia, Masyhuri et al. (2024) highlight the service sector, showing how innovation in processes and products helps SMEs stay efficient and competitive. Aljuboori et al. (2022) also point out that firms with strong innovation capacity can turn ideas into profitable products and services, leading to higher revenues and better financial performance overall.

Product and process innovation are important or SME's success (Beltramino et al., 2022; Bulut et al., 2022; Hwang & Hsu, 2019). They allow firms to adjust to market shifts, improve efficiency, and grow sustainably. From an RBT perspective, innovation capability gives SMEs a competitive edge by helping them use their resources more effectively. For SMEs, making innovation a priority is key to staying resilient and thriving in today's fast-changing business environment (Batool & Mohsin, 2024; Cheah et al., 2024; Loredo et al., 2019; Maier et al., 2020; Priya et al., 2024).

2.7.4 Innovation as Mediator

A variable is considered a mediator when it explains the mechanism through which an independent variable affects a dependent variable (Baron & Kenny, 1986; Hair et al., 2019). In the context of intellectual capital (IC), innovation is often discussed as the mechanism that connects IC dimensions, such as human, structural, relational, and even spiritual capital to business performance (Aljuboori et al., 2022; Dinku et al., 2024; Masyhuri et al., 2024). In other words, IC provides the knowledge and capabilities, but innovation is the channel through which those resources are translated into better organizational outcomes (Beltramino et al., 2020). To improve business performance, Aljuboori et al. (2022) suggest that future research should look at how intellectual capital connects with innovation. Since previous studies were limited to one country, their results may not universally applicable.

Previous studies show the evidence about the mediating role of innovation. IC is widely seen as a driver of creativity and innovation in organizations, and this role has become even more important in a globalized economy (Vaz et al., 2019). IC helps managers make better use of intangible assets and shift strategies to take advantage of new opportunities (Beltramino et al., 2022). Although many studies link IC to company growth and value creation (Agostini et al., 2017), less is known about this connection in the context of SMEs, where resources are often limited. This is why (Beltramino et al., 2022) stress the need for more research on how IC affects innovation in smaller firms.

For SMEs, IC is particularly important because they usually lack physical and financial resources, so their performance depends heavily on the knowledge and skills of employees (Giampaoli et al., 2019). Human capital, for example, provides input for continuous innovation by encouraging creativity and personal expertise (Aljuboori et al., 2022). A workplace that values creativity and supports innovative practices is more likely to achieve better performance. Innovative firms are also better at scanning and interpreting external information, which allows them to adjust to market changes and stay competitive (Asiaei et al., 2020; Beltramino et al., 2022). Other studies highlight that IC supports collaboration and knowledge sharing, both within organizations and with external partners, which in turn boosts innovation (Ibidunni et al., 2020; Onofrei et al., 2020). Spiritual aspects of IC also matter: a workplace built on trust, shared goals, and openness can encourage employees to engage in creative activities (Usmanova et al., 2023). Leaders who practice care and inspire employees often motivate them to go beyond expectations, which supports innovation and performance (Li et al., 2023). Therefore, Aljuboori et al. (2022) suggest that future research should continue exploring the link between intellectual capital and innovation.

Several studies directly tested the mediating role of innovation. Oladayo Jegede et al. (2016) found that in Nigeria's mining industry, the effect of human capital on performance was indirect, working only through innovation. Dinku et al. (2024) reported that formal education and managerial skills improve SMEs' ability to identify opportunities and implement new solutions, but innovation only partly mediates this relationship. This means that while education directly helps performance, combining it with innovation produces even stronger results. Masyhuri et al. (2024) also confirmed that in Indonesia's service sector, human capital improves performance both directly and indirectly, with innovation acting as a mediator. Similarly, (Fikri et al., 2022)

showed that relational capital leads to service innovation through better market understanding, which then strengthens performance.

The literature shows that intellectual capital (IC) plays an important role in driving innovation, especially for SMEs that often lack physical resources. IC helps firms build an advantage by managing knowledge, working with partners, and adapting to external changes (Beltramino et al., 2022; Onofrei et al., 2020). It also supports a workplace culture that encourages trust, shared values, and creativity, where employees feel motivated to solve problems in meaningful ways (Li et al., 2023; Usmanova et al., 2023). Still, there are gaps in understanding how IC leads to specific innovation outcomes in SMEs, particularly in contexts shaped by cultural or ethical values such as Islamic principles. This study fills to that gap by examining Islamic innovation as a mediator between IC and Maqasid Sharia performance. The idea is that SMEs need to invest in IC not only to strengthen competitiveness but also to align innovation with ethical goals, ensuring sustainable growth in line with Maqasid Sharia.

2.7.5 Islamic Innovation: Conceptual Framework and Its Implementation in Small and Medium-sized Enterprises

Innovation is more than a new idea or an invention. Innovation is widely recognized as an essential driver of business competitiveness and long-term sustainability (Dinku et al., 2024; Aljuboori et al., 2022). An innovation requires implementation, either by being put into active use or by being made available for use by other parties, firms, individuals or organisations (OECD Eurostat, 2018). The economic and social impacts of inventions and ideas depend on the diffusion and uptake of related innovations (Rogers, 2003).

Malik et al. (2019) stressed the importance of innovation for SMEs in achieving Maqasid Sharia performance. They argued that SMEs should design innovation models that reflect Sharia principles. From an Islamic perspective, innovation and entrepreneurship should reflect tawhid (the oneness of God) at all stages, from idea generation to consumption. This ensures that economic and social benefits from innovation are aligned with divine guidance. Innovation is therefore not only about business success but also about contributing to society in ways that gain Allah's blessings (mardhatillah) (Al-Baqarah 2:265).

However, past studies show that there are still gaps in creating clear ways to assess innovation from an Islamic perspective (Harun et al., 2025; Malik et al., 2019). In Islam, innovation is not only encouraged but also seen as part of *ibadah* (worship) and a responsibility of humans as vicegerents on earth (Adham et al., 2013). To capture this perspective, this study uses an innovation model based on Islamic principles. Islamic innovation is defined as an intentional and ethical process of creating new ideas and entrepreneurial activities rooted in tawhid (Azmi & Hashim, 2022). Since innovation is also viewed as ibadah and part of humanity's role as khalifah, ethical values guide the whole process, from the first idea to the final product. The goal is to support economic and social growth that benefits individuals, organizations, and communities, while staying true to Islamic values.

Unlike conventional innovation, which often focuses only on technology, Islamic innovation includes Sharia objectives and maslahah (usefulness). There are some basic principles for innovation (Azmi & Hashim, 2022). First, any innovation should bring benefits to people and must not involve things that are *haram* (forbidden) according to the Qur'an and Sunnah. This means both the materials and the process must be *halal* (permissible), free from elements like pork, alcohol, interest (*riba*), or gambling. Specifically, in the field of business and muamalah (economic activities), scholars such as Qardhawi (1993) and Sabiq (2008) highlight several rules:

a) Transactions must be voluntary (An-Nisa 4:29), with no pressure on customers.

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُم بَيْنَكُم بِالْبَاطِلِ إِلَّا أَن تَكُونَ تِجَارَةً عَن تَرَاضٍ مِّنكُمْ

"O you who believe! Do not consume one another's wealth unjustly, but only [in lawful] business by mutual consent."

b) Products and services should have real value and meet genuine needs (Asy-Syu'ara 26:183).

وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُم

"And do not deprive people of their due."

c) Business must be free from fraud, and product flaws must be disclosed (As-Syuara 26:183).

وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُمْ وَلَا تَعْثَوْا فِي الْأَرْضِ مُفْسِدِينَ

"Do not deprive people of their rights and do not act wickedly on earth by spreading corruption."

d) All activities must avoid riba (usury/interest), including penalties on late payments (Al-Baqarah 2:275-278; Al-Imran 3:130).

وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا

"Allah has permitted trade and forbidden riba (usury)."

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً

"O you who believe! Do not consume riba, doubled and multiplied."

e) Products and processes must be free from najs (impurities), such as alcohol, pork, or improperly slaughtered animals (Al-Baqarah 2:173; Al-Maidah 5:3).

إِنَّمَا حَرَّمَ عَلَيْكُمُ الْمَيْتَةَ وَالدَّمَ وَلَحْمَ الْخِنزِيرِ

"He has only forbidden to you carrion, blood, and the flesh of swine."

حُرِّمَتْ عَلَيْكُمُ الْمَيْتَةُ وَالدَّمُ وَلَحْمُ الْخِنزِيرِ

"Forbidden to you are carrion, blood, and the flesh of swine."

f) Businesses must avoid haram practices such as exploitation, deception, or unethical marketing (Ar-Rahman 55:8-9).

وَأَقِيمُوا الْوَزْنَ بِالْقِسْطِ وَلَا تُخْسِرُوا الْمِيزَانَ

"Establish justice in weighing and do not make the balance deficient."

g) Monopolies, hoarding, or exploitative trade are strictly prohibited (Al-Hashr 59:7).

كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنكُمْ

"So that wealth does not merely circulate among the rich among you."

Although Islamic innovation is a growing field, most studies are still at the conceptual level. For example, Azmi & Hashim (2022) reviewed Islamic innovation in Malaysian public services, emphasizing that innovation must benefit people and avoid haram (forbidden) activities. This means all materials and processes should be halal and

aligned with the Qur'an and Sunnah. Studies by Abdullah & Sofian (2012) and Jalil (2006) laid the foundation for this idea, which was later expanded by Azmi & Hashim (2022) to connect innovation with Maqasid Sharia.

This study defines islamic innovation as the process of developing new ideas and turning them into goods or services that follow Islamic principles, while also helping businesses grow. This study looks at two main types of innovation which are commonly discussed in past research (Beltramino et al., 2022; Bulut et al., 2022; Hwang & Hsu, 2019; Ismanu & Kusmintarti, 2020). Both are adapted to Islamic values to make sure ethical, social, and religious aspects are part of their design and use.

a) Islamic product innovation means creating, developing, or improving goods and services in ways that are consistent with Islamic teachings. This ensures that products not only meet customer needs but also follow halal standards. For example, products must avoid forbidden elements such as alcohol, gambling, or riba (interest) (Azmi & Hashim, 2022). This alignment helps businesses respond to market demand while also supporting social well-being.
b) Islamic process innovation focuses on improving how businesses operate (covering workflows, management, and organizational practices) while staying within Islamic principles. The goal is to improve efficiency and sustainability, but also to act ethically. Examples include fair labor practices, transparent transactions, and adopting eco-friendly methods, which are all in line with Sharia objectives (Azmi & Hashim, 2022).

By following these principles, Islamic innovation ensures that entrepreneurship is not only profitable but also ethical and socially responsible. This builds trust, promotes fairness, and supports sustainable growth in line with Sharia. This study develops an Islamic innovation framework using the three levels of Maqasid Sharia (Azmi & Hashim, 2022):

a) Necessities (ḍaruriyyāt)

   Necessities are the most basic needs because they protect faith (dīn), life (nafs), intellect (ʿaql), lineage (nasl), and wealth (māl) (Monawer et al., 2022). Classical scholars also gave examples of ḍaruriyyāt, such as punishments for religious deception, implementing blood money (diyyah), capital punishment (qisās), marriage regulations, and prohibitions against adultery and alcohol (Al-Nahari et al., 2022). Without these, life becomes unstable and even salvation in the hereafter is at risk. From this view, innovation in Islam should first focus on preserving faith,

then life, intellect, lineage, and finally wealth. For example, mobile prayer rooms or Sharia-compliant hospitals help preserve faith, while halal food and healthcare innovations protect life and intellect (Shariff & Rahman, 2016).

b) Supporting needs (ḥājiyyāt)

The second level of masalih is ḥājiyyāt (supporting needs). According to Azmi & Hashim (2022), these are needs that bring comfort and reduce hardship. If ignored, people may face difficulties, but the harm is not as serious as neglecting ḍaruriyyāt. Classical scholars gave examples of ḥājiyyāt, such as contracts for sale (bayʿ), leasing (ijārah), partnerships (mushārakah), profit-sharing (qirāḍ), and sharecropping (musāqah). In a broader sense, ḥājiyyāt include things that make life easier and support necessities, such as fair economic systems, religious practices, and legal frameworks (Azmi & Hashim, 2022).

c) Luxuries (taḥsiniyyat)

The third level, taḥsīniyyāt, refers to refinements and improvements that add value to life but are not essential for survival (Al-Nahari et al., 2022). Their absence does not cause hardship, but their presence enhances the quality of living. Examples include cultural or aesthetic practices, such as using perfume in the mosque or creating products that enrich society in ethical ways (Rahman et al., 2013). Classical scholars, like Al-Ghazālī (1413 AH), described taḥsīniyyāt as factors that promote virtues, encourage good manners and dealings, and help block the means of harm (Al-Nahari et al., 2022). From an innovation perspective, embedding taḥsīniyyāt in business strategies can inspire creative practices that go beyond meeting basic needs to uplifting community well-being (Azmi & Hashim, 2022).

Table 2.13
The Integration of Islamic Principle in Innovation

Concept	Focus	How to conduct innovation
Darruriyyah (necessities)	This concept focuses on essential needs such as ensure compliance with islamic principles, focus on basic needs, maintain ethical standards (Kayadibi, 2019; Omar et al., 2024).	• Product Innovation: innovations at this level ensure that products are halal, ethical, and aligned with Islamic values. • Process Innovation: innovations focus on improving processes to ensure they are efficient and high-quality. Key Innovation Drivers:

Concept	Focus	How to conduct innovation
		• Halal Compliance • Ethical Standards • Resource Efficiency
Hajiyyah (conveniences)	Innovation should be carried out in a way that supports the fulfillment of basic human needs by encouraging voluntary and fair transactions, avoiding unethical practices, and at the same time improving efficiency and quality (Asyiqin & Alfurqon, 2024; Jung et al., 2025; Mättö, 2019; Nigg-Stock et al., 2023; Sarkees & Hulland, 2009,Harahap, 2018)	• Product Innovation: innovations at this level aim to make life easier for consumers while supporting ethical practices. • Process Innovation: innovations focus on enhancing operational efficiency and flexibility to better serve customers. Key Innovation Drivers: • Continuous Improvement • Flexibility
Tahsiniyyah (refinements)	This concept go beyond what is merely convenient and aim to enhance the quality of life (Trihudiyatmanto, 2024) and promote excellence (Garrido-Moreno et al., 2024), such as striving for perfection, giving positive contributions to society, and enhancing the business images (Santos & Berssaneti, 2024).	Product Innovation: Innovations at this level aim to provide added value and contribute positively to society. Process Innovation: innovations focus on achieving perfection and excellence in processes. Key Innovation Drivers: • Excellence • Positive Contributions • Value

Source: compiled by researcher based on various sources

Table 2.13 shows how to conduct innovation based on the level of Islamic goals which are necessities (ḍaruriyyāt), supporting needs (ḥājiyyāt), and luxuries (taḥsiniyyat) using product and process innovation. Islamic SMEs that adopt Maqasid Sharia principles namely ḍaruriyyāt (necessities), ḥājiyyāt (supporting needs), and taḥsiniyyat (luxuries) in their innovation strategies can grow sustainably by balancing economic, social, and environmental goals. This approach encourages ethical practices and builds trust with stakeholders, which are vital for long-term success (Dariah et al., 2025). By putting community well-being at the center, Islamic entrepreneurship ensures that business activities bring real benefits to society. The tradition of waqf, for example,

has long shown how Islamic values can support healthcare, education, and social welfare (Alam et al., 2018). In this way, integrating Maqasid Sharia helps businesses stay true to Islamic values while promoting justice, fairness, and community acceptance.

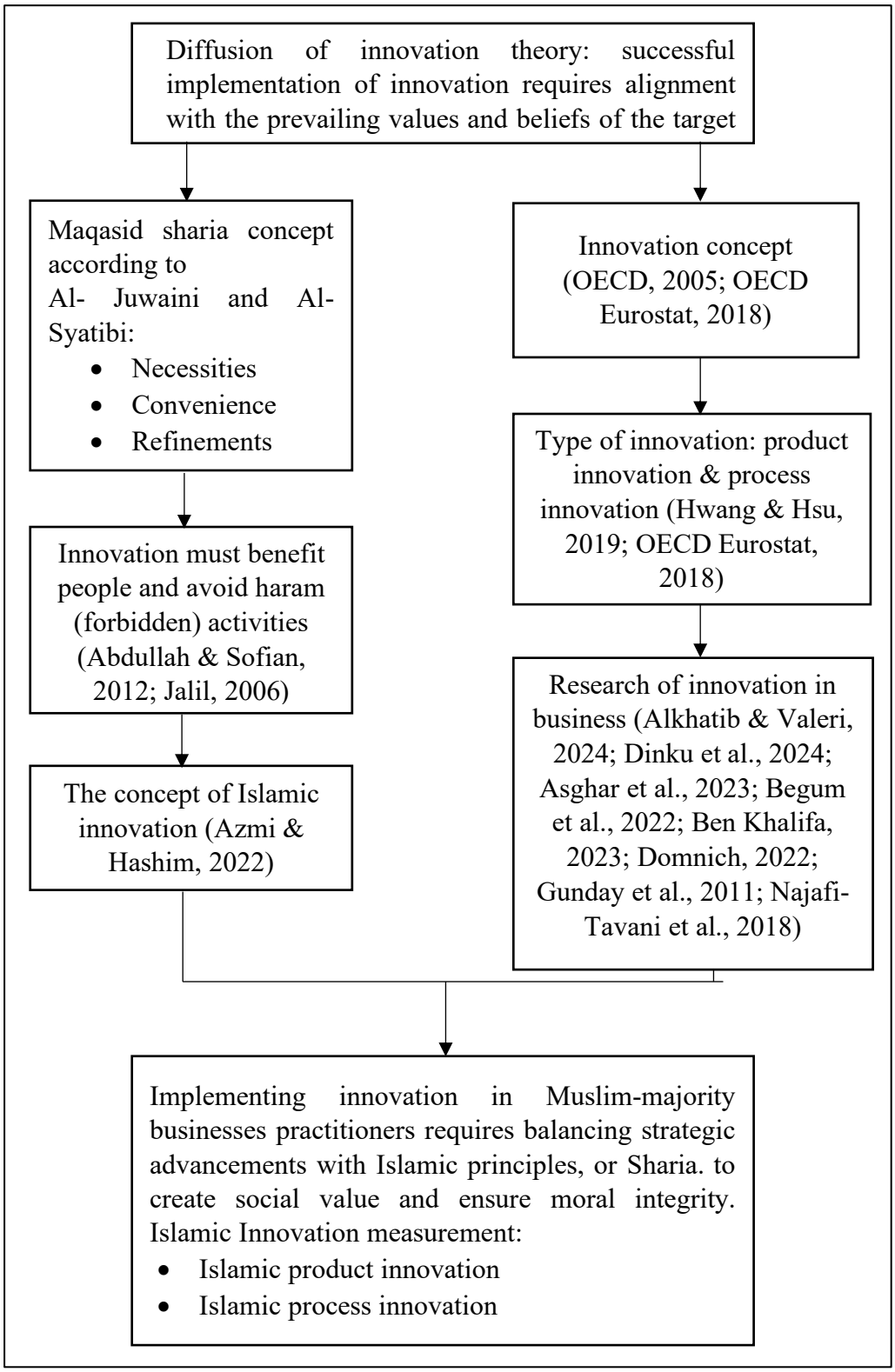


Figure 2.8 The Retionale of Islamic Innovation Development

This study bridges the gap between conventional SME innovation frameworks and Islamic innovation principles by integrating insights from previous studies (Azmi & Hashim, 2022; Huang et al., 2012; Jalil, 2006; Wang & Ahmed, 2004). Table 2.14 shows the development of Islamic innovation measurement:

Table 2.14

The Development of Islamic Innovation Measurement

Innovation Concept	**Islamic Concept**	**Measurement Items**	**Source**
Product Innovation	Essentials (Ḍaruriyyāt)	We showed our commitment to ethical standard	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
		We face new competitors by introducing products and services that align with the Islamic value of striving for excellence.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
		We strive to be the leading business with halal product or service.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
	Supporting Needs (Ḥājiyyāt)	We showed our commitment to ethical continuous improvement.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)
		Our product and services are innovative in accordance with Islamic principle that allow us to have healthy competition.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
	Desirable or embellishments (Taḥsiniyyat)	We give positive contributions to society by developing innovative products.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
		Our business upholds trust, which shape our efforts to enhance our business image.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)
Process Innovation	Essentials (Ḍaruriyyāt)	We improve our business processes shows our ethical commitment to excellence.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
		Our innovative manufacturing processes demonstrate our ethical commitment to efficiency.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)

Innovation Concept	Islamic Concept	Measurement Items	Source
		Our process guarantees high quality product to serve our customers.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)
		We are committed towards ethical standard by taking proactive step for producing a better product.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)
	Supporting Needs (Ḥājiyyāt)	Our quick adaptation in production methods shows our commitment to ethical flexibility.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
		Our manufacturing processes utilize our resource wisely.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)
		We continuously adopt new technology to improve our production process to demonstrates our ethical commitment to utilization.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
	Desirable or embellishments (Taḥsiniyyat)	Our process improvement reflects our commitment to strive for perfection.	Adapted from Azmi & Hashim (2022) andHuang et al. (2012)

2.8 Research Framework

The research framework was developed based on the literature review of the understudied variables. The selected constructs were chosen based on their theoretical relevance and consistent support in previous literature related to intellectual capital, innovation, and organizational performance within SME contexts. Human capital, structural capital, relational capital, and spiritual capital were selected as dimensions of intellectual capital because they represent important intangible resources influencing organizational capability, knowledge utilization, innovation, and sustainability. Islamic innovation was included to capture innovation activities aligned with Sharia principles and halal business practices, while Maqasid Sharia Performance was selected as the outcome construct because it provides a more comprehensive performance framework integrating financial, non-financial, ethical, and societal dimensions. Collectively, these constructs were considered appropriate for explaining how intellectual capital

contributes to Islamic innovation and Maqasid-oriented performance in halal SMEs. Figure 2.9 presents the research framework for the study, while Figure 2.10 illustrates the comprehensive framework of the research.

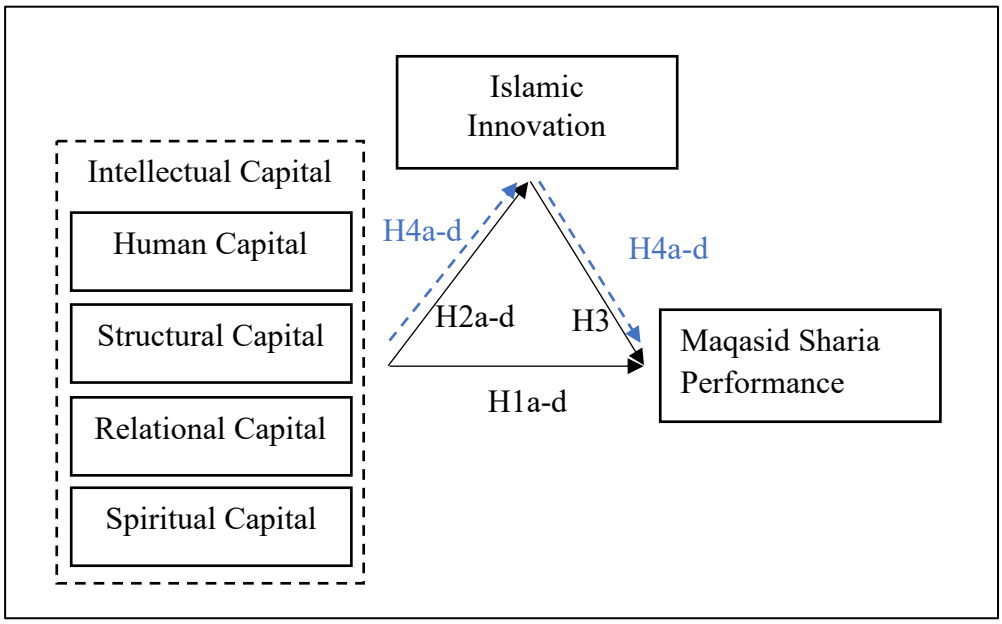


Figure 2.9 Research Framework

Source: Researcher

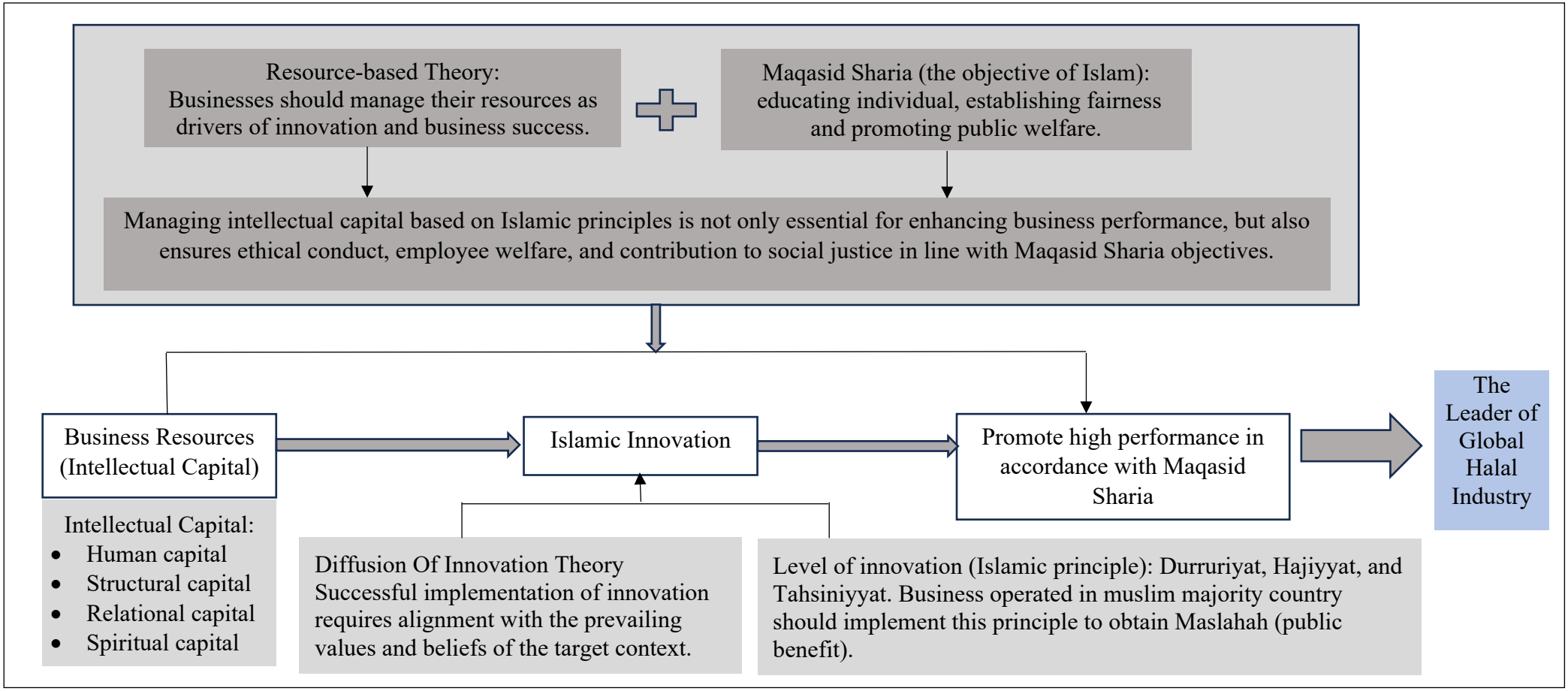


Figure 2.10 The Comperhensive Framework of the Study

2.9 Hypotheses Development

2.9.1 The Relationship between Intellectual Capital and Maqasid Sharia Performance

Resource-Based Theory (RBT) explains that organizational resources, when valuable, rare, inimitable, and non-substitutable, provide a foundation for achieving sustainable competitive advantage (Ahuja & Chan, 2021; Alkhatib & Valeri, 2024). Among these resources, human capital has consistently been highlighted as a key intangible asset that strengthens organizational performance (Khan & Wan Yusoff 2023). Human capital, which encompasses employees' knowledge, skills, and problem-solving capacities, drives innovation, strategic renewal, and long-term growth (Bontis, 1998; Youndt et al., 2004).

Human capital contributes directly to both financial and non-financial performance. On the financial aspect, skilled and motivated employees increase productivity, improve efficiency, and drive revenue growth (Khan & Wan Yusoff, 2023; Pratiwi et al., 2025). On the non-financial aspect, human capital enhances service quality, encourages innovation, and strengthens customer satisfaction and loyalty (Beltramino et al., 2022; Truong & Nguyen, 2023). These outcomes not only improve organizational reputation but also build resilience and sustainability over the long term.

Building on this perspective, the role of human capital becomes even more significant in the Islamic context, where organizational performance is not measured solely by profitability but also by its alignment with Sharia objectives. Employees with strong competencies and ethical commitment can foster knowledge sharing and personal development (tahdhib al-fard) (Al Mansoori et al., 2025; Hasnat Bhatti et al., 2023; Jin et al., 2024; Matošková, 2024; Thakur, 2024), uphold justice and integrity in business practices (iqomah al-'adl) (Abalala et al., 2021; Mabkhot & Kumar Piaralal, 2023), and design innovative solutions that enhance community well-being (jalb al-maslahah) (Asad et al., 2021; Batmomolin et al., 2024; Dwikat et al., 2023; Gallardo-Vázquez & Lizcano-Álvarez, 2020; Hernita et al., 2021; Menne et al., 2022; Rinawiyanti et al., 2021). Finally, human capital not only enhances competitiveness but also ensures that SMEs contribute to sustainable and ethically guided performance consistent with the principles of Maqasid Sharia. Based on the explanation above, the hypothesis proposed in this study is as follow:

Hypothesis 1a: Human capital has a positive effect on Maqasid Sharia performance.

Resource-Based Theory (RBT) argues that organizational resources that are valuable, rare, inimitable, and non-substitutable serve as a foundation for sustainable competitive advantage (Barney, 1991). Within this perspective, structural capital plays a crucial role in shaping organizational performance. Structural capital, which comprises organizational processes, systems, routines, and embedded knowledge, provides the infrastructure that enables human capital to function effectively (Kim & Tran, 2023). Well-developed procedures and knowledge-sharing systems allow firms to streamline operations, enhance innovation, and ensure consistency in decision-making (Bontis, 1998; Khalique et al., 2020).

Structural capital not only improves internal efficiency but also contributes to both financial and non-financial aspects of performance. On the financial side, strong systems and routines help reduce costs, improve productivity, and deliver consistent products or services, leading to higher revenues and profitability (Aljuboori et al., 2022; Bontis, 1998; Kim & Tran, 2023). At the same time, structural capital also enhances non-financial outcomes such as service quality, employee satisfaction, customer trust, and innovation capacity (Beltramino et al., 2022; Muda et al., 2020). These improvements strengthen organizational reputation and stakeholder confidence, which in turn support long-term sustainability.

Extending this to the Islamic context, structural capital is not only a driver of efficiency but also a foundation for aligning business practices with Sharia objectives. Structural capital provides the systems and routines that embed these principles into organizational practices (Al Zeer et al., 2024). Therefore, transparent procedures and reliable information systems can foster fairness in operations (iqomah al-‘adl) (Jo & Raj, 2024; Pierce et al., 2023; Ruder & Woods, 2020), knowledge management systems can support continuous learning and capacity building (tahdhib al-fard) (Machado & Davim, 2021; Raman, 2013), and organizational routines that encourage innovation can generate solutions contributing to community welfare (jalb al-maslahah) (Angasinha, 2025; Gallego & Maestripieri, 2024; Pedersen & Scheller, 2024). Thus, structural capital does not merely enhance internal efficiency and long-term competitiveness, but it also ensures that organizational activities are conducted in line with ethical and social responsibilities consistent with Maqasid Sharia. Based on the explanation above, the hypothesis proposed in this study are as follow:

Hypothesis 1b: Structural capital has a positive effect on Maqasid Sharia performance.

From a Resource-Based Theory (RBT) perspective, relational capital represents one of the most valuable intangible resources that SMEs can leverage to sustain competitiveness. It reflects the knowledge and value embedded in relationships with external stakeholders, such as customers, suppliers, distributors, and even the broader community (Aljuboori et al., 2022; Bontis, 1998; Cohen & Kaimenakis, 2007). These external relationships are not only sources of trust and loyalty but also channels for collaboration and knowledge-sharing, which strengthen a firm's ability to compete and grow.

Relational capital enhances both financial and non-financial performance. On the financial aspect, long-term partnerships with suppliers and distributors allow firms to reduce transaction costs, stabilize input quality, and develop better pricing strategies (Aljuboori et al., 2022). Strong customer relationships also lead to repeat purchases, greater market share, and more stable revenue streams (Kim & Tran, 2023). On the non-financial aspect, relational capital fosters collaboration, co-creation of value, and stakeholder engagement, which can improve product innovation, service quality, and overall reputation in the market (Muda et al. 2020). This makes relational capital a vital predictor of SME performance, especially given the reliance of small businesses on external networks for resources, information, and legitimacy.

The role of relational capital becomes even more significant when considered in terms of Islamic value–based performance. By strengthening external networks, SMEs not only secure economic benefits (Liu & Yang, 2019; Priyono et al., 2020) but also contribute to broader social and ethical objectives (Nie et al., 2025). Effective communication with stakeholders supports educating individuals (tahdhib al-fard) through customer awareness programs. SMEs can use their networks to implement customer awareness programs, which educate customers about products and services, leading to increased customer satisfaction and positive word of mouth (Sun et al., 2021).

Fair and transparent dealings with suppliers and distributors reflect the principle of establishing fairness (iqomah al-'adl). SMEs that bear fair and transparent dealings towards their stakeholders, including suppliers and customers, see positive effects on corporate performance (Sègbotangni et al., 2025). Additionally, fair project governance, which includes fair interactions, resource distribution, and decision processes, can be implemented to ensure justice and equity in business operations (Unterhitzenberger &

Lawrence, 2025; Unterhitzenberger & Moeller, 2021). Furthermore, long-term trust-based relationships with communities promote public welfare (jalb al-maslahah), as businesses generate value that benefits not only owners but also customers, employees, and society at large. In this way, relational capital not only enhances competitiveness but also ensures that SMEs align their performance with Islamic principles of justice, responsibility, and social benefit. Based on the explanation above, the hypothesis proposed in this study are as follow:

Hypothesis 1c: Relational capital has a positive effect on Maqasid Sharia performance.

In the context of the resource-based theory (RBT), business that develop unique and valuable intangible assets can achieve sustainable competitive advantage and superior performance (Barney, 1991). Spiritual capital, as one dimension of intellectual capital, represents such a unique resource because it embeds transcendent values, morality, ethics, and spiritual consciousness into organizational culture and practices (Kolade et al., 2023; Zohar & Marshall, 2004). By shaping behaviors, motivating employees, and strengthening ethical leadership, spiritual capital fosters an internal resource base that is rare, inimitable, and non-substitutable, thereby providing a competitive edge (Indrawati & Muljaningsih, 2022), enhancing performance (Ariyanto et al., 2023), and ensuring long-term sustainability (Linda Sutanto et al., 2023).

From an Islamic perspective, spiritual capital is not merely associated with spirituality in a general sense but also reflects religious consciousness, accountability to Allah, and adherence to Islamic ethical principles in organizational activities. Spiritual capital incorporates values such as taqwa (God-consciousness), amanah (trustworthiness), ikhlas (sincerity), siddiq (honesty), adl (justice), and ihsan (excellence), which guide business actors in making ethical and socially responsible decisions. In the context of SMEs, these values become increasingly important because halal-oriented businesses are expected not only to achieve profitability but also to maintain Sharia compliance, ethical integrity, and societal responsibility throughout their operations (Hassan et al., 2022; van der Walt, 2022).

Spiritual capital supports financial performance and non-financial performance. On the financial aspect, business with strong spiritual capital is better positioned to build trust with customers and business partners, which improves reputation and long-term profitability (Khalique et al., 2018, 2020; Osunmakinde et al., 2021). Ethical and values-driven leadership encourages transparent practices, thereby reducing risks and

attracting stakeholders' confidence (Liu et al., 2023). On the non-financial aspect, spiritual capital strengthens employee engagement, motivation, and creativity (Mas-Machuca & Marimon, 2019), creating a culture of collaboration and innovation. SMEs that integrate spirituality into their operations also report stronger social cohesion and legitimacy in the community (Tjahjadi et al., 2024). Each aspect highlights the strategic role of spiritual capital in driving both organizational growth and sustainability.

Extending this perspective, spiritual capital can also play a vital role in improving Maqasid Sharia performance. In the context of tahdhib al-fard (educating and developing individuals), spiritual capital fosters ethical awareness, self-development, and moral responsibility among business actors (Bandsuch & Cavanagh, 2005; Rappel, 2017). Through iqamah al-'adl (establishing justice), spiritual capital promotes fairness, transparency, ethical governance, and equitable treatment in organizational practices and stakeholder relationships (Brinkmann, 2023; Rea et al., 2021). Furthermore, through jalb al-maslahah (promoting public welfare), spiritual capital encourages SMEs to prioritize social responsibility, environmental stewardship, sustainability, and community well-being (Astrachan et al., 2020; Osunmakinde et al., 2021). In this way, spiritual capital becomes not only a source of economic advantage but also expected to achieve higher levels of Maqasid Sharia performance. Based on the explanation above, the hypothesis proposed in this study are as follow:

Hypothesis 1d: Spiritual capital has a positive on Maqasid Sharia performance.

2.9.2 The Relationship between Intellectual capital and Islamic Innovation

From the Resource-Based Theory (RBT) perspective, businesses gain competitive advantage when they are able to make use of unique resources and capabilities, especially intangible ones like human capital (Lukovszki et al., 2020). Human capital matters for innovation because employees bring in knowledge, share ideas, and develop creative solutions that help businesses adapt and stay competitive in changing environments (Al-Khatib, 2022; Lo et al., 2020; Rehman et al., 2022). This role is visible not just in general creativity but also in specific outcomes such as product and process innovation. Skilled and motivated employees tend to suggest new ideas, turn them into product designs, and make sure those innovations meet customer needs (Bulut et al., 2022; Hwang & Hsu, 2019). At the same time, they improve internal processes, making them more efficient, flexible, and sustainable (Beltramino et al.,

2022). For SMEs, product and process innovation are especially important because they help businesses deal with limited resources, improve efficiency, and stay competitive in fast-moving markets (Ismanu & Kusmintarti, 2020; Xu et al., 2019) Finally, investing in human capital through training, learning, and motivation allows businesses to unlock innovation capacity that supports both short-term improvements and long-term growth.

In the Islamic context, the role of human capital goes further because it also shapes innovation in line with Sharia principles. Islamic innovation highlights that both products and processes should not only be commercially viable but also ethical and socially responsible (Azmi & Hashim, 2022). When employees combine professional skills with Islamic values, they are better equipped to create innovations that reflect the goals of Maqasid Sharia. At the necessity level, human capital ensures compliance with halal standards and basic ethics, which is essential for maintaining ethical practices in Muslim-majority markets (Rafiki, 2014). At the convenience level, it enables innovations that reduce hardship and increase efficiency (Poon et al., 2020). At the refinement level, employees contribute to excellence and community well-being by embedding higher values into products and processes (Kayadibi, 2019; Omar et al., 2024; Trihudiyatmanto, 2024). In this way, human capital serves as a bridge between knowledge-driven innovation and Islamic principles, helping SMEs achieve sustainable growth that benefits both the business and society. Based on the explanation above, the hypothesis proposed in this study are as follow:

Hypothesis 2a: Human capital has a positive effect on Islamic Innovation.

From the Resource-Based Theory (RBT) perspective, businesses gain competitive advantage when they develop strong intangible assets that are valuable, rare, and hard to copy. One of these is structural capital, which provides the organizational backbone that supports knowledge sharing and innovation (Bontis, 1998; Khalique et al., 2020). By embedding knowledge into these structures, businesses can coordinate activities more effectively and sustain innovation over time (Aljuboori et al., 2022).

Structural capital plays an important role in driving product and process innovation (Beltramino et al., 2022). Businesses with well-developed systems and routines make it easier for employees to turn ideas into real outcomes (Alkhatib & Valeri, 2024). Databases, procedures, and digital platforms help solve problems more quickly, while a supportive culture encourages experimentation and knowledge use

(Truong & Nguyen, 2023). Studies show that when structural capital is strong, businesses are more likely to introduce new products that fit customer needs and improve processes to be more efficient, flexible, and sustainable (Beltramino et al., 2022; Mennens et al., 2018). For SMEs, this is especially useful since a solid infrastructure helps them overcome resource limitations and stay competitive in fast-changing markets.

Looking at this in the Islamic context, structural capital not only supports innovation in general but also helps businesses ensure that innovation reflects Sharia principles (Yusmazida et al., 2025). Proper systems and routines can guarantee that products meet halal and ethical standards (daruriyyah), that processes reduce hardship and improve accessibility (hajiyyah), and that refinements bring added value to society and promote excellence (tahsiniyyah) (Omar et al., 2024; Trihudiyatmanto, 2024). In this way, structural capital acts as a foundation for Islamic innovation, helping SMEs embed Islamic values into both products and processes while also strengthening their competitiveness. Based on the explanation above, the hypothesis proposed in this study are as follow:

Hypothesis 2b: Structural capital has a positive effect on Islamic Innovation.

From the Resource-Based Theory (RBT) perspective, relational capital is one of the key intangible resources that gives businesses a competitive advantage by strengthening their networks and connections. Strong connections with customers, suppliers, and communities build trust and loyalty, which make collaboration and knowledge sharing easier (Ibidunni et al., 2020; Onofrei et al., 2020). These interactions help businesses access new ideas and external support that fuel innovation. Earlier studies also point out that relational capital has a positive effect on innovation bahavior (Alkhatib & Valeri, 2024; Giampaoli et al., 2019).

Relational capital is especially important for product and process innovation (Beltramino et al., 2022; Onofrei et al., 2020). When businesses maintain close relationships with stakeholders, they gain a better understanding of customer needs, receive useful feedback from suppliers, and cooperate with partners to refine products and services. (Beltramino et al., 2022) show that strong networks help businesses design products that fit market demands and improve processes to be more efficient and adaptive. For SMEs, this external support is critical because it helps them overcome

resource limitations and compete more effectively in dynamic markets (Ramírez-Solis et al., 2022).

In the Islamic context, relational capital also shapes innovation in ways that align with Sharia values. Strong relationships with stakeholders ensure that businesses remain attentive to ethical, cultural, and community values in their innovation activities (Awwad, 2024; Beam et al., 2023). Through strong relationships, SMEs can utilize relational capital to align their business practices with halal standards and ethical considerations, including develop products that meet halal and ethical standards (daruriyyah) (Raimi et al., 2023). Moreover, strong relationships within and outside the business facilitate the sharing of knowledge and resources, which can lead to innovative solutions that address societal needs and improve accessibility (hajiyyah) (O'Brien et al., 2011). Then, relational capital also enables businesses to pursue refinements that add social value and promote excellence (tahsiniyyah), which is essential for enhancing public goods (Klimczak & Shachmurove, 2021). In this way, relational capital not only drives innovation in general but also supports Islamic innovation that combines competitiveness with responsibility to society. Based on the explanation above, the hypothesis proposed in this study are as follow:

Hypothesis 2c: Relational capital has a positive effect on Islamic Innovation.

From the perspective of Resource-Based Theory (RBT), intangible assets that are valuable, rare, and hard to imitate are key drivers of long-term competitiveness. Among these, spiritual capital provides an ethical and moral foundation that shapes how businesses innovate and interact with stakeholders (Indrawati & Muljaningsih, 2022; Li et al., 2023). By fostering trust, shared values, and ethical leadership, spiritual capital creates a supportive organizational environment that enhances employee engagement, creativity, and collaborative behavior, all of which contribute to innovation capability (Usmanova et al., 2023). In this way, spiritual capital encourages innovations that are not only commercially beneficial but also ethically and socially responsible (Kolade et al., 2020).

In the context of halal SMEs, spiritual capital plays an important role in guiding innovation activities in accordance with Islamic principles and Sharia values. Businesses with strong spiritual capital are more likely to develop products, services, and processes that comply with halal standards, ethical conduct, and social responsibility, thereby strengthening organizational trust and long-term sustainability

(Neubert et al., 2017). Spiritual values such as honesty, justice, responsibility, and integrity also foster a work environment that supports employee motivation and innovative behavior (Usmanova et al., 2023).

Furthermore, spiritual capital supports innovation that not only improves business efficiency and competitiveness but also contributes to broader societal and environmental well-being (Juliana et al., 2023). In Islamic perspectives, this aligns with the objectives of dharuriyyah (essential needs), hajiyyah (complementary needs), and tahsiniyyah (refinements), where innovation is expected to create beneficial, ethical, and sustainable outcomes for society (Omar et al., 2024; Trihudiyatmanto, 2024). Therefore, spiritual capital strengthens intellectual capital by ensuring that innovation is value-driven, socially responsible, and aligned with Islamic principles and Maqasid Sharia objectives. Based on the explanation above, the hypothesis proposed in this study is as follows:

Hypothesis 2d: Spiritual capital has a positive effect on Islamic Innovation.

2.9.3 The Relationship between Islamic Innovation and Maqasid Sharia Performance

From the Resource-Based Theory (RBT) view, innovation is one of the main ways businesses can build a competitive advantage. By strengthening their ability to innovate, businesses can find new ways to create value from their existing resources and knowledge (Sivalogathasan & Wu, 2015). Without innovation, SMEs often struggle to grow, while those that can develop both product and process innovation tend to perform better and remain more sustainable (Love & Roper, 2015; Raghuvanshi & Garg, 2022).

Innovation improves business performance in both financial and non-financial aspects. From financial aspect, innovation can increase the profitability of SMEs (Ali & Hassan, 2020; Mai et al., 2019). Beyond that, innovation also helps businesses adapt to change, improve customer satisfaction, and build stronger relationships with stakeholders (Beltramino et al., 2022; Bulut et al., 2022; Xu et al., 2019). For SMEs, these advantages are crucial because they often face limited resources and tougher market competition (Hwang & Hsu, 2019; Ismanu & Kusmintarti, 2020).

When extended into the Islamic framework, islamic product and process innovation goes beyond improving efficiency or creating new product. Islamic

innovation ensures that both products and processes comply with Sharia principles, meaning that creativity is directed not only to profit but also to ethical and social goals (Azmi & Hashim, 2022). Earlier studies also found that innovation in SMEs can support Maqasid Sharia performance (Malik et al., 2019) In this sense, innovation becomes part of ibadah, linking entrepreneurial activities with tawhidic objectives across the entire process (Adham et al., 2013).

Specifically, Islamic innovation ensures that innovations are developed in ways that support human development, embed fairness, and bring benefits to society. First, innovation can support educating individuals (tahdhib al-fard) by creating learning opportunities, sharing knowledge, and developing products or services that improve skills and awareness (Cassia et al., 2024; Masih et al., 2018). Second, innovation can help in establishing fairness (iqomah al-'adl) when businesses design products and processes that follow halal standards (Chavez & Vicente, 2025), promote transparency (Brown & Martinsson, 2019; Gnana Jeslin et al., 2024; Zhong, 2018), and ensure ethical practices (Friebe, 2022; Samoggia & Beyhan, 2022; Scholten & Blok, 2015). Third, innovation contributes to promoting public welfare (jalb al-maslahah) by introducing solutions that make life easier, improve community well-being (Angasinha, 2025), and provide wider social benefits (Castellacci, 2023). Finally, Islamic innovation becomes a driver of both competitiveness and the realization of Sharia-based performance goals. Based on the explanation above, the hypothesis proposed in this study is as follow:
Hypothesis 3: Islamic Innovation have a positive effect on Maqasid Sharia performance.

2.9.4 The Mediating Role of Islamic Innovation in the Relationship between Intellectual Capital and Maqasid Sharia Performance

Human capital plays an important role in driving innovation and performance (Vaz et al., 2019). It provides the skills, knowledge, and problem-solving abilities that allow businesses to create and apply new ideas (Subramaniam & Youndt, 2005). Employees who are competent, adaptive, and motivated are more likely to produce product and process innovations (Al-Khatib, 2022; Lo et al., 2020; Rehman et al., 2022). Studies have shown that firms with strong human capital are better positioned to innovate and perform well (Teece, 2018; You & Xiao, 2022).

In the Islamic setting, human capital not only enhance innovation in general but also shapes it into Islamic innovation that align with halal rules, fairness, and social benefit (Azmi & Hashim, 2022; Omar et al., 2024). Although previous studies have examined the relationship between human capital and innovation, most research focuses on conventional innovation outcomes and organizational performance. Limited studies have specifically explored how human capital contributes to Islamic innovation that subsequently enhances Maqasid Sharia performance, particularly within halal SME contexts in emerging economies such as Indonesia. This indicates a theoretical and contextual gap regarding the mediating role of Islamic innovation in translating human capital into Maqasid-oriented performance outcomes.

When SMEs develop ethically grounded human capital, they can create halal-compliant products and ethical processes, ensuring that innovation supports individual growth, fairness, and public welfare (Raimi et al., 2023). This shows that human capital influences Maqasid Sharia performance through Islamic innovation. Based on the explanation above, the hypothesis proposed in this study is as follow:

Hypothesis 4a: Islamic Innovation mediates the relationship between Human capital and Maqasid Sharia performance.

Structural capital, such as systems, routines, and organizational culture, provides the foundation that helps business turn knowledge into innovation (Bontis, 1998; Edvinsson & Malone, 1997). Strong structures make coordination and knowledge sharing easier, which helps businesses turn new ideas into consistent outcomes (Hejazi et al., 2016; Mennens et al., 2018). Research shows that structural capital supports product and process innovation that improves competitiveness (Beltramino et al., 2022; Khalique et al., 2020).

When structural capital is built around Islamic values, it ensures that innovation stays within halal and ethical boundaries. Procedures, routines, and culture can act as safeguards to keep products and processes aligned with Islamic principles (Omar et al., 2024). However, existing studies largely examine structural capital from efficiency and competitiveness perspectives, while limited attention has been given to how Islamic innovation mediates the relationship between structural capital and Maqasid Sharia performance. Furthermore, empirical evidence focusing on halal SMEs remains scarce, despite the increasing importance of ethical and Sharia-compliant innovation within halal industry development. As a result, structural capital can improve Maqasid Sharia

performance through Islamic innovation, by making sure that competitiveness goes hand in hand with ethical and social responsibility. Based on the explanation above, the hypothesis proposed in this study is as follow:

Hypothesis 4b: Islamic Innovation mediates the relationship between Structural capital and Maqasid Sharia performance.

Relational capital, which is built through trust and collaboration with stakeholders, helps business access new knowledge, co-create solutions, and adjust innovations to meet market and community needs (Alqershi et al., 2020; Nahapiet & Ghoshal, 1998; Paoloni et al., 2019). It also encourages knowledge sharing, creativity, and socially responsible innovation (Giampaoli et al., 2019; Ibidunni et al., 2020). Prior research confirms that strong relational capital enhances innovation and performance (Onofrei et al., 2020; Xu et al., 2019).

For SMEs that follow Islamic principles, relational capital is key to making sure innovation reflects community needs, cultural values, and Sharia compliance. Close ties with stakeholders can guide SMEs to create halal products (daruriyyah), accessible solutions (hajiyyah), and socially beneficial refinements (tahsiniyyah) (Raimi et al., 2023). Nevertheless, previous literature predominantly focuses on the direct relationship between relational capital and organizational innovation, while limited studies investigate how Islamic innovation functions as a mediating mechanism linking relational capital and Maqasid Sharia performance. The integration of stakeholder-based innovation with Islamic objectives and halal SME performance therefore remains underexplored. Through this mechanism, relational capital enhances Maqasid Sharia performance by enabling Islamic innovation that combines competitiveness with social responsibility. Based on the explanation above, the hypothesis proposed in this study is as follow:

Hypothesis 4c: Islamic Innovation mediates the relationship between Relational capital and Maqasid Sharia performance.

Spiritual capital, which comes from values, faith, and a sense of purpose, provides an ethical base for innovation (Fry, 2005; Zohar & Marshall, 2004). It builds trust, collaboration, and intrinsic motivation, which in turn foster creativity and innovation (Neubert et al., 2017; Usmanova et al., 2023). Previous studies show that

spiritual capital provides guidance and insight for businesses to innovate in a responsible way (Juliana et al., 2023; Kolade et al., 2020).

In Islamic-oriented business, spiritual capital makes sure innovation is aligned with halal standards, fairness, and broader social good (Azmi & Hashim, 2022; Omar et al., 2024). Although spiritual capital has increasingly gained attention in organizational and sustainability research, studies integrating spiritual capital, Islamic innovation, and Maqasid Sharia performance remain highly limited. Existing literature mainly examines spiritual capital in relation to ethical leadership or organizational culture, with insufficient discussion regarding its role in developing Islamic innovation that supports Maqasid-oriented performance, especially within halal SMEs. This gap highlights the need for further investigation into spiritual capital as a unique dimension of intellectual capital within Islamic business settings. This means innovation not only builds competitiveness but also contributes to social justice and welfare. As Rima (2020) notes, spiritual capital acts as a moral compass for organizations to promote fairness and public benefit, which then improves Maqasid Sharia performance. Based on the explanation above, the hypothesis proposed in this study is as follow:

Hypothesis 4d: Islamic Innovation mediates the relationship between Spiritual capital and Maqasid Sharia performance.

2.10 Summary of the Chapter

This chapter reviews the main theories and concepts that support this study, starting with Resource-based Theory (RBT). RBT explains how Intellectual Capital (IC) can be used to improve SME performance in line with Islamic principles, especially Maqasid Sharia Performance. The chapter then discusses the origins of Maqasid Sharia as a basis for performance measurement, including its definition and key aspects, with a focus on its application in halal industry SMEs. Next, the chapter explains the concept of intellectual capital, its main components, and how it is measured in the context of SMEs. It also introduces the role of Islamic Innovation in mediating the relationship between IC and Maqasid Sharia performance. Finally, the chapter provides the foundation for developing the research hypotheses. A summary of the proposed hypotheses is presented in Table 2.14.

Table 2.15
Summary of Hypothesis Development

Hypothesis
H1: Intellectual capital has a positive effect on Maqasid Sharia performance
H1a: Human capital has a positive effect on Maqasid Sharia performance
H1b: Structural capital has a positive effect on Maqasid Sharia performance
H1c: Relational capital has a positive effect on Maqasid Sharia performance
H1d: Spiritual capital has a positive effect on Maqasid Sharia performance
H2: Intellectual capital has a positive effect on Islamic Innovation
H2a: Human capital has a positive effect on Islamic Innovation
H2b: Structural capital has a positive effect on Islamic Innovation
H2c: Relational capital has a positive effect on Islamic Innovation
H2d: Spiritual capital has a positive effect on Islamic Innovation
H3: Islamic Innovation has a positive effect on Maqasid Sharia performance
H4: Islamic Innovation mediates the relationship between intellectual capital and Maqasid Sharia performance
H4a: Islamic Innovation mediates the relationship between human capital and Maqasid Sharia performance
H4b: Islamic Innovation mediates the relationship between structural capital and Maqasid Sharia performance
H4c: Islamic Innovation mediates the relationship between relational capital and Maqasid Sharia performance.
H4d: Islamic Innovation mediates the relationship between spiritual capital and Maqasid Sharia performance

CHAPTER 3
RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the research methodology adopted to examine the relationships between intellectual capital, Islamic innovation, and Maqasid Sharia performance among halal industry SMEs in Banyumas Regency. The chapter started by outlining the research design, then moved to the sampling design, measurement of variables, and data collection techniques. The focus was on examining the relationship between components of intellectual capital and Maqasid Sharia Performance, with Islamic innovation as a mediating variable. Abu Zahrah's Maqasid Sharia theory was used to build the Maqasid Sharia performance construct. The chapter also described the study objectives and type, the unit of analysis, population, and location of data collection, along with the sampling method and procedures. The last part introduced the questionnaire design and explained the statistical analysis techniques.

3.2. Research Design

This section first described the aims of the research, research process, then the unit of analysis and population for which the study was undertaken.

3.2.1. Type and Objective of the Research

This study used primaru data collected through survey questionnaires. The focus is on SMEs in the halal industry in Banyumas Regency, Indonesia, with the organization as the unit of analysis. A correlation study is applied using a cross-sectional survey approach. The quantitative method is designed to test the proposed hypotheses and provide relevant findings as follows:

a) Hypothetical testing on the relationship between Intellectual Capital and Maqasid Sharia Performance.
b) Hypothetical testing on the relationship between Intellectual Capital and Islamic Innovation.

c) Hypothetical testing on the relationship between Islamic Innovation and Maqasid Sharia Performance.
d) Hypothetical testing on the mediating effects of Islamic Innovation in the relationship between the antecedent Intellectual Capital and Maqasid Sharia Performance.

3.2.2. The Research Design

A research design acts as a strategic plan that guides the process of data collection, measurement, and analysis, ensuring a systematic approach to addressing the research questions (Ghauri et al., 2020; Sekaran & Bougie, 2016). This study follows the steps shown in Figure 3.1, which presents the overall flow of the research process.

The research process in this study followed a structured design that included several key stages: reviewing relevant literature, designing the research framework, collecting data, analyzing results, and drawing conclusions. Each of these stages was carefully planned to ensure the validity and reliability of the findings.

Primary data were collected through a questionnaire survey, a method widely recognized as effective for obtaining structured information from respondents (Sekaran & Bougie (2016). Questionnaires were organized into a series of questions that respondents completed independently, either in paper format or through an online platform. This approach enabled systematic data gathering on knowledge, attitudes, and behaviors relevant to the research objectives.

To ensure quality in data collection, several best practices were applied. The questionnaire was pretested with a small group to identify unclear wording and potential measurement issues before full distribution. Sampling techniques were used to obtain a representative group of respondents, which helped reduce bias and improve the generalizability of the results (Dickson et al., 2019; McCarthy et al., 2018). In addition, strategies such as concise questionnaires, reminders, and clear instructions were implemented to minimize non-response bias (Kunz & Fuchs, 2019).

Despite careful preparation, surveys are often exposed to several challenges. Sampling errors may occur if the selected respondents do not accurately represent the target population. Non-response errors can also emerge when certain groups fail to participate, which may skew the results. Measurement errors are another concern, often

caused by poorly designed questions that fail to capture the intended construct. Furthermore, data entry mistakes or interviewer influence may introduce additional bias (Fahmi et al., 2021). Addressing these issues through careful survey design and execution is therefore essential for generating valid and reliable findings (Sekaran & Bougie, 2016).

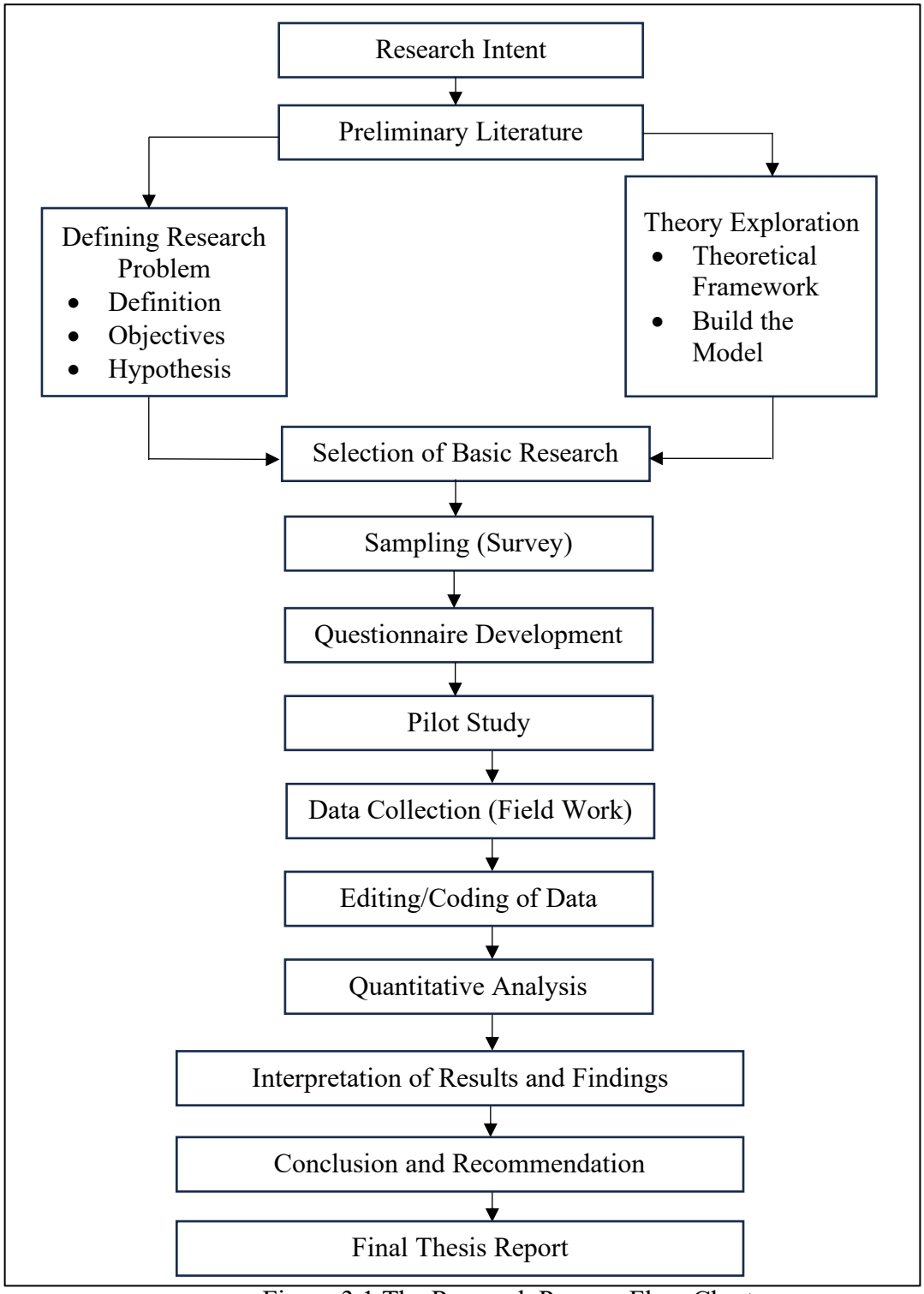


Figure 3.1 The Research Process Flow Chart

3.2.3. Unit of Analysis

Every research study requires a clear unit of analysis to ensure that the data collected are accurate and representative of the population under investigation (Damşa & Jornet, 2021). Choosing the wrong respondents can lead to biased results and conclusions that do not reflect the reality of the study population. In this research, the unit of analysis is set at the organizational level. The focus is on small and medium-sized enterprises (SMEs) operating in the halal industry in Banyumas Regency, Indonesia. Therefore, this study aligned with the previous research (Beltramino et al., 2022; Khan & Wan Yusoff, 2023; Kim & Tran, 2023; Teoh et al., 2023). By selecting the organization as the unit of analysis, the study captures firm-level practices, resources, and performance outcomes that are most relevant for understanding the relationship between intellectual capital, Islamic innovation, and Maqasid Sharia performance.

3.2.4. Population

This study uses a cross-sectional approach and collects quantitative data from SMEs operating within halal industry-related sectors in Banyumas Regency, Indonesia. Banyumas is one of the regions in Central Java highlighted in the Indonesian Halal Industry Master Plan (National Islamic Finance Committee, 2023). The program is implemented at the provincial level because Indonesia adopts a regional autonomy system aimed at promoting equitable regional development across provinces (Indonesian Law Number 23 Regarding Regional Autonomy, 2014). This context raises the importance of understanding how halal-oriented SMEs in Banyumas improve their performance and contribute to regional economic development.

According to the Banyumas Regency Office of Communication and Information (Dinas Komunikasi dan Informatika Kabupaten Banyumas, 2023), Banyumas has approximately 4,460 SMEs consisting of 4,367 small enterprises and 39 medium enterprises. The data were used as a general reference to describe the SME landscape in Banyumas Regency. However, no official database specifically classifies halal-oriented SMEs in the region. Therefore, the total number of SMEs reported by the local government was used as a general reference to estimate the potential SME population

within halal industry-related sectors, including halal food and beverages, halal tourism, Muslim fashion, halal cosmetics, and the creative economy.

Since an exact and comprehensive sampling frame for halal-oriented SMEs was not publicly available, respondents were selected using purposive sampling based on predefined inclusion criteria aligned with the objectives of the study. The selection process focused on SMEs operating within halal-related sectors and actively conducting business activities in Banyumas Regency.

3.3. Sampling Design

The sampling design used in this study is purposive sampling. Purposive sampling is a non-probability sampling technique where respondents are deliberately chosen based on specific characteristics or criteria defined by the researcher (Sekaran & Bougie, 2016). This approach is considered appropriate when the researcher intends to obtain information-rich cases from participants who possess relevant knowledge, experience, or characteristics related to the phenomenon under investigation. In the context of halal-oriented SMEs, purposive sampling is particularly relevant because no comprehensive and publicly accessible database specifically identifying halal SMEs in Banyumas Regency is currently available. As a result, probability sampling techniques could not be effectively implemented.

The use of purposive sampling in halal industry and SME-related studies has been widely supported in previous literature. Previous studies examining intellectual capital and halal SMEs have employed purposive sampling to ensure that respondents possess characteristics aligned with the research focus (Khalique et al., 2020; Ismail et al., 2023). Similarly, studies in halal tourism, halal supply chains, and halal consumer behavior have also utilized purposive sampling to identify respondents with specific industry involvement or halal-related experience (Shmailan & Alfalih, 2024; Suseno et al., 2023). These studies demonstrate that purposive sampling is effective in contexts where researchers require respondents with specialized knowledge or involvement in halal industry activities.

In this study, respondents were selected based on several inclusion criteria to ensure consistency with the research objectives. The selected SMEs were required to: (1) operate within halal industry-related sectors, including halal food and beverages, halal tourism, Muslim fashion, halal cosmetics, and the creative economy; (2) have a

minimum of five employees based on SME classification criteria under Indonesian Law No. 20 of 2008 concerning MSMEs; and (3) actively conduct business operations in Banyumas Regency and directly involved in managerial or operational decision-making within the business, such as business owners, managers, or individuals responsible for business operations and strategic activities. The identification of respondents was assisted through local SME networks, halal business communities, and business associations.

Furthermore, although the study applied purposive sampling to define the target respondents, the actual distribution of questionnaires was conducted based on respondent accessibility and willingness to participate. This approach was necessary due to the absence of a centralized sampling frame and the practical challenges of reaching halal-oriented SMEs across different sectors and districts in Banyumas Regency. Therefore, the sampling approach combined purposive criteria with practical accessibility considerations to ensure both relevance and feasibility in data collection.

The sample size for this study was determined using multiple approaches to ensure the adequacy, reliability, and robustness of the Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis. First, the study employed the rule of thumb commonly recommended in PLS-SEM literature. According to Hair et al. (2022), the minimum sample size should be based on the maximum number of structural paths directed at a particular endogenous construct in the structural model. In this study, the highest number of arrows directed toward an endogenous construct was five. Therefore, based on the "10-times rule," the minimum recommended sample size was 50 respondents. Moreover, statistical power analysis was conducted using GPower to further validate the adequacy of the sample size. Following the recommendation for multiple regression analysis, the calculation applied a medium effect size ($f^2 = 0.15$), a significance level of 0.05, and a statistical power of 0.95, with five predictors directed toward the endogenous construct. The GPower analysis indicated a minimum required sample size of approximately 74 respondents.

3.4. Variable Measurements

The research variables in this study are categorized into independent, mediating (intervening), and dependent variables. According to (Sekaran & Bougie, 2016), independent variables can have either a positive or negative influence on the dependent

variable. A mediating variable functions as a bridge between the independent and dependent variables, helping to conceptualize and better understand the relationship between them. The dependent variable, also known as the criterion variable, is the primary focus of the study. This research examines four independent variables, which represent the components of intellectual capital: human capital, relational capital, structural capital, and spiritual capital. The mediating variable in this study is Islamic innovation, while the dependent variable is Maqasid Sharia performance.

Operational definitions of research variables are used to clarify their scope, ensuring consistency in interpretation. These definitions are essential for guiding variable measurement and the development of research instruments. The following table provides a summary of the measurements used for the variables in this study.

he variables in this study are grouped into independent, mediating (intervening), and dependent variables. As explained by Sekaran & Bougie (2016), independent variables can influence the dependent variable either positively or negatively. A mediating variable serves as a link between the independent and dependent variables, helping to explain how the relationship works. The dependent variable, often called the criterion variable, is the focus of the study.

This research uses four independent variables that represent components of intellectual capital: human capital, relational capital, structural capital, and spiritual capital. The mediating variable is Islamic innovation, while the dependent variable is Maqasid Sharia performance. To avoid confusion and keep interpretations consistent, the study uses operational definitions for each variable. These definitions also guide how the variables are measured and how the research instruments are developed. A summary of the variable measurements is shown in the following table (see Table 3.1, Table 3.2, Table 3.3, Table 3.4, Table 3.5 and Table 3.5).

3.4.1. Measurement of Maqasid Sharia Performance

Maqasid Sharia Performance is defined as the evaluation of economic activities and the extent to which a business aligns its operations with Islamic objectives. In addition to achieving financial and non-financial performance, businesses are also expected to educate individuals, uphold fairness, and contribute to the welfare of society.

Various dimensions of Maqasid Sharia Performance have been discussed in previous literature. This study adopts Abu Zahrah's framework, consisting of tahdhib al-fard (educating individuals), iqamah al-'adl (establishing justice), and jalb al-maslahah (promoting public welfare) (Zahrah, 1997), due to its suitability for halal SME contexts. Moreover, the study integrates conventional business performance indicators, including financial and non-financial performance (Gold et al., 2001; Muda et al., 2020; Wang et al., 2014), to provide a more comprehensive performance measurement framework. Table 3.1 presents the dimensions, indicators, and measurement items used in this study.

Table 3.1
Measurement of Maqasid Sharia Performance

Dimension	Item	Measurement Item	Source
Financial Aspect	MS1	Our business allocates a budget for employee character development training.	Adapted from Zahrah (1997) and Muda et al. (2020)
	MS2	Our business allocates a budget to support employees' participation in spiritual retreats.	
	MS3	Our business has ensured a fair and balanced distribution of profits among employees.	
	MS4	Our business pays Zakat, Infaq, Sadaqat, and Waqf (ZISWAF) every year.	
	MS5	For the last three years, our business generates profit.	Bontis et al. (2000), Gold et al. (2001), Muda et al. (2020)
	MS6	For the last three years, our sales have shown continuous growth.	
Non-Financial Aspect	MS7	Our production has improved as we educate employee to enhance their sense of responsibility.	Adapted from Zahrah (1997) and Wang et al. (2014)
	MS8	Our production has grown as we train employees to focus on producing high-quality products.	
	MS9	Our production has risen due to the equitable distribution of tasks among employees.	
	MS10	The rising demand for our products has allowed us to create more job opportunities.	Adapted from Zahrah (1997) and Muda et al. (2020)
	MS11	Our business have gained more customers because our products offer better benefits.	Adapted from Zahrah (1997) and Khalique et al. (2020)
	MS12	Customers feel assured purchasing our products as we strictly adhere to halal procedures.	

Dimension	Item	Measurement Item	Source
	MS13	Customer trust has strengthened because we prioritize transparency in our operations.	
	MS14	Customer trust has also grown due to our active involvement in charitable activities.	

3.4.2. Measurement of Intellectual Capital

3.4.2.1. Measurement of Human Capital

In the context of SMEs, various dimensions of human capital have been discussed in previous literature. This study operationalizes human capital through employee competencies, attitudes, intellectual alertness, and soft skills based on previous studies (Bontis, 1998; Khalique et al., 2020; Khalique & Pablos, 2015; Muda et al., 2020). Table 3.2 provides the dimensions, indicators, and measurement items of human capital used in this study.

Table 3.2
Measurement of Human Capital

Dimension	Item	Measurement Item	Literature Review
Competencies	HC1	Our employees have valuable knowledge for our business.	Khalique & Pablos (2015)
	HC2	Our employees are experts in their job.	Khalique et al. (2020)
	HC3	Our employees have been trained to suit their job.	Khalique & Pablos (2015)
Attitude	HC4	Our employees are willing to learn from their peers.	Bontis (1998)
	HC5	Our employees have a passion to do their best work.	
	HC6	Our employees work well with their peers.	
Intellectual Alertness	HC7	Our employees are capable of completing business transactions efficiently.	
	HC8	Our employees are able to anticipate potential challenges in the business.	Muda et al. (2020)
	HC9	Our employees can identify opportunities for business growth and adapt accordingly.	
Soft Skill	HC10	Our employees possess good communication skills.	
	HC11	Our employees have an excellent leadership ability.	

Dimension	Item	Measurement Item	Literature Review
	HC12	Our employees can resolve business problem faced by the business.	

3.4.2.2. Measurement of Structural Capital

Prior studies have identified various dimensions of structural capital. This study operationalizes structural capital through business culture, processes and procedures, and information systems based on previous literature (Bontis, 1998; Khalique et al., 2020; Muda et al., 2020). Table 3.3 provides the dimensions, indicators, and measurement items of structural capital used in this study.

Table 3.3
Measurement of Structural Capital

Dimension	Item	Measurement	Source
Culture	SC1	Our business provides a comfortable work environment.	Muda et al. (2020)
	SC2	Our top management has emphasized strong ethical.	
	SC3	We follow values that match our mission and vision.	
Process and procedures	SC4	We have well-organized processes.	
	SC5	We implement effective strategies to manage our ideas and creations.	Bontis (1998)
	SC6	We have a good R&D practice.	Muda et al. (2020)
Information system	SC7	We have sufficient funding for the development of information systems.	
	SC8	Our databases provide essential support for accessing relevant information.	Bontis (1998)
	SC9	We maintain current policies, procedures, and databases.	Khalique et al. (2020)
	SC10	We have good infrastructure that enables employees to perform their tasks efficiently.	

3.4.2.3. Measurement of Relational Capital

In this study, relational capital is measured through the relationship with customer, supplier, social and community, government and financial entities based on previous literature (Bontis, 1998; Khalique et al., 2020; Muda et al., 2020; Sharabati et

al., 2010) Table 3.4 provides the dimensions, indicators, and measurement items of relational capital used in this study.

Table 3.4
Measurement of Relational Capital

Dimension	Item	Measurement Items	Source
Customer	RC1	We have good relationships with our customers.	Bontis (1998)
	RC2	Our customers consistently show loyalty to our business.	
	RC3	Our products/services are easily accessible to our customers.	Khalique et al. (2020)
	RC4	We have a clear understanding of market needs.	Bontis (1998)
Suppliers	RC5	Our suppliers receive timely payments from our business.	Sharabati et al. (2010)
	RC6	We have a good communication with our suppliers.	
	RC7	Our suppliers have a good understanding of our needs.	
Social and community	RC8	We foster positive relationships with the community through social initiatives.	Muda et al. (2020)
	RC9	We set a financial plan to support community events.	
	RC10	We consider feedback from the community to be constructive input.	
Government	RC11	Our business pays tax on time.	
	RC12	We follow regulation established by the government.	
	RC13	We actively participate in development projects organized by the government.	
Financial entities	RC14	We have a good relationship with bank.	
	RC15	We have good track record of debt repayment from bank.	
	RC16	We involve in activities organized by bank.	

3.4.2.4. Measurement of Spiritual Capital

In this study, spiritual capital is measured through knowledge of religious and ethical values based on previous literature (Khalique et al., 2020; Khalique & Pablos, 2015), as these dimensions are considered the most relevant to halal SME contexts.

Knowledge of religion reflects the understanding of Islamic principles, Sharia compliance, and halal business practices that guide SMEs in developing innovations aligned with Islamic values. Meanwhile, ethical values influence honesty, fairness, responsibility, and integrity in organizational behavior and decision-making. Together, these dimensions are expected to support Islamic innovation and strengthen Maqasid Sharia Performance by encouraging ethical business practices, socially responsible innovation, and organizational activities aligned with the objectives of Sharia. Table 3.5 provides the dimensions, indicators, and measurement items of spiritual capital used in this study.

Table 3.5
Measurement of Spiritual Capital

Dimension	Item	Measurement Item	Source
Knowledge of religious	SPC1	We emphasize work as a form of worship, enabling employees to give their best efforts.	Khalique et al. (2018)
	SPC2	We believe that integrating religious values into our business contributes to greater profitability.	
	SPC3	Our employees stay committed to their work, even if they don't receive the same rewards as others.	Khalique & Pablos (2015)
	SPC4	Our employees sincerely perform their jobs because of religious teachings.	
	SPC5	Due to religious teaching, employees fulfill their responsibilities with honesty.	
Ethical values	SPC6	We view our commitment as an ethical standard.	Khalique et al. (2020)
	SPC7	We respect our employee's religiosity.	
	SPC8	The value of our business culture is based on trust.	
	SPC9	Shared knowledge is the core of our organizational culture.	

3.4.3. Measurement of Islamic Innovation

Islamic innovation emphasizes compliance with Islamic values, ensuring that creativity and renewal remain within halal boundaries. Various dimensions of Islamic innovation have been discussed in prior literature. This study integrates conventional SME innovation frameworks (Huang et al., 2012; Jalil, 2006; Wang & Ahmed, 2004) with Islamic innovation principles (Azmi & Hashim, 2022) to develop a more contextually relevant construct for halal SMEs. Islamic innovation in this study is

operationalized through two dimensions, namely Islamic product innovation and Islamic process innovation. Table 3.6 presents the dimensions, indicators, and measurement items used to measure Islamic innovation in this study.

Table 3.6
Measurement of Islamic Innovation

Dimension	Item	Measurement Items	Source
Islamic Product Innovation	INV1	We strive to be the leading business with halal product or service.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed, (2004)
	INV2	We showed our commitment to ethical standard	
	INV3	Our product and services are innovative in accordance with Islamic principle that allow us to have healthy competition.	
	INV4	We face new competitors by introducing products and services that align with the Islamic value of striving for excellence.	
	INV5	We showed our commitment to ethical continuous improvement.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)
	INV6	We give positive contributions to society by developing innovative products.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
	INV7	Our business upholds trust, which shape our efforts to enhance our business image.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)
Islamic Process Innovation	INV8	We improve our business processes shows our ethical commitment to excellence.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
	INV9	Our quick adaptation in production methods shows our commitment to ethical flexibility.	
	INV10	Our innovative manufacturing processes demonstrate our ethical commitment to efficiency.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)
	INV11	Our manufacturing processes utilize our resource wisely.	

Dimension	Item	Measurement Items	Source
	INV12	Our process guarantees high quality product to serve our customers.	
	INV13	Our process improvement reflects our commitment to strive for perfection.	
	INV14	We continuously adopt new technology to improve our production process to demonstrates our ethical commitment to utilization.	Adapted from Azmi & Hashim (2022) and Wang & Ahmed (2004)
	INV15	We are committed towards ethical standard by taking proactive step for producing a better product.	Adapted from Azmi & Hashim (2022) and Huang et al. (2012)

3.5. Method of Survey

The survey utilized two approaches to collect data from Small and Medium-sized Enterprises (SMEs), combining offline and online methods to ensure comprehensive coverage and accessibility (Le et al., 2018; Putranto, 2019). Half of the respondents were engaged through direct, offline data collection, where the SMEs practitioners (who are directly involved in managing, supervising, and making strategic or operational decisions within their business) were visited and administered the questionnaire in person directly. This face-to-face interaction allowed for personalized engagement, minimized misunderstandings, and ensured higher completion rates by clarifying ambiguities in real-time. The other half of the data collection was conducted online, leveraging platforms such as WhatsApp community groups. WhatsApp served as a cost-effective and convenient medium for digitally active SMEs.

Sampling selection bias was minimized by establishing specific criteria, including: (1) having a minimum of 5 employees in accordance with SME classification as outlined in SME classification (Indonesian Law No. 200 Regarding MSME, 2008)(Indonesian Law No. 200 Regarding MSME, 2008), and (2) operating in one of the halal industry sectors, including halal food and beverage, halal pharmacy and cosmetics, halal tourism, Moslem fashion, and creative economy. Non-response bias was mitigated through reminders sent via WhatsApp, while response errors were reduced by providing clear instructions and designing concise, easy-to-understand questions. The questionnaire was formatted to be visually appealing and uncluttered, encouraging higher participation. Offline respondents were provided with printed

questionnaires, and those who preferred to complete the survey later received prepaid envelopes for returning their responses. For online respondents, digital versions of the questionnaire were shared via WhatsApp.

A detailed structured questionnaire was administered at the organization level. A self-addressed envelope was brought together with the questionnaire and cover letter. The cover letter was sent with the questionnaire addressed to the identified business practitioner who are directly involved in managing, supervising, and making strategic or operational decisions within their business (respondents) of the organizations to be studied. The letter contained the objective of the survey, the purpose of the study and its importance, how the results were to be used, the researcher's contact number and how to deliver the completed questionnaire. In improving the response rate and to reduce the non-response bias, the assurance of confidentiality was included in the letter.

3.6. Questionnaire Design

The research instrument used in this study was a self-reported and perception-based questionnaire designed to measure respondents' perceptions regarding the constructs examined in the study. To encourage participation, the introduction explained the study's objectives and assured respondents that their data would be kept confidential. The questionnaire was delivered in Bahasa Indonesia to align with the respondents' language proficiency, ensuring clarity and accuracy of responses. To achieve this, the questionnaire was first developed in English and then translated into the respondents' native language. In case of any differences in meaning or interpretation between the English and Indonesian versions of the questionnaire, the English version will be used as the primary reference. The final survey questionnaire consisted of five components, each tailored to address specific aspects of the study.

Section A: This section contained questions aimed at gathering demographic information about the business profile. It included details such as business type, length of business, number of full-time employees, annual sales, sector type, and halal certification.

Section B: This section contained questions aimed at gathering demographic information about the individual (respondent) profile, including gender, age, ethnicity, position, education level, and religion.

Section C: This section contained questions designed to assess the variable of Maqasid Sharia performance, consisting of 14 items assessed using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5).

Section D: Section D comprised questions related to the components of Intellectual Capital (Human Capital, Structural Capital, Relational Capital, and Spiritual Capital), with 47 items measured on a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Section E: Section E included questions designed to assess the variable of Islamic Innovation, containing 48 items modified from earlier research with 15 items. Respondents evaluated each item using a five-point Likert scale ranging from strongly disagree (1) to strong strongly agree (5).

3.6.1. Common Method Bias

Common Method Bias (CMB) refers to a systematic error that arises when both independent and dependent variables are measured using the same method, such as surveys, leading to distorted relationships between variables and potentially incorrect conclusions (Kock et al., 2021). This is common in Small and Medium-sized enterprise research, where self-reports from business practitioner, who are directly involved in managing, supervising, and making strategic or operational decisions within their business, are often used due to their deep knowledge of company strategies and situations.

Common Method Bias (CMB) can arise from respondent-related factors, which include biases linked to the individual completing the survey (Ghauri et al., 2020). One key issue is common rater effects, where the same respondent rates both independent and dependent variables, leading to systematic errors. Examples include social desirability bias (responding in a socially acceptable manner), acquiescence bias (agreeing with all items), and a consistency motif (answering in a consistent way regardless of content) (Podsakoff et al., 2003). Additionally, individual characteristics such as low cognitive ability, lack of topic experience, or excessive familiarity with surveys (non-naivety) can contribute to CMB. Personality traits also play a role, as extroverts may impulsively agree with items, while introverts tend to disagree, further skewing results (MacKenzie et al., 2011).

Measurement-related factors are another significant source of CMB. Poorly designed survey instruments can exacerbate bias, such as items with complex or ambiguous wording, or specific answer formats like ordinal scales that encourage stylistic responding (Dolnicar, 2020). Contextual issues, like the order of questions or grouping items measuring similar constructs, may create perceived causal links, prompting respondents to provide consistent but biased answers (Viswanathan & Kayande, 2012). Additionally, lengthy surveys can lead to respondent fatigue, reducing the quality of responses (Podsakoff et al., 2003). By recognizing and addressing these sources, researchers can mitigate CMB and improve the validity of their findings.

There are two primary methods to address CMB: procedural controls, applied before data collection (ex-ante), and statistical controls, implemented after data collection (ex post) (Kock et al., 2021; Podsakoff et al., 2003). Procedural controls refer to those remedies that are aimed at decreasing or eliminating common method bias by means of profound questionnaire design. Procedural controls are preventative measures integrated into survey design to minimize bias. These include providing clear instructions, ensuring respondent anonymity, avoiding complex or redundant questions, and diversifying sources for independent and dependent variables.

In this study, each variable was clearly separated with its respective description to ensure that respondents fully understood the purpose of each set of questions. This approach helps reduce the likelihood of CMB by minimizing confusion and ensuring that each question is directly linked to the intended construct. Moreover, the questionnaire items were written using simple and clear language to avoid ambiguity and misinterpretation. Several questions were also structured contextually based on SME business activities to help respondents better understand the meaning of the items being measured. During the questionnaire administration process, respondents were allowed to seek clarification whenever they encountered unclear questions, enabling the researcher to provide further explanation without influencing their responses. These procedures helped improve response accuracy and reduce the risk of systematic response bias.

Additionally, Kock et al. (2021) suggest that a pilot test helps reduce common method bias (CMB) by allowing researchers to identify and fix issues in the survey before the main study. It ensures that the questions are clear and easy to understand, avoiding confusion that could lead to biased answers. By testing the survey on a smaller group first, researchers can make sure the questions are focused on what they want to

measure and are not misleading. This improves the accuracy of the responses and reduces the risk of bias in the main study.

While statistical controls aim to detect and adjust for bias in collected data. Harman's single factor test is one of the most common ways to check for common method bias (CMB) in survey research. This type of bias can happen when all the data, such as independent and dependent variables, are collected from the same respondents using self-report questionnaires. In that case, people may unintentionally rate items in a similar way, which can make the relationships between variables look stronger than they really are (Podsakoff et al., 2003; Chang et al., 2010).

The test works by running an exploratory factor analysis (EFA) or confirmatory factor analysis (CFA) on all the measurement items in the study. If the analysis shows that just one factor explains most of the variance more than 50% of the total variance, then common method bias is likely to be present (Kock et al., 2021). In CFA, if a single-factor model fits the data almost as well as the proposed model, it suggests that bias may be driving the results (Podsakoff et al., 2003). Moreover, statistical tests were also employed to confirm construct validity, including reliability checks, and tests for convergent and discriminant validity. Despite their utility, procedural controls are often more effective, as evidenced by findings emphasizing the importance of ex ante designs in reducing bias (Kock et al., 2021). Combining both procedural and statistical approaches enhances methodological rigor and ensures the validity of research outcomes.

3.6.2. Instrument Translation Process

In this study, all questionnaires were exclusively provided in Bahasa Indonesia, as the target respondents were SMEs in Indonesia. Bahasa Indonesia was deemed sufficient to ensure clarity and accessibility for all respondents. Offering the questionnaire in the national language helped capture respondents' attention and ensured better understanding, particularly for native speakers, as supported by Sekaran & Bougie (2016).

To ensure the accuracy and appropriateness of the questionnaire, the original instrument was carefully translated into Bahasa Indonesia, maintaining its meaning and contextual nuances. After translation, the questionnaire was thoroughly reviewed to ensure that the items reflected the intended meaning of the original questions and were

easily understood by the target respondents. By using Bahasa Indonesia, this approach simplified the data collection process while ensuring respondents could fully comprehend and accurately respond to the questions without any language barriers.

3.6.3. Survey Questionnaire Validation

The validity of the survey instrument is observed in its content and face validity (the assessment of the correspondence of the variables to be included in a scale and its conceptual definition) and the reliability (the extent to which measures are free from error and thereby able to produce consistent results) pertaining to its items (Ghauri et al., 2020). A comprehensive literature review and interviews with practitioners and academicians, as part of the survey instrument development procedure, enhances the content and face validity of the survey instrument (Sekaran & Bougie, 2016). Measures of the focal constructs in this paper were developed from the existing literature. The questionnaire was originally prepared in English and translated in Bahasa Indonesia. Following the translation process, the translated questionnaire was further reviewed by academicians and SME practitioners to ensure clarity, consistency of meaning, and suitability with the study context.

Before conducting the pre-test and pilot test, the questionnaire was checked for face and content validity by two academicians who are active in the research of management, intellectual capital, and entrepreneurship and one SMEs practitioner who are familiar with the constructs and variables that were provided with the survey. They were chosen because of their knowledge and experience in similar areas. Ambiguities and sources of confusion in the questionnaire were highlighted and improved following the comments and suggestion of academicians. Table 3.6 further present the individuals involved in the face and content validation process.

Table 3.7
Expert for Face and Content Validity

Name of Experts	Position	Institution
Naelati Tubastuvi	Professor in Management	Universitas Muhammadiyah Purwokerto
Bima Cinitya Pratama	Assoc Prof in Business and Accounting	Universitas Muhammadiyah Purwokerto
Pujianto	Head of Banyumas MSMEs Association	ASPIKMAS

3.7. Research Ethics

Ethical approval for this study will be obtained from the Research Ethics Committee (REC) of Universiti Teknologi MARA (UiTM) before the actual survey is conducted. The study will adhere strictly to the ethical principles outlined by REC throughout the data collection process. UiTM requires that all research involving human participants be approved by REC to ensure that the study is conducted ethically. This includes compliance with principles such as informed consent, respect for participants' privacy, honesty, avoidance of conflicts of interest, and sensitivity to cultural differences. The questionnaire used in this research has been approved by the UiTM Research Ethics Committee (REF: REC/07/2024 (PG/MR/313)).

3.8. Pilot Test

To verify the validity and reliability of the instrument after the translation process and before conducting the actual study, a pilot study was conducted to check its clarity, validity and reliability (Ghauri et al., 2020). This procedure is necessary before performing the real data collection to ensure that the respondents understood the instructions and the questions asked. The instrument was piloted by administering it to forty (40) entrepreneurs in Banyumas. All the samples chosen for the pilot test were from the same population in the actual survey (Malhotra et al., 2017; Sekaran & Bougie, 2016). To be valid, a questionnaire must be understandable and easily completed by the population concerned. As no missing data was found, the questionnaire was deemed to be highly acceptable.

3.8.1. Reliability of the Pilot Test

The reliability of an instrument refers to its ability to produce consistent and stable measurements. Reliability test will be undertaken to see whether a collection of items consistently represented the construct being measured (Hair et al., 2022; Hair et al., 2019). The most common reliability coefficient is the Cronbach's alpha, which assess the internal consistency of the scales used. The reliability is expressed as a coefficient between 0 and 1.00. The higher the coefficient the more reliable the test. The result of the pilot study showed that the Cronbach's alpha reliability coefficient for the intellectual capital was in the range of 0.908 to 0.939, Islamic innovation 0.968, and the alpha for the dependent variable, Maqasid Sharia performance, is 0.844 indicating that this instrument is a reliable measure. A measure should have a Cronbach's alpha of at least 0.6 or 0.7 and preferably closer to 0.9 to be considered useful (Sekaran & Bougie, 2016). Table 3.8 lists detailed scores of the Cronbach's coefficient alpha.

Table 3.8
Reliability Test of The Pilot Study

Variables		Reliability Cronbach's Alpha
Intellectual Capital	Human Capital	0.939
	Structural Capital	0.908
	Relational Capital	0.943
	Spiritual Capital	0.924
Islamic Innovation		0.968
Maqasid Sharia Performance		0.844

3.9. Data Analysis Plan

This section outlines the analytical procedures used to examine the data collected in this study. The analysis involved both descriptive and multivariate techniques. Descriptive analysis was conducted using Statistical Package for the Social Sciences (SPSS) to summarize respondents' demographic characteristics and to perform preliminary diagnostic tests. Structural Equation Modelling (SEM) and Partial Least Squares Structural Equation Modelling (PLS-SEM) were then employed to assess the measurement and structural relationships among the study's latent constructs. This multilevel analytical approach ensures rigorous hypothesis testing and supports the theoretical complexity of the research model.

3.9.1. Data Analysis Technique

The data analysis comprised two main stages: descriptive analysis and multivariate analysis. Descriptive statistics were used to summarize respondents' demographic profiles and evaluate preliminary data conditions such as data distribution, outliers, and missing values. Hair et al. (2022) noted that PLS-SEM is a non-parametric approach that does not require normally distributed data, unlike covariance-based SEM. The assessment was conducted at the overall dataset level rather than as a strict construct-level requirement, consistent with the characteristics of PLS-SEM analysis.

Multivariate analysis was conducted to examine the relationships among multiple constructs simultaneously. This included the use of Structural Equation Modelling (SEM) and, more specifically, PLS-SEM, which is appropriate for analyzing complex models involving latent constructs and mediation effects. These techniques collectively provided a comprehensive understanding of the patterns and relationships embedded in the quantitative data (Hair et al., 2022).

PLS-SEM using SmartPLS was selected because the method is suitable for prediction-oriented research, complex research models, and latent variable analysis involving multiple indicators and mediation relationships (Hair et al., 2022). In addition, PLS-SEM does not require strict normal data distribution assumptions and is considered appropriate for exploratory and theory development studies. However, the method also has limitations, particularly its emphasis on variance explanation rather than overall model fit. Therefore, several parameter controls and assessment criteria were applied, including convergent validity, discriminant validity, collinearity assessment, coefficient of determination (R^2), effect size (f^2), and bootstrapping procedures to ensure the robustness and reliability of the model estimation. These techniques collectively provided a comprehensive understanding of the patterns and relationships embedded in the quantitative data (Hair et al., 2022).

Table 3.9
Data Analysis Technique

Research Stage	Technique	Analysis Tool
Survey (Quantitative)	• Non-response bias test	SPSS
	• Normality test	SPSS
	• Demographic profile	SPSS
	• Descriptive statistics	SPSS
	• Common method bias	SPSS
	• Structural equation modelling	SmartPLS
	o Assessment of Measurement Model	SmartPLS
	▪ Convergent validity (outer loading, AVE, composite reliability, and collinearity statistics).	SmartPLS
	▪ Discriminant validity (HTMT)	SmartPLS
	o Assessment of structural model	
	▪ Coefficient of determination	SmartPLS
	▪ Effect size	SmartPLS
	▪ Blindfolding	SmartPLS
	• Hypothesis testing	SmartPLS

The analysis was conducted using primary data collected from halal-oriented SMEs in Banyumas Regency through a structured questionnaire survey. The data consisted of respondents' perceptions measured using a five-point Likert scale and included information related to intellectual capital, Islamic innovation, and Maqasid Sharia Performance constructs.

3.9.2. Statistical Package for the Social Sciences (SPSS)

SPSS is an IBM-developed statistical software that is widely used by academics and researchers globally. This statistics software is very easy to use and allows you to run a range of statistical tests. This statistical software use both parametric and non-parametric statistical approaches to conduct comparison and correlational statistical tests for univariate, bivariate, and multivariate analyses. In analyzing the determinants

of entrepreneurial personality traits of necessity entrepreneurs and other variables understudy, the form of parametric statistics to predicate on assumptions about the population distribution from the sample would be performed. Additionally, it enabled the researcher to validate the tests' assumptions, such as normality and outliers. In SPSS, the researcher will run the descriptive analysis to identify respondents' profile.

3.9.3. Structural Equation Modeling

Structural Equation Modelling (SEM) is a comprehensive multivariate technique used to examine complex relationships between observed and latent variables. SEM integrates confirmatory factor analysis (CFA) with structural path modelling, allowing researchers to test both measurement validity and theoretical relationships simultaneously (Kline, 2016; Sekaran & Bougie, 2016). It is widely used for studies that involve latent constructs measured by multiple indicators (Hair et al., 2019).

SEM was selected for this study because it provides several methodological advantages (Hair et al., 2022). First, SEM relies on the full covariance matrix when estimating model parameters, enabling robust evaluation of the relationships between constructs. Second, SEM offers explicit estimates of measurement error which traditional approaches like SPSS-based regression cannot provide. Third, SEM uses confirmatory factor analysis, which is more rigorous than exploratory factor techniques in validating construct reliability and validity. Fourth, SEM can evaluate both direct and indirect (mediating) effects simultaneously, providing a more comprehensive assessment of causal pathways. Fifth, SEM can model several dependent and independent variables at once, while incorporating both observed and unobserved variables into a unified model

3.9.4. Partial Least Squares - Structural Equation Modelling

Partial Least Squares Structural Equation Modelling (PLS-SEM) is a proper statistical technique for testing theories and conceptual models (Hair et al., 2022). It enables researchers to test all variables at the same time. The study's sample is adaptable because no normality assumptions are required. It is also effective with small sample sizes. SEM enabled the researcher to determine the significance of the relationship

between the constructs in the research framework based on the data collected. SEM analysis is the primary statistical approach for examining correlations between constructs when evaluating causal and effect linkages between several independent and dependent variables. SEM statistically allows for examining causal links between constructs using many measurement items (Hair et al., 2022; Hair et al., 2019).

PLS-SEM is used to assess data to validate the study's measurements and structural models and investigate the relationships between the constructs in the proposed research model. The proposed model is a theoretical development derived from several theories. Thus, the proposed model's prediction between constructs requires PLS-SEM (Hair et al., 2022; Hair et al., 2019). PLS-SEM is frequently used in exploratory research because it manages complex research models more effectively and efficiently. Additionally, PLS-SEM provides flexibility in data analysis by processing various nominal, ordinal, interval, and ratio data (Hair et al., 2022). Additionally, current research trends favor using PLS-SEM as a software tool for analyzing quantitative data (Henseler et al., 2015). Other advantages of PLS-SEM included the absence of a normality assumption, a small sample size, the use of formative measures, and the study's emphasis on prediction and theoretical development (Hair et al., 2019). Even though PLS-SEM operates with a small sample size, larger sample size is preferable to accurately represent the population and yield more accurate model estimation results. Another significant advantage of PLS-SEM is its ability to normalize data for subsequent analysis (Hair et al., 2022).

In this study, PLS would be useful to test the mediating effect of Islamic innovation. In the SEM technique, the mediating effect will be tested in two stages (direct and indirect effects) simultaneously and efficiently compared to SPSS in a series of regression tests (Hair et al., 2019). Even more significantly, the assessment of mediation effect using multiple regression analysis argued as the absence of measurement error in the mediation effect is required (Baron & Kenny, 1986). Appropriately, SEM will be used in this investigation to mitigate such issues because it provides precise estimates of the measurement error.

PLS-SEM assists in completing Structural Equation Modelling (SEM), which is employed to investigate the inter-relationships between constructs of a hypothesized model using partial least squares. It is possible to determine each variable's direct and indirect effects on the other variables. This model comprises two sub-models: a measurement and a structural model (Hair et al., 2019). PLS-SEM was employed to

evaluate the accuracy and validity of the extents that are used in this analysis, as well as to evaluate the theory developed.

3.9.4.1. Assessment of Measurement Model

The study used construct validity to analyze a reflective assessment. The construct validity confirms the amount to which a collection of measured variables represents the latent theoretical concept of the variables being measured (Hair et al., 2019) Construct validity also seeks to analyze the extent to which the outcomes of the study's instrument are consistent with the theories for which the test was intended (Sekaran & Bougie, 2016). It consists of two elements: convergent validity and discriminant validity.

The study used construct validity to analyze a reflective assessment. The construct validity confirms the amount to which a collection of measured variables represents the latent theoretical concept of the variables being measured (Hair et al., 2019) Construct validity also seeks to analyze the extent to which the outcomes of the study's instrument are consistent with the theories for which the test was intended (Sekaran & Bougie, 2016). It consists of two elements: convergent and discriminant validity.

i. Convergent Validity

Convergent validity refers to the extent to which a set of indicators consistently measures the same underlying construct (Hair et al., 2022). In PLS-SEM, convergent validity is examined through indicator reliability, collinearity statistics, internal consistency reliability, and Average Variance Extracted (AVE). these methods confirm that a construct is measured accurately, consistently, and meaningfully within the model.

Indicator reliability evaluates how strongly each indicator is associated with its latent construct. Outer loadings above 0.70 indicate that the indicator explains a substantial portion of the construct variance and is considered reliable (Hair et al., 2022; Hair et al., 2019). Indicators with loadings between 0.40 and 0.70 may be retained if they contribute meaningfully and their removal does not improve the model. Moreover, indicators were evaluated based on their statistical contribution and theoretical

relevance before any removal decision was made. Loadings below 0.40, however, should be removed as they fail to adequately represent the construct (Hair et al., 2022; Hair et al., 2019). Establishing adequate indicator reliability ensures that each item contributes appropriately to measuring the latent variable.

Internal consistency reliability examines whether multiple indicators within the same construct produces consistent results. It is commonly assessed using Cronbach's Alpha and Composite Reliability (CR). Cronbach's Alpha values of 0.70 or above indicate acceptable reliability. Composite Reliability (CR), which is preferred in PLS-SEM due to its accuracy, should fall between 0.70 and 0.95 to indicate satisfactory internal consistency without redundancy (Hair et al., 2019). These reliability measures ensure that the indicators work cohesively in representing their respective constructs.

The Variance Inflation Factor (VIF) is an important diagnostic statistic in Partial Least Squares Structural Equation Modelling (PLS-SEM) used to assess the presence of multicollinearity among predictor variables. VIF represents the inverse of tolerance and indicates the extent to which the variance of a regression coefficient is inflated because of correlations with other predictors. A VIF value of 1 reflects the absence of multicollinearity, while higher values signal potential issues. Although some methodological texts allow values up to 10, PLS-SEM literature generally recommends keeping VIF below 5 to ensure stable and meaningful estimates (Hair et al., 2022; Hair et al., 2014). High VIF values suggest that a predictor shares substantial variance with other variables in the model, which can inflate standard errors and reduce the precision of path coefficient estimates. Therefore, assessing VIF is essential to ensure that multicollinearity does not compromise the reliability and interpretability of the PLS-SEM results.

AVE represents the average amount of variance that a construct explains in its indicators. An AVE value of 0.50 or higher suggests that the construct explains more than half of the variance of its indicators, thereby supporting convergent validity. In cases where the AVE falls slightly below 0.50 but CR is above the acceptable threshold, convergent validity may still be deemed adequate (Hair et al., 2014; Henseler et al., 2015).

ii. Discriminant Validity

Discriminant validity evaluates whether constructs are truly distinct from one another, thereby ensuring that each construct captures unique aspects of the theoretical framework. This assessment prevents overlapping measurement and confirms that indicators relate more strongly to their associated construct than to others. Traditionally, discriminant validity is examined through the Fornell–Larcker criterion, which requires that the square root of a construct's AVE be greater than its correlations with other constructs (Fornell & Larcker, 1981). More recently, the Heterotrait-Monotrait ratio (HTMT) has been recommended as a more rigorous assessment. HTMT values should remain below 0.90 to demonstrate sufficient discriminant validity, as values above this threshold suggest that constructs may not be adequately differentiated (Henseler et al., 2015). By applying both the Fornell–Larcker and HTMT approaches, the constructs in the measurement model are not only reliable but also conceptually distinct.

3.9.4.2. Assessment of Structural Model

Previously, Hair et al. (2014) suggested that the bootstrapping method of resampling techniques had to be carried out before an experiment is conducted to check the result of the hypothesis throughout the research and determine its significance level. The evaluation of the structural model or hypotheses testing is shown in the following section. Because most structures in the study model appear to be contemplative structures, the effect of the exogenous latent variable on the latent variable, as indicated in the predicted framework, would have to be evaluated using five criteria. Thus, research conducted by Hair et al. (2014) explained that the criteria consist of path coefficient, R^2 of endogenous latent variables, the effect size (f^2), and blindfolding (Q^2) Moreover, because the entrepreneurial potential was addressed as a significantly greater structure, thus a latent variable analysis was used to perform the structural model assessment.

i. Coefficient of Determination (R^2)

The coefficient of determination, or R^2, shows how much of the variation in the dependent variable can be explained by the independent variable(s) in a model (Ghauri et al., 2020). In other words, it tells us how well the model fits the data (Hair et al.,

2019). The value of R^2 ranges from 0 to 1. A higher value means the model explains more of the variation, while a lower value means it explains less. Table 3.9 shows the rule of thumb for coefficient of determination values from various studies.

Table 3.10
Coefficient of Determination (R^2) Values

Authors	Values	Level of predictive accuracy
Cohen (1988)	0.26	Substantial
	0.13	Moderate
	0.02	Weak
Chin (1998)	0.67	Substantial
	0.33	Moderate
	0.19	Weak
Hair et al. (2017)	0.75	Substantial
	0.50	Moderate
	0.25	Weak

Source: compiled by researcher

ii. Effect Size (f^2)

The effect size (f^2) is used to evaluate the relative impact of predictor factors on the endogenous construct (Cohen, 1988). It assesses how much one exogenous component contributes to explaining a certain endogenous construct in terms of R^2. The f^2 values of 0.35, 0.15, and 0.02 correspond to big, medium, and small impact sizes, respectively. If an exogenous construct significantly contributes to explaining endogenous, the difference between R^2 included and R^2 excluded will be large, resulting in a high f^2.

iii. Blindfolding (Q^2)

Blindfolding (Q^2) is a cross-validation technique in Partial Least Squares Structural Equation Modeling (PLS-SEM) used to assess a model's predictive relevance. It works by systematically omitting data points, predicting their values using the estimated model, and comparing the predicted values to the actual ones. A Q^2 value greater than zero indicates that the model has predictive relevance, whereas a negative value suggests poor predictive ability (Hair et al., 2019). Blindfolding in PLS-SEM is

akin to cross-validation techniques like the PRESS statistic in multiple regression, helping to determine whether a model can reliably predict its endogenous constructs.

3.9.4.3.Bootstrapping and Hypothesis Testing

Bootstrapping procedures were conducted using SmartPLS software to assess the significance of the path coefficients, outer loadings, and indirect effects in the structural model. Bootstrapping is a non-parametric resampling technique commonly applied in PLS-SEM because the method does not require strict normal data distribution assumptions (Hair et al., 2022). The procedure repeatedly resamples the original dataset to generate standard errors, t-values, and confidence intervals, thereby enabling the statistical significance and robustness of the estimated relationships to be evaluated.

Hypothesis testing in this study was conducted using the t-statistic and p-value obtained from the bootstrapping procedure. The hypotheses were evaluated at a significance level of 5% ($\alpha = 0.05$). A hypothesis was considered supported when the t-statistic exceeded 1.96 and the p-value was below 0.05 (Hair et al., 2019). These criteria indicate that the relationship between constructs is statistically significant and supports the proposed hypothesis.

3.10. Summary of the Chapter

Chapter three explains the research methodology used to examine the relationships among Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance. It described the overall research design, the population of halal SMEs in Banyumas Regency, and the sampling procedures used to obtain the study data. The development of the research instrument was explained, including the construction of the questionnaire and the pilot test conducted to ensure clarity, reliability, and content validity. The chapter also detailed the data collection process, which relied on survey distribution to obtain responses suitable for quantitative analysis.

The data analysis plan was then presented, beginning with descriptive analysis using SPSS to examine respondent characteristics and to conduct preliminary data screening such as normality checks and non-response bias tests. Structural Equation Modelling (SEM) was introduced as the primary analytical technique because of its ability to test multiple relationships involving latent variables. PLS-SEM was chosen

for this study due to its suitability for complex models, non-normal data, and moderate sample size, as well as its emphasis on prediction and theory development.

The chapter further described the two components of PLS-SEM analysis. The measurement model assessment evaluated indicator reliability, internal consistency reliability, convergent validity, discriminant validity, and collinearity. The structural model assessment examined path coefficients, effect sizes, predictive relevance, and the significance of both direct and indirect relationships, including the mediating role of Islamic Innovation. Summary tables were also provided to present the descriptive and multivariate analysis procedures, including the assessment criteria, thresholds, analytical techniques, and software used in the study. Overall, the methodological approach established in this chapter provides a rigorous foundation for the empirical analyses presented in the next chapter.

Tabel 3.11
Summary of Data Analysis Assessment Criteria

Analysis Stage	**Assessment**	**Criteria / Threshold**	**Software**	**Reference**
Preliminary Data Analysis	Missing values	No substantial missing data	SPSS	Hair et al. (2022)
Preliminary Data Analysis	Normality assessment	Data distribution assessment	SPSS	Hair et al. (2022)
Preliminary Data Analysis	Non-response bias	Online vs offline response comparison	SPSS	Armstrong & Overton (1977)
Measurement Model	Indicator reliability	Outer loading > 0.70	SmartPLS	Hair et al. (2022)
Measurement Model	Internal consistency reliability	Cronbach's Alpha > 0.70	SmartPLS	Hair et al. (2019)
Measurement Model	Composite reliability	0.70 – 0.95	SmartPLS	Hair et al. (2022)
Measurement Model	Convergent validity	AVE > 0.50	SmartPLS	Hair et al. (2019)
Measurement Model	Collinearity assessment	VIF < 10	SmartPLS	Hair et al. (2022)
Measurement Model	Discriminant validity	HTMT < 0.90	SmartPLS	Henseler et al. (2015)

Analysis Stage	Assessment	Criteria / Threshold	Software	Reference
Structural Model	Coefficient of determination	R^2 assessment	SmartPLS	Hair et al. (2022)
Structural Model	Effect size	f^2 = 0.02, 0.15, 0.35	SmartPLS	Cohen (1988)
Structural Model	Predictive relevance	$Q^2 > 0$	SmartPLS	Hair et al. (2022)
Structural Model	Hypothesis testing	t-value > 1.96, $p < 0.05$	SmartPLS	Hair et al. (2019)
Structural Model	Bootstrapping	5,000 resamples	SmartPLS	Hair et al. (2022)

CHAPTER 4
RESULTS AND FINDINGS

4.1 Introduction of The Chapter

This chapter presents the analysis of the survey data using the techniques outlined in Chapter Three. As previously described in the research design, a structured questionnaire was developed to measure the key constructs of this study, namely intellectual capital (IC), Islamic innovation (INV), and Maqasid Sharia performance (MS). After establishing the questionnaire's content and face validity, the instrument was administered to respondents, and the collected data were subjected to a series of statistical procedures.

The chapter begins by assessing the measurement model, which determines whether the constructs are measured accurately and consistently. Following this, the chapter presents the structural model analysis, which examines the predictive capabilities of the model and tests the hypothesized relationships among the constructs. By integrating measurement and structural assessments, this chapter provides empirical evidence on how components of intellectual capital contribute to Islamic innovation and ultimately shape Maqasid Sharia performance among halal SMEs in Banyumas Regency. The findings reported here form the basis for the broader discussion and implications presented in the following chapter.

4.2 Data Collection

4.2.1 The Response Rate

The questionnaire was initially distributed in person by directly meeting SMEs practitioner who represented their respective organizations and were actively involved in managing, supervising, and making strategic or operational decisions within the business, resulting in 100 completed responses. To enhance the response rate, an online version of the questionnaire was distributed using Google Forms, generating an additional 107 responses. This resulted in a total of 207 usable responses, representing an overall response rate of 58,47%, out of 354 questionnaires distributed.

The final sample size exceeded the minimum sample requirement suggested by both the PLS-SEM rule of thumb and G*Power analysis. This approach aligns with common practices for increasing participation in surveys involving SMEs, where direct access to SMEs practitioners is often challenging. In surveys, a 30% response rate is considered acceptable, and in many cases even exceptional (Sekaran & Bougie, 2016). The results of the survey are presented in the following sections. All data analysis, except for structural equation modeling (SEM), was conducted using SPSS version 16, while SEM was performed using SmartPLS version 3 to evaluate the proposed research framework.

4.2.2 Demographic Profiles

The demographic profile is used to describe the sample characteristics in the report prepared after data analysis. In this study, the demographic questions were placed at the beginning of the questionnaire to help respondents psychologically connect with the questionnaire, fostering a sense of commitment to complete it. Table 4.1 presents the profile of the respondents' organizations. The results indicate that the majority of respondents represent small enterprises and are actively involved in halal-related business sectors relevant to the study context. Most respondents also operate as owner-managed businesses, supporting the suitability of the respondents in representing organizational perspectives. The business categories presented in this study were operationalized in greater detail to reflect the halal industry value chain introduced earlier in Table 2.1.

Table 4.1
Demographic Profile (Business Characteristic)

Respondent's Business Profile	Frequency	%
Business ownership status		
• Sole proprietorship	150	72%
• Partnership	17	8%
• Family-owned	24	12%
• Others	16	8%
Length of business		
• Less than 2 years	11	5%
• 2-4 years	60	29%
• 5-7 years	57	28%

Respondent's Business Profile	Frequency	%
• 8-10 years	21	10%
• More than 10 years	58	28%
Number of full-time employees		
• Small (between 5-19 employees)	196	95%
• Medium (between 20-99 employees)	11	5%
Annual sales		
• Small (between >Rp 300 million – 2,5 billion)	168	81%
• Small (between >Rp 500 million – 1 billion)	15	7%
• Small (between >Rp 1 billion – 2,5 billion)	14	7%
• Medium (between >Rp 2,5 billion – 50 billion)	5	2%
• Others	5	2%
Halal certification		
• Yes	54	26%
• No	147	71%
• On process	6	3%
Type of Business		
• Café	18	8.7%
• Restaurant	23	11.1%
• Other food and beverages	86	41.5%
• Hotel	1	0.5%
• Spa, sauna, massage	4	1.9%
• Travel agent	5	2.4%
• Tourism destination	1	0.5%
• Agriculture	2	1%
• Fisheries	1	0.5%
• Livestock	3	1.4%
• Pharmacy and cosmetics	14	6.8%
• Media and advertising	15	7.2%
• Textile and clothing	24	11.6%
• Craft	5	2.4%
• Financial entity and banks	5	2.4%

Table 4.2 presents the demographic profile of respondents based on individual characteristics, including gender, age, current position, education level, and religion. Most respondents hold managerial or ownership positions within their organizations, indicating that they possess adequate knowledge regarding business operations and decision-making processes relevant to the study. Religion was included solely as part

of the respondent profile description and was not used as an analytical variable in the study.

Table 4.2
Demographic Profile (Individual Characteristic)

Respondent's Business Profile	Frequency	%
Gender		
• Male	104	50.2%
• Female	103	49.8%
Age		
• 20 – 29 years	64	30.9%
• 30 – 39 years	59	28.5%
• 40 – 49 years	58	28%
• 50 – 59 years	19	9.2%
• More than 60 years	7	3.4%
Current position		
• Owner-manager	107	51.7%
• Co-owner	18	8.7%
• Middle manager	59	28.5%
• Top manager	23	11.5%
Education level		
• Senior high school	81	39.1%
• Diploma	9	4.3%
• Bachelor	104	50.2%
• Master	4	1.9%
• Others	9	4.3%
Religion		
• Islam	201	97.1%
• Christianity	5	2.4%
• Confucianism	1	0.5%

4.2.3 Non-Response Bias

In this study, non-response bias was assessed using an independent sample t-test by comparing responses collected through offline and online survey methods (Chen & Paulraj, 2004; Ghauri et al., 2020). The direct offline was 100 respondents and the online method was made up of 107 respondents. The test was conducted at a significance level of 0.05 to examine whether there were significant differences between

the two groups across the study variables. The sample and population mean were compared for any significant difference.

The detailed non-response bias (t-test) results are presented in Appendix 4 (statistic result). The results indicated that all p-values exceeded 0.05, suggesting no statistically significant differences between the offline and online responses. Therefore, it can be concluded that non-response bias was not a significant concern in this study (Ramayah et al., 2009). The use of independent sample t-test for non-response bias assessment is consistent with prior survey-based studies in management research.

4.2.4 Normality Test

Preliminary data screening was also conducted to identify potential abnormal responses before proceeding with the PLS-SEM analysis. Normality test evaluates whether the dataset follows a normal distribution, which is an essential assumption in many statistical analyses. Two key descriptors, skewness and kurtosis, are used to examine the shape of the data distribution. Skewness measures the symmetry of the distribution, while kurtosis evaluates its peakedness or flatness relative to a normal distribution.

In this study, the normality of the data was tested by analyzing the skewness and kurtosis values of the measurement items. The detailed normality test results are presented in Appendix 4. The results showed that the skewness values range from -0.702 to +0.529, which are within the recommended range of -1 to +1, as suggested by (Hair et al., 2019). These results indicate that the data distribution is symmetric and free from significant skewness. Similarly, the kurtosis values range from -1.427 to +0.419, well within the acceptable range of -2.0 to +2.0, as recommended by (Coakes, 2005). This confirms that the data does not exhibit excessive peakedness or flatness, ensuring that the distribution aligns closely with a normal curve. The results of the normality test indicate that the dataset meets the assumptions of symmetry and appropriate shape for normality. These findings support the validity of subsequent statistical analyses that assume normally distributed data, reinforcing the robustness of the research conclusions.

4.3 Descriptive Statistics

Descriptive statistics provide the descriptive information about a set of data (Sekaran & Bougie, 2016). Descriptive statistics is utilized to provide an overview and explanation of the variables involved in this study. The variables used in this study are Maqasid Sharia Performance; components of intellectual capital, which include Human Capital, Structural Capital, Relational Capital, Spiritual Capital; and Islamic Innovation.

The descriptive analysis summarizes the mean values of these variables, offering insights into the general tendencies within the data set. Maqasid Sharia Performance measures the effectiveness of achieving the objectives of Sharia. Human Capital reflects the skills, knowledge, and abilities of individuals within an organization, while Structural Capital captures the supportive infrastructure and processes that enhance intellectual assets. Relational Capital encompasses the relationships between the organization and external stakeholders. Spiritual Capital highlights values and beliefs contributing to organizational sustainability. Finally, Islamic Innovation demonstrates the adoption of innovative practices aligned with Islamic principles. The average values of these variables are as follows.

4.3.1 Descriptive Statistics of Maqasid Sharia Performance

Table 4.3 shows that the Maqasid Sharia Performance construct recorded an overall mean value of 4.157 with a standard deviation of 0.724, indicating a relatively high level of agreement among respondents, although moderate variability in responses was also observed. The findings suggest that SMEs generally emphasize the implementation of Maqasid Sharia principles, including educating individuals, ensuring fairness, and promoting public welfare within their business activities. Higher mean values were mainly associated with customer trust, product benefits, and halal compliance, while relatively lower mean values were observed in indicators related to long-term sales growth. This pattern may reflect differences in SMEs' operational capabilities and market conditions rather than indicating weaknesses in Maqasid Sharia implementation. Overall, the findings support the relevance of Maqasid Sharia principles in shaping SME business practices and performance.

Table 4.3
Descriptive Statistics of Maqasid Sharia Performance

No.	Item	Statement	Mean	Std. Deviation
1.	MS1	Our business allocates a budget for employee character development training.	4.082	0.823
2.	MS2	Our business allocates a budget to support employees' participation in spiritual retreats.	4.125	0.685
3.	MS3	Our business has ensured a fair and balanced distribution of profits among employees.	4.083	0.829
4.	MS4	Our business pays Zakat, Infaq, Sadaqat, and Waqf (ZISWAF) every year.	4.188	0.749
5.	MS5	For the last three years, our business generates profit.	4.145	0.702
6.	MS6	For the last three years, our sales have shown continuous growth.	3.918	0.742
7.	MS7	Our production has improved as we educate employee to enhance their sense of responsibility.	4.169	0.728
8.	MS8	Our production has grown as we train employees to focus on producing high-quality products.	4.154	0.734
9.	MS9	Our production has risen due to the equitable distribution of tasks among employees.	4.077	0.759
10.	MS10	The rising demand for our products has allowed us to create more job opportunities.	4.009	0.818
11.	MS11	Our business have gained more customers because our products offer better benefits.	4.434	0.543
12.	MS12	Customers feel assured purchasing our products as we strictly adhere to halal procedures.	4.227	0.783
13.	MS13	Customer trust has strengthened because we prioritize transparency in our operations.	4.391	0.545
14.	MS14	Customer trust has grown due to our active involvement in charitable activities.	4.193	0.691
	Overall		4.157	0.724

4.3.2 Descriptive Statistics of Intellectual Capital

4.3.2.1. Descriptive Statistics of Human Capital

Based on Table 4.4, the Human Capital construct recorded an overall mean value of 3.944 with a standard deviation of 0.759, indicating a relatively high level of agreement with moderate variability in responses. The findings suggest that SMEs

recognize the importance of employee competencies, attitudes, intellectual alertness, and soft skills in supporting business operations and organizational development. Higher mean values were associated with teamwork, willingness to learn, and employee commitment, while relatively lower mean values appeared in indicators related to opportunity recognition, leadership capability, and problem-solving. These variations may indicate differences in employees' strategic and adaptive capabilities across SMEs. Overall, the findings imply that human capital plays an important role in strengthening organizational capability and supporting Maqasid Sharia Performance through improved employee contribution and business effectiveness.

Table 4.4
Descriptive Statistics of Human Capital

No.	Item	Statement	Mean	Std. Deviation
1.	HC1	Our employees have valuable knowledge for our business.	3.893	0.774
2.	HC2	Our employees are experts in their job.	3.942	0.715
3.	HC3	Our employees have been trained to suit their job.	4.057	0.780
4.	HC4	Our employees are willing to learn from their peers.	4.068	0.727
5.	HC5	Our employees have a passion to do their best work.	4.053	0.725
6.	HC6	Our employees work well with their peers.	4.082	0.742
7.	HC7	Our employees are capable of completing business transactions efficiently.	3.942	0.721
8.	HC8	Our employees are able to anticipate potential challenges in the business.	3.932	0.850
9.	HC9	Our employees can identify opportunities for business growth and adapt accordingly.	3.705	0.779
10.	HC10	Our employees possess good communication skills.	3.985	0.720
11.	HC11	Our employees have an excellent leadership ability.	3.840	0.787
12.	HC12	Our employees can resolve business problem faced by the business.	3.821	0.783
	Overall		3.944	0.759

4.3.2.2.Descriptive Statistics of Structural Capital

Table 4.5 shows that the Structural Capital construct achieved an overall mean value of 3.960 with a standard deviation of 0.717, indicating relatively high agreement among respondents with moderate variability in responses. The findings suggest that

SMEs generally acknowledge the importance of organizational culture, business processes, and information systems in supporting business sustainability and operational efficiency. Higher mean values were mainly related to ethical culture, organizational values, and work environment, while relatively lower values were observed in infrastructure, research and development, and information system support. These findings may reflect differences in organizational resources and internal business capabilities among SMEs. Overall, the results indicate that structural capital contributes to organizational effectiveness and supports the achievement of Maqasid Sharia-oriented business practices.

Table 4.5
Descriptive Statistics of Structural Capital

No.	Item	Statement	Mean	Std. Deviation
1.	SC1	Our business provides a comfortable work environment.	4.324	0.527
2.	SC2	Our top management has emphasized strong ethical.	4.323	0.545
3.	SC3	We follow values that match our mission and vision.	4.280	0.538
4.	SC4	We have well-organized processes.	4.048	0.799
5.	SC5	We implement effective strategies to manage our ideas and creations.	3.685	0.783
6.	SC6	We have a good R&D practice.	3.690	0.751
7.	SC7	We have sufficient funding for the development of information systems.	3.739	0.864
8.	SC8	Our databases provide essential support for accessing relevant information.	4.028	0.793
9.	SC9	We maintain current policies, procedures, and databases.	3.811	0.799
10.	SC10	We have good infrastructure that enables employees to perform their tasks efficiently.	3.676	0.773
	Overall		3.960	0.717

4.3.2.3. Descriptive Statistics of Relational Capital

Table 4.6 indicates that the Relational Capital construct recorded an overall mean value of 4.063 with a standard deviation of 0.748, suggesting a relatively high level of agreement with moderate response variability. The findings reflect the importance of maintaining relationships with customers, suppliers, communities, government institutions, and financial entities in supporting SME sustainability and

competitiveness. Higher mean values were associated with customer loyalty, supplier relationships, and community support, while relatively lower values appeared in indicators related to bank-related activities and financial engagement. These variations may indicate differences in the extent of SMEs' external networking and institutional engagement. Overall, the findings suggest that relational capital supports business trust, stakeholder relationships, and broader Maqasid Sharia objectives related to social welfare and fairness.

Table 4.6
Descriptive Statistics of Relational Capital

No.	Item	Statement	Mean	Std. Deviation
1.	RC1	We have good relationships with our customers.	3.792	0.848
2.	RC2	Our customers consistently show loyalty to our business.	4.227	0.718
3.	RC3	Our products/services are easily accessible to our customers.	4.130	0.736
4.	RC4	We have a clear understanding of market needs.	4.169	0.714
5.	RC5	Our suppliers receive timely payments from our business.	4.217	0.761
6.	RC6	We have a good communication with our suppliers.	4.202	0.749
7.	RC7	Our suppliers have a solid understanding of our needs.	4.227	0.691
8.	RC8	We foster positive relationships with the community through social initiatives.	4.014	0.773
9.	RC9	We set a financial plan to support community events.	4.251	0.664
10.	RC10	We consider feedback from the community to be constructive input.	4.183	0.741
11.	RC11	Our business pays tax on time.	4.077	0.791
12.	RC12	We follow regulation established by the government.	4.135	0.776
13.	RC13	We actively participate in development projects organized by the government.	4.019	0.812
14.	RC14	We have a good relationship with bank.	4.029	0.769
15.	RC15	We have good track record of debt repayment from bank.	3.744	0.702
16.	RC16	We involve in activities organized by bank.	3.585	0.732
	Overall		4.063	0.748

4.3.2.4. Descriptive Statistics of Spiritual Capital

Based on Table 4.7, the Spiritual Capital construct achieved an overall mean value of 4.124 with a standard deviation of 0.714, indicating relatively high agreement among respondents despite moderate variability in responses. The findings suggest that

religious and ethical values are strongly embedded within SME business practices and organizational culture. Higher mean values were associated with respect for employee religiosity, ethical commitment, and honesty, while relatively lower values were related to trust-based organizational culture. This variation may reflect differences in how SMEs operationalize spiritual and ethical values within daily business practices. Overall, the findings indicate that spiritual capital contributes to ethical business conduct and supports the broader objectives of Maqasid Sharia Performance.

Table 4.7
Descriptive Statistics of Spiritual Capital

No.	Item	Statement	Mean	Std. Deviation
1.	SPC1	We emphasize work as a form of worship, enabling employees to give their best efforts.	4.063	0.783
2.	SPC2	We believe that integrating religious values into our business contributes to greater profitability.	4.130	0.774
3.	SPC3	Our employees stay committed to their work, even if they don't receive the same rewards as others.	4.174	0.769
4.	SPC4	Our employees sincerely perform their jobs because of religious principles.	4.101	0.766
5.	SPC5	Due to religious teaching, employees fulfill their responsibilities with honesty.	4.154	0.773
6.	SPC6	We view our commitment as an ethical standard.	4.150	0.751
7.	SPC7	We respect our employee's religiosity.	4.261	0.737
8.	SPC8	The value of our business culture is based on trust.	4.010	0.770
9.	SPC9	Shared knowledge is the core of our organizational culture.	4.072	0.782
	Overall		4.124	0.014

4.3.3 Descriptive Statistics of Islamic Innovation

Table 4.8 shows that the Islamic Innovation construct recorded an overall mean value of 4.154 with a standard deviation of 0.784, indicating relatively high agreement among respondents with moderate variability in responses. The findings suggest that SMEs generally emphasize innovation activities that align with Islamic principles, including ethical product development, process improvement, and socially responsible business practices. Higher mean values were associated with innovation aligned with Islamic principles, social contribution, and technology adoption, while relatively lower

values appeared in indicators related to responding to market competition through innovation. These findings may reflect differences in SMEs' innovation capability, technological readiness, and competitive adaptation. Overall, the results indicate that Islamic Innovation supports ethical business development and contributes to the achievement of Maqasid Sharia-oriented organizational performance.

Table 4.8
Descriptive Statistics of Islamic Innovation

No.	Item	Statement	Mean	Std. Deviation
1.	INV1	We strive to be the leading business with halal product or service.	4.193	0.801
2.	INV2	We showed our commitment to ethical standard	4.150	0.712
3.	INV3	Our product and services are innovative in accordance with Islamic principle that allow us to have healthy competition.	4.299	0.761
4.	INV4	We face new competitors by introducing products and services that align with the Islamic value of striving for excellence.	3.894	0.787
5.	INV5	We showed our commitment to ethical continuous improvement.	3.985	0.760
6.	INV6	We give positive contributions to society by developing innovative products.	4.298	0.774
7.	INV7	Our business upholds trust, which shape our efforts to enhance our business image.	4.106	0.811
8.	INV8	We improve our business processes shows our ethical commitment to excellence.	4.193	0.819
9.	INV9	Our quick adaptation in production methods shows our commitment to ethical flexibility.	4.207	0.819
10.	INV10	Our innovative manufacturing processes demonstrate our ethical commitment to efficiency.	4.072	0.830
11.	INV11	Our manufacturing processes utilize our resource wisely.	4.130	0.793
12.	INV12	Our process guarantees high quality product to serve our customers.	4.198	0.747
13.	INV13	Our process improvement reflects our commitment to strive for perfection.	4.227	0.777
14.	INV14	We continuously adopt new technology to improve our production process to demonstrates our ethical commitment to utilization.	4.270	0.753

No.	Item	Statement	Mean	Std. Deviation
15.	INV15	We are committed towards ethical standard by taking proactive step for producing a better product.	4.087	0.813
	Overall		4.154	0.784

4.4 Common Method Bias

To assess the potential presence of common method bias (CMB), this study applied Harman's single-factor test, a widely recognized diagnostic tool in behavioral and social science research (Kock et al., 2021; Podsakoff et al., 2003). The test was conducted by performing an exploratory factor analysis (EFA) with all measurement items using unrotated principal component analysis in SPSS. The results indicated that the first factor accounted for 49.89% of the total variance, which is below the commonly accepted threshold of 50%. This finding suggests that common method bias is not a significant concern in this study. The detailed results of the analysis are presented in Table 4.9.

Table 4.9.
The Result of Common Method Bias Test

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	37.916	49.890	49.890	37.916	49.890	49.890
2	4.313	5.675	55.564			
3	2.991	3.935	59.499			
4	2.187	2.878	62.377			
5	2.141	2.817	65.194			

4.5 Partial Least Squares Structural Equation Modelling (PLS-SEM)

This study employs Partial Least Squares Structural Equation Modelling (PLS-SEM) approach to analyze the data and test the proposed hypotheses. PLS-SEM is a widely used variance-based statistical technique suitable for complex models involving multiple constructs and indicators. It is particularly advantageous for exploratory research, as it does not require strict assumptions about data distribution (Hair et al., 2017). PLS-SEM is also effective for predictive purposes, making it ideal for this study,

which aims to explore relationships between variables and test theoretical frameworks. The PLS-SEM analysis comprises two main stages: the measurement model assessment and the structural model assessment. In the measurement model assessment, the validity and reliability of the constructs are evaluated. Meanwhile, in the structural model assessment, the relationships between constructs are analyzed to test the hypotheses. The SmartPLS software is used for all analyses in this study. This software is user-friendly and designed specifically for conducting PLS-SEM, providing robust tools for assessing complex models. By employing PLS-SEM, this study ensures rigorous analysis of the proposed relationships, offering valuable insights into the dynamics of the studied variables.

4.5.1 Assesment of Measurement Model

The measurement model assessment was conducted to evaluate the reliability and validity of all reflective constructs in this study. Convergent validity was examined through outer loadings, Average Variance Extracted (AVE), Composite Reliability (CR), and collinearity statistics (VIF) to ensure that the indicators appropriately represented their respective constructs and demonstrated sufficient internal consistency. Discriminant validity was then assessed using the Heterotrait–Monotrait ratio of correlations (HTMT) to verify that each construct was empirically distinct from the others. Together, these evaluations confirm whether the constructs in the model were measured accurately, consistently, and without multicollinearity issues, thereby supporting the suitability of the measurement model for further structural analysis.

4.5.1.1. Convergent Validity

Convergent validity was assessed by examining the outer loadings of each indicator. Convergent validity was assessed to determine whether the indicators within each construct consistently represent the same underlying concept. In PLS-SEM, this evaluation is carried out using several criteria: indicator reliability (outer loadings), collinearity statistics (VIF), internal consistency reliability (Composite Reliability and Cronbach's Alpha), and the Average Variance Extracted (AVE).

Following the guideline of Hair et al. (2019), indicators with loading values below 0.60 were considered for removal. Before removing the indicators, their statistical contribution and theoretical relevance were also evaluated to ensure that the

deletion process did not compromise the conceptual representation of the constructs. Indicators were removed only when they demonstrated low loading values and insufficient contribution to construct reliability and validity. Based on the PLS algorithm results, five indicators (RC16, INV3, INV14, INV6, and INV9) did not meet the threshold and were therefore excluded from the model. The eliminated items are summarized in Table 4.12.

Table 4.10

Summary of Items Dropped in Outer Loading Analysis

Variables		Original Number of Items	Number of Items Dropped	Description of Items Dropped
Intellectual Capital	HC	12	0	
	SC	10	0	
	RC	16	1	RC16: We involve in activities organized by bank.
	SPC	9	0	
Islamic Innovation		15	4	INV3: Our product and services are innovative in accordance with Islamic principle that allow us to have healthy competition.
				INV6: We give positive contributions to society by developing innovative products.
				INV9: Our quick adaptation in production methods shows our commitment to ethical flexibility.
				INV14: We continuously adopt new technology to improve our production process to demonstrates our ethical commitment to utilization.
Maqasid Sharia Performance		14	0	

Table 4.12 outlines the summary of items dropped during the outer loading analysis for the constructs included in this study. The variables analyzed include Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance. For

Intellectual Capital, the construct includes four dimensions: HC (Human Capital) with 12 items, SC (Structural Capital) with 10 items, RC (Relational Capital) with 16 items, and SPC (Spiritual Capital) with 9 items.

During the analysis, no items were dropped from HC, SC, or SPC, while one item (RC16) was removed from RC. RC16 was removed because it demonstrated insufficient contribution to the construct and was conceptually represented by other retained indicators. Relational Capital emphasizes the knowledge and learning skills shared between the organization and its external partners, including customers, suppliers, the community, and financial institutions. Examples of indicators within this dimension include maintaining positive customer relationships, ensuring supplier satisfaction, actively engaging with the community through social events, adhering to government regulations, and maintaining a good relationship with banks. The removal of RC16 helped reduce conceptual redundancy while maintaining adequate representation of the construct.

In the case of Islamic Innovation, which originally included 15 items, four items (INV3, INV6, INV9, and INV14) were removed. Islamic Innovation is conceptualized as a purposeful and ethical process of generating novel ideas and entrepreneurial activities aligned with Islamic principles, emphasizing tawhid (oneness of God). The removed indicators were excluded due to conceptual overlap and insufficient contribution to the construct reliability and validity, while the retained indicators continued to adequately represent the dimensions of Islamic Innovation. For Maqasid Sharia Performance, no items were dropped from the original 14, signifying that all indicators effectively captured the essence of the construct.

The adjustments made during the outer loading analysis ensured that the constructs were represented by valid and reliable indicators. Based on the outer loading assessment, five indicators were removed out of the original 76 measurement items (approximately 6.6%) due to insufficient loading values. These adjustments allow the retained indicators to represent the constructs clearly while reducing redundancy and maintaining the theoretical integrity of the measurement model. The following table, Table 4.13, presents the outer model tested after passing the previous stages

Table 4.11
The Result of Outer Loadings Test

	HC	INV	MS	RC	SC	SPC
HC1	0.846					
HC2	0.838					
HC3	0.868					
HC4	0.870					
HC5	0.870					
HC6	0.848					
HC7	0.869					
HC9	0.753					
HC10	0.872					
HC11	0.805					
HC12	0.763					
INV1		0.749				
INV2		0.789				
INV4		0.687				
INV5		0.813				
INV7		0.798				
INV8		0.623				
INV10		0.653				
INV11		0.655				
INV12		0.619				
INV13		0.603				
INV15		0.794				
MS1			0.659			
MS2			0.674			
MS3			0.752			
MS4			0.775			
MS5			0.782			
MS6			0.784			
MS7			0.857			
MS8			0.835			
MS9			0.867			
MS10			0.824			
MS11			0.683			
MS12			0.783			
MS13			0.726			
RC1				0.666		

	HC	INV	MS	RC	SC	SPC
RC2				0.814		
RC3				0.865		
RC4				0.885		
RC5				0.906		
RC6				0.906		
RC7				0.895		
RC8				0.694		
RC10				0.879		
RC11				0.844		
RC12				0.879		
RC14				0.777		
RC15				0.614		
SC1					0.770	
SC2					0.827	
SC3					0.759	
SC4					0.757	
SC5					0.687	
SC6					0.656	
SC7					0.692	
SC9					0.803	
SC10					0.755	
SPC1						0.808
SPC2						0.865
SPC3						0.901
SPC4						0.904
SPC5						0.923
SPC6						0.912
SPC7						0.898
SPC8						0.838
SPC9						0.834

To further support the assessment of convergent validity, researchers may also calculate the Average Variance Extracted (AVE), with a recommended threshold of 0.5 or higher, to demonstrate that the construct explains a significant portion of the variance in its indicators (Hair et al., 2014; Henseler et al., 2015). Although several constructs recorded AVE values that were relatively close to the minimum threshold of 0.50, all constructs remained within the acceptable level. These results indicate that the

constructs adequately explain more than 50% of the variance of their indicators, thereby supporting convergent validity. The moderate AVE values may reflect the multidimensional nature of the constructs and the diversity of SME responses in the study context.

Table 4.12
The Result of Average Variance Extracted Test

	Average Variance Extracted (AVE)
HC	0.701
INV	0.507
MS	0.596
RC	0.677
SC	0.558
SPC	0.769

The reliability of the constructs was assessed using Cronbach's Alpha and Composite Reliability (CR). Consistent with the recommended threshold of 0.70 (Hair et al., 2019), all constructs demonstrated values exceeding the minimum requirement, confirming adequate internal consistency. The detailed reliability results are reported in Table 4.13.

Table 4.13
The Result of Reliability Test

	Cronbach's Alpha	**Composite Reliability**
HC	0.957	0.963
INV	0.905	0.918
MS	0.943	0.950
RC	0.959	0.964
SC	0.901	0.919
SPC	0.962	0.968

Collinearity refers to the degree of correlation between independent variables in a model. High collinearity, also known as multicollinearity, occurs when two or more predictors are highly correlated, which can distort the results of a regression or multivariate analysis. It inflates the standard errors of the coefficients, making it difficult to assess the unique contribution of each predictor to the dependent variable. Multicollinearity is typically checked using the Variance Inflation Factor (VIF) and

tolerance level. According to Hair et al. (2019), VIF values below 10 are still considered acceptable in multivariate analysis and do not indicate severe collinearity issues. As shown in Table 4.16, all VIF values were below the recommended threshold of 10, indicating that multicollinearity is not a critical concern in this study, although several indicators demonstrated relatively higher collinearity due to conceptual similarity within the constructs.

Table 4.14
The Result of Collinearity Statistic Test

	VIF		**VIF**		**VIF**
HC1	3.572	INV11	2.521	RC10	4.393
HC2	3.512	INV12	2.653	RC11	3.585
HC3	4.071	INV13	2.311	RC12	4.668
HC4	4.273	INV15	2.250	RC14	2.398
HC5	5.797	MS1	1.815	RC15	1.630
HC6	5.165	MS2	2.195	SC1	3.148
HC7	3.838	MS3	2.149	SC2	5.173
HC9	2.429	MS4	2.363	SC3	3.841
HC2	3.512	MS5	3.147	SC4	1.825
HC3	4.071	MS6	2.364	SC5	2.212
HC4	4.273	MS7	3.765	SC6	1.861
HC5	5.797	MS8	4.068	SC7	2.354
HC6	5.165	MS9	4.745	SC9	2.412
HC7	3.838	MS10	3.268	SC10	1.914
HC9	2.429	MS11	1.996	SPC1	2.739
HC10	4.770	MS12	2.641	SPC2	3.775
HC11	3.779	MS13	2.078	SPC3	4.415
HC12	2.884	RC1	2.316	SPC4	5.530
INV1	2.124	RC2	2.900	SPC5	6.060
INV2	2.749	RC3	3.904	SPC6	4.987
INV4	1.802	RC4	4.924	SPC7	4.147
INV5	2.614	RC5	6.650	SPC8	3.552
INV7	2.722	RC6	6.334	SPC9	3.451
INV8	2.641	RC7	6.088		
INV10	2.446	RC8	2.342		

4.5.1.2. Discriminant Validity

Discriminant validity ensures that the constructs in a measurement model are distinct from one another, confirming that each construct measures a unique concept in the research framework. In Structural Equation Modeling (SEM), discriminant validity is typically assessed using the Heterotrait-Monotrait Ratio of Correlations (HTMT) and cross-loadings. These approaches verify that the constructs are not only internally consistent but also sufficiently differentiated from other constructs.

The HTMT method compares the average correlations between indicators of different constructs (heterotrait correlations) with the average correlations among indicators of the same construct (monotrait correlations). According to Hair et al. (2019), the maximum acceptable HTMT value is 0.90. If the HTMT value between two constructs is below the threshold, this provides evidence of discriminant validity, confirming that the constructs are adequately distinct. However, if the HTMT value exceeds 0.90, indicating a failure to establish discriminant validity, remedial action is required. In such cases, Henseler et al. (2015) suggest that researchers should inspect the cross-loadings to identify and remove problematic indicators. This process involves an iterative approach where the researcher exercises discretion to eliminate indicators that exhibit high cross-loadings on other variables or share strong conceptual similarities, until the HTMT criterion is met (Hair et al., 2022). Table 4.17 presents the HTMT tested after passing these stages.

Table 4.15
The Result of Heterotrait-Monotrait Ratio of Correlations (HTMT)

	HC	**INV**	**MS**	**RC**	**SC**	**SPC**
HC						
INV	0.733					
MS	0.778	0.878				
RC	0.799	0.772	0.887			
SC	0.881	0.774	0.820	0.848		
SPC	0.757	0.789	0.864	0.874	0.800	

Cross-loadings offer the assessment of discriminant validity. This method evaluates whether an indicator loads more strongly on its own construct than on any other constructs in the model. To ensure discriminant validity, each indicator's loading on its assigned construct should be higher than its cross-loadings with other constructs.

This confirms that indicators are uniquely associated with their respective constructs. Based on the HTMT and cross loadings analysis in this study, the indicators of RC9, RC13, SC8, HC8, and MS14 are removed due to validity issues. Table 4.16 presents the measurement items that were eliminated.

Table 4.16
Summary of Items Dropped in Cross Loading Analysis

Variables		Original Number of Items	Number of Items Dropped	Description of Items Dropped
Intellectual Capital	HC	12 items	1	HC8: Our employees are able to anticipate potential challenges in the business.
	SC	10 items	1	SC8: Our databases provide essential support for accessing relevant information.
	RC	16 items	2	RC9: We set a financial plan to support community events.
				RC13: We actively participate in development projects organized by the government.
	SPC	9 items	0	
Islamic Innovation		15 items	0	
Maqasid Sharia Performance		14 items	1	MS14: Customer trust has grown due to our active involvement in charitable activities.

Table 4.18 summarizes the items dropped during the cross-loading analysis for the constructs of Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance. The cross-loading analysis was conducted as a follow-up assessment during discriminant validity testing to identify indicators that overlapped conceptually with other constructs. This procedure was particularly necessary because several HTMT values initially exceeded the recommended threshold, indicating potential discriminant validity concerns. Therefore, cross-loading analysis was used to identify overlapping indicators and refine the measurement model. The removal of these items was guided by their similarity to other indicators within the same variable or with indicators from other variables, ensuring a more distinct representation of each construct.

Intellectual Capital is divided into four components, which are Human Capital (HC), Structural Capital (SC), Relational Capital (RC), and Spiritual Capital (SPC). Initially, Human Capital included 12 items, but one item (HC8) was removed as it overlapped conceptually with other indicators within the same dimension. Structural Capital originally had 10 items, but SC8 was dropped for similar reasons. In Relational Capital, two items (RC9 and RC13) were excluded due to redundancy, reducing the total number of items for this dimension to 14. However, all indicators for Spiritual Capital (SPC) were retained, demonstrating their clear and unique contribution to the construct.

Islamic Innovation, consisting of 15 items, underwent cross-loading analysis but did not require any modifications. The items remained distinct and adequately reflected the purposeful and ethical process of innovation aligned with Islamic principles, emphasizing both product and process innovation.

For Maqasid Sharia Performance, which originally included 14 items, one indicator (MS14) was removed due to its similarity to other items, ensuring that the retained indicators provided a clear and focused measurement of the construct. This dimension emphasizes compliance with Islamic principles in economic activities and the positive impact on society, such as allocating resources for employee development, paying Zakat, and fostering customer trust.

Overall, the cross-loading analysis refined the measurement model by removing overlapping indicators, thereby improving the clarity and distinctiveness of the constructs. During the discriminant validity assessment, five indicators were removed out of the original 76 measurement items (approximately 6.6%) due to cross-loading issues and conceptual overlap across constructs. This process ensures that each variable and its dimensions are represented by unique and meaningful indicators, providing a robust basis for further structural model testing. Table 4.19 shows that each indicator loads higher on its respective construct compared to other constructs, indicating adequate discriminant validity. The retained indicators demonstrated stronger correlations with their intended constructs than with unrelated constructs, suggesting that the measurement items were conceptually distinct and appropriately represented their respective variables.

Table 4.17

The Result of Cross Loadings Test

	HC	INV	MS	RC	SC	SPC
HC1	0.846	0.638	0.660	0.621	0.664	0.612
HC2	0.838	0.567	0.598	0.639	0.631	0.593
HC3	0.868	0.616	0.684	0.717	0.712	0.678
HC4	0.870	0.603	0.633	0.681	0.710	0.635
HC5	0.870	0.592	0.628	0.639	0.666	0.624
HC6	0.848	0.619	0.637	0.666	0.659	0.637
HC7	0.869	0.618	0.634	0.707	0.732	0.627
HC9	0.753	0.542	0.545	0.519	0.698	0.527
HC10	0.872	0.608	0.611	0.641	0.745	0.604
HC11	0.805	0.578	0.585	0.646	0.725	0.579
HC12	0.763	0.579	0.589	0.605	0.707	0.575
INV1	0.545	0.749	0.704	0.687	0.595	0.647
INV2	0.636	0.789	0.749	0.628	0.690	0.699
INV4	0.478	0.687	0.605	0.570	0.528	0.452
INV5	0.604	0.813	0.737	0.694	0.637	0.644
INV7	0.616	0.798	0.760	0.626	0.639	0.698
INV8	0.298	0.623	0.370	0.293	0.314	0.360
INV10	0.406	0.653	0.443	0.377	0.391	0.401
INV11	0.452	0.655	0.442	0.423	0.439	0.478
INV12	0.374	0.619	0.358	0.313	0.381	0.341
INV13	0.353	0.603	0.364	0.363	0.359	0.354
INV15	0.607	0.794	0.782	0.702	0.607	0.727
MS1	0.424	0.579	0.659	0.590	0.509	0.571
MS2	0.524	0.612	0.674	0.549	0.554	0.592
MS3	0.594	0.738	0.752	0.597	0.605	0.663
MS4	0.501	0.623	0.775	0.655	0.553	0.601
MS5	0.510	0.696	0.782	0.599	0.517	0.639
MS6	0.538	0.695	0.784	0.614	0.554	0.595
MS7	0.638	0.715	0.857	0.733	0.648	0.729
MS8	0.568	0.690	0.835	0.636	0.595	0.635
MS9	0.615	0.749	0.867	0.683	0.642	0.682
MS10	0.616	0.728	0.824	0.688	0.632	0.625
MS11	0.578	0.525	0.683	0.638	0.588	0.568
MS12	0.629	0.720	0.783	0.747	0.647	0.699
MS13	0.665	0.593	0.726	0.703	0.650	0.643
RC1	0.416	0.489	0.542	0.666	0.502	0.578

	HC	INV	MS	RC	SC	SPC
RC2	0.668	0.625	0.712	0.814	0.613	0.698
RC3	0.709	0.652	0.735	0.865	0.675	0.713
RC4	0.698	0.683	0.754	0.885	0.703	0.732
RC5	0.726	0.717	0.761	0.906	0.752	0.751
RC6	0.710	0.695	0.739	0.906	0.739	0.747
RC7	0.708	0.670	0.709	0.895	0.724	0.719
RC8	0.463	0.487	0.573	0.694	0.517	0.585
RC10	0.676	0.642	0.716	0.879	0.689	0.739
RC11	0.620	0.649	0.709	0.844	0.632	0.703
RC12	0.659	0.678	0.744	0.879	0.706	0.778
RC14	0.605	0.651	0.693	0.777	0.649	0.644
RC15	0.485	0.503	0.569	0.614	0.571	0.543
SC1	0.684	0.507	0.585	0.628	0.770	0.529
SC2	0.705	0.596	0.631	0.627	0.827	0.643
SC3	0.605	0.560	0.582	0.552	0.759	0.567
SC4	0.722	0.723	0.752	0.752	0.757	0.681
SC5	0.454	0.452	0.453	0.529	0.687	0.457
SC6	0.467	0.462	0.458	0.500	0.656	0.503
SC7	0.485	0.486	0.476	0.540	0.692	0.498
SC9	0.668	0.586	0.582	0.640	0.803	0.593
SC10	0.694	0.546	0.551	0.528	0.755	0.535
SPC1	0.562	0.587	0.644	0.692	0.614	0.808
SPC2	0.613	0.683	0.702	0.726	0.636	0.865
SPC3	0.701	0.713	0.770	0.784	0.713	0.901
SPC4	0.617	0.671	0.705	0.701	0.626	0.904
SPC5	0.660	0.699	0.723	0.730	0.663	0.923
SPC6	0.678	0.697	0.755	0.752	0.703	0.912
SPC7	0.661	0.716	0.764	0.778	0.690	0.898
SPC8	0.596	0.674	0.691	0.703	0.650	0.838
SPC9	0.642	0.703	0.735	0.749	0.649	0.834

Figure 4.1 presents the refined measurement and structural model generated using SmartPLS after completing the validity and reliability assessments. The figure illustrates the relationships among the dimensions of Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance. Only the retained indicators are included in the model following the convergent and discriminant validity assessments. To improve readability and clarity, the indicators are grouped according to their respective

constructs, while the structural paths and coefficients among the latent variables are presented to demonstrate the relationships tested in this study.

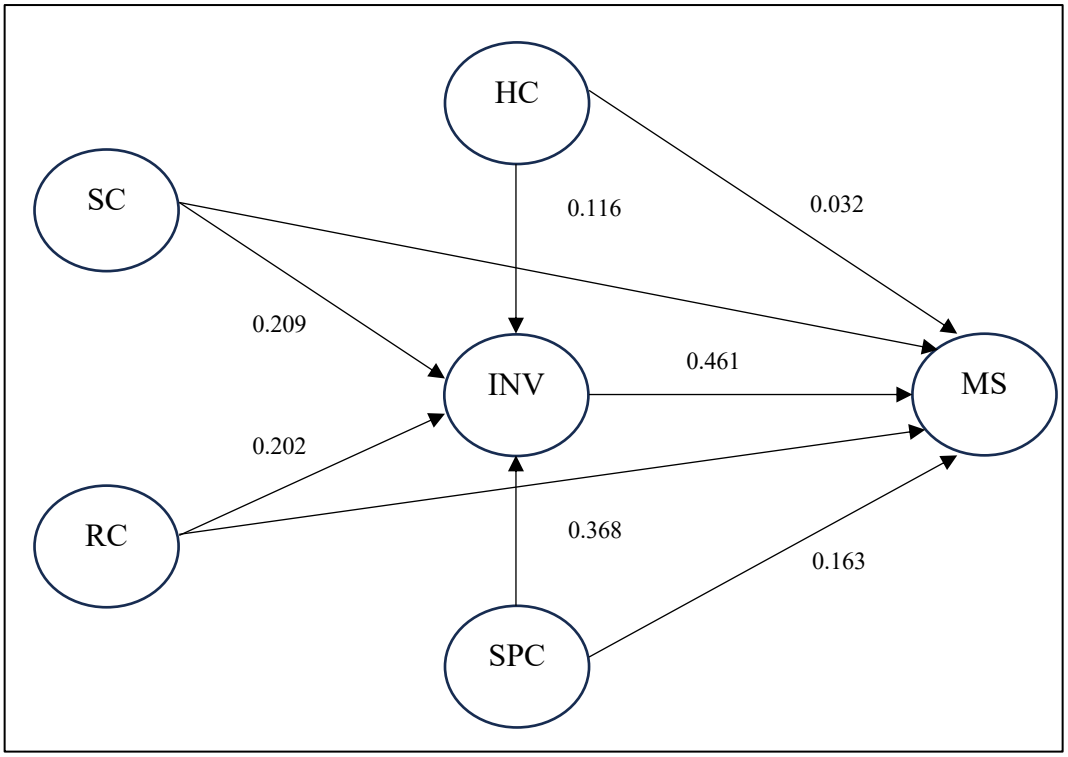


Figure 4.1 The Result of Measurement Model

4.5.2 Assessment of Structural Model

In the structural model assessment, the focus is on evaluating the relationships between the study constructs to test the proposed hypotheses. The constructs examined in this study include Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance, which are measured using multiple indicators. Path coefficients and their significance levels are examined using bootstrapping procedures to determine the strength and significance of the relationships. The path coefficient indicates the direction and magnitude of the relationship between the constructs, allowing the proposed hypotheses to be evaluated empirically.

The coefficient of determination (R^2) is assessed to evaluate the explanatory power of the model, indicating the extent to which the endogenous constructs can be explained by the predictor constructs in the model. Meanwhile, predictive relevance (Q^2), obtained through the blindfolding procedure, indicates the model's predictive capability. A Q^2 value greater than zero suggests that the model has adequate predictive relevance. In addition, effect sizes (f^2) are calculated to assess the relative contribution of each exogenous construct to the endogenous variables. The f^2 value helps determine whether the effect of each predictor construct is small, medium, or substantial. Figure 4.2 illustrates the structural model results generated using SmartPLS.

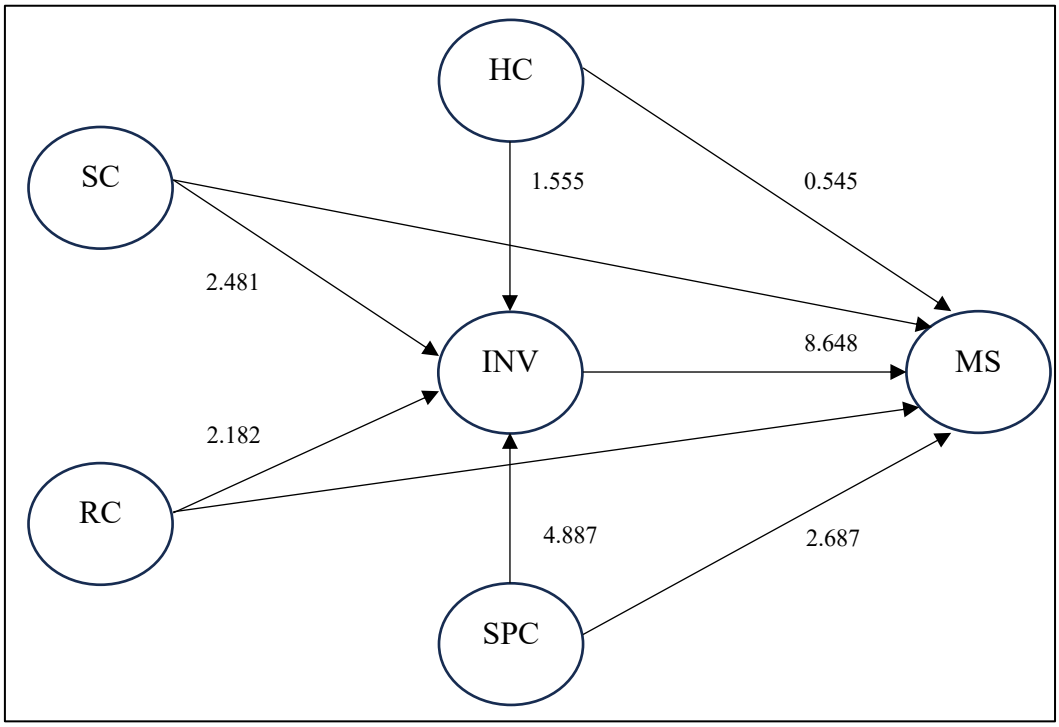


Figure 4.2 The Result of Structural Model

4.5.2.1. Coefficient of Determination (R^2)

The coefficient of determination (R^2) shows how much of the variation in a dependent construct can be explained by its predictors (Hair et al., 2019). Higher values indicate stronger explanatory power. As shown in Table 4.20, the R^2 value for INV is 0.680. This means that 68% of the variance in Islamic Innovation is explained by the components of Intellectual Capital, representing a strong explanatory power beyond the large effect threshold suggested by Cohen (1988). Similarly, the R^2 value for MS is 0.837, indicating that approximately 84% of the variance in Maqasid Sharia Performance is explained by Intellectual Capital components and Islamic Innovation. These values suggest that the predictors used in the study provide substantial explanatory power for both constructs.

Table 4.18
The Result of Determination of Coefficient

	R Square	R Square Adjusted
INV	0.680	0.674
MS	0.837	0.833

4.5.2.2. Blindfolding (Q^2)

The Q^2 statistic, also known as predictive relevance, is a measure used to evaluate the predictive accuracy of a structural equation model (SEM). It is derived using the blindfolding procedure and assesses how well the model predicts data that were omitted during the estimation process. A positive Q^2 value indicates that the model has predictive relevance for the corresponding endogenous construct, while a value of zero or below suggests a lack of predictive relevance. This measure complements R^2 by focusing specifically on the model's predictive power, rather than its explanatory power.

Table 4.19
Test Result of Blindfolding

	SSO	SSE	**Q^2 (=1-SSE/SSO)**
INV	2277.000	1546.245	0.321
MS	2691.000	1368.531	0.491

According to the results, the Q^2 values for the endogenous constructs MS and INV are 0.491 and 0.321, respectively. The Q^2 value of 0.491 for MS indicates a high

level of predictive relevance, as it is well above zero. This suggests that the model has strong predictive accuracy in explaining the variance in MS. Similarly, the Q^2 value of 0.321 for INV also demonstrates a moderate to strong level of predictive relevance. These values affirm that the model is effective in predicting the outcomes for both MS and INV.

The Q^2 values show the robustness of the model, particularly for the prediction of MS and INV. The positive and substantial Q^2 values for these constructs validate the model's predictive capability, adding further evidence of its practical relevance. However, the lack of predictive relevance for other constructs is expected given their role as predictors rather than outcomes in the model.

4.5.2.3. Effect Size (f^2)

The results of the effect size (f^2) analysis are summarized in Table 4.22. The strongest effect is observed in the relationship between Innovation (INV) and Maqasid Sharia performance (MS), with an f^2 value of 0.417. This exceeds Cohen's (1988) threshold for a large effect ($f^2 \geq 0.35$), highlighting the substantial role of Innovation in driving Maqasid Sharia performance within the model. Relational Capital (RC) also demonstrates a meaningful contribution. Its effect on MS is 0.116, which approaches a medium effect, while its influence on INV is smaller ($f^2 = 0.029$). Similarly, Spiritual Capital (SPC) shows small effects on both INV ($f^2 = 0.115$) and MS ($f^2 = 0.040$), suggesting that SPC helps to strengthen innovation and performance outcomes, albeit to a lesser extent.

However, Social Capital (SC) and Human Capital (HC) contribute very little to the model. SC has a small effect on INV ($f^2 = 0.033$) but a negligible effect on MS ($f^2 = 0.002$). moreover, HC has no effects on both INV ($f^2 = 0.012$) and MS ($f^2 = 0.002$). These findings indicate that while SC and HC are included in the model, their role in explaining the variance of innovation and performance is minimal. Overall, the results clearly highlight Innovation as the important driver of Maqasid Sharia performance, while RC and SPC provide supportive but smaller contributions. HC and SC, however, appear to have negligible impacts within the proposed model.

Table 4.20
The Result of Effect Size

	INV	MS
HC	0.012	0.002
RC	0.029	0.116
SC	0.033	0.002
SPC	0.115	0.040
INV		0.417

4.6 Result of Hypotheses Testing

In this study, Maqasid Sharia Performance (MS) is the dependent variable, while Islamic Innovation (INV) acts as a mediating construct linking the dimensions of Intellectual Capital, namely Human Capital (HC), Structural Capital (SC), Relational Capital (RC), and Spiritual Capital (SPC), with MS. The hypotheses were tested using PLS-SEM through bootstrapping procedures to examine the significance of the direct and indirect relationships among the constructs.

Table 4.23 presents the direct effect results. The findings show that HC and SC did not have significant direct effects on MS, while RC and SPC demonstrated significant positive relationships with MS. In addition, SC, RC, and SPC significantly influenced INV, whereas HC did not show a significant relationship with INV. Islamic Innovation was also found to have a significant positive effect on MS.

Overall, the results indicate that not all dimensions of Intellectual Capital contribute to Maqasid Sharia Performance in the same manner. The findings also suggest that Islamic Innovation functions as an important mechanism connecting several Intellectual Capital dimensions with organizational performance aligned with Maqasid Sharia principles. Detailed discussion and theoretical interpretation of these findings are further elaborated in Chapter 5.

Table 4.21
The Results of Hypothesis Testing (Direct Effect)

Path Relationship	β (Original Sample)	t-value	Sign	Decision
HC -> MS	0.032	0.545	0.293	Not Supported
SC -> MS	0.040	0.652	0.257	Not Supported
RC -> MS	0.295	4.258	0.000	Supported
SPC -> MS	0.163	2.687	0.004	Supported
HC -> INV	0.116	1.555	0.060	Not Supported
SC -> INV	0.209	2.481	0.007	Supported
RC -> INV	0.202	2.182	0.015	Supported
SPC -> INV	0.368	4.887	0.000	Supported
INV -> MS	0.461	8.648	0.000	Supported

A summary of these hypotheses is presented in Table 4.24. The hypothesis testing aims to provide evidence that the proposed theoretical model aligns with the sample data.

Table 4.22
Summary of Hypothesis Testing (Direct Effect)

Hypothesis	Results
H1: Intellectual capital has a positive effect on Maqasid Sharia performance	
H1a: Human capital has a positive effect on Maqasid Sharia performance	Not supported.
H1b: Structural capital has a positive effect on Maqasid Sharia performance	Not Supported
H1c: Relational capital has a positive effect on Maqasid Sharia performance	Supported
H1d: Spiritual capital has a positive effect on Maqasid Sharia performance	Supported
H2: Intellectual capital has a positive effect on Islamic Innovation	
H2a: Human capital has a positive effect on Islamic Innovation	Not Supported
H2b: Structural capital has a positive effect on Islamic Innovation	Supported
H2c: Relational capital has a positive effect on Islamic Innovation	Supported
H2d: Spiritual capital has a positive effect on Islamic Innovation	Supported
H3: Islamic Innovation has a positive effect on Maqasid Sharia performance	Supported

The indirect effect of Islamic Innovation (INV) in the relationship between the components of Intellectual Capital (Human Capital, Relational Capital, Structural Capital, and Spiritual Capital) and Maqasid Sharia Performance (MS) is presented in Table 4.25. The mediation analysis tests whether the impact of Intellectual Capital components on MS is enhanced through INV as a mediating variable.

Table 4.23
The Results of Mediating Effect (Indirect Effect)

Path Relationship	β (Original Sample)	t-value	Sign	Decision
HC -> INV -> MS	0.054	1.564	0.059	Not supported
SC -> INV -> MS	0.096	2.255	0.012	Supported
RC -> INV -> MS	0.093	2.202	0.014	Supported
SPC -> INV -> MS	0.170	4.213	0.000	Supported

A summary of these hypotheses is presented in Table 4.26. The hypothesis testing aims to provide evidence that the proposed theoretical model aligns with the sample data.

Table 4.24
Summary of Hypothesis Testing (Indirect Effect)

Hypothesis	Result
H4: Islamic Innovation mediates the relationship between intellectual capital and Maqasid Sharia performance	
H4a: Islamic Innovation mediates the relationship between human capital and Maqasid Sharia performance	Not supported
H4b: Islamic Innovation mediates the relationship between structural capital and Maqasid Sharia performance	Supported
H4c: Islamic Innovation mediates the relationship between relational capital and Maqasid Sharia performance.	Supported
H4d: Islamic Innovation mediates the relationship between spiritual capital and Maqasid Sharia performance	Supported

4.7 Summary of the Chapter

This chapter showed the results of the quantitative analyses conducted to evaluate the proposed research framework. The assessment began with an examination of the measurement model, where indicator reliability, internal consistency reliability, convergent validity, and discriminant validity were evaluated. The results demonstrated that all retained indicators achieved acceptable loadings, the constructs met the minimum thresholds for Cronbach's Alpha and Composite Reliability, and the AVE values exceeded recommended levels, indicating adequate convergent validity. VIF values were also within acceptable ranges, confirming that multicollinearity was not an issue. Discriminant validity assessed through HTMT further supported the distinctiveness of the constructs.

After establishing the robustness of the measurement model, the structural model was assessed to examine the significance of the hypothesized relationships. The analysis revealed that relational capital and spiritual capital significantly contributed to Maqasid Sharia Performance, while human capital and structural capital did not have a direct effect. Several intellectual capital components, specifically structural, relational, and spiritual capital showed significant positive effects on Islamic Innovation. Additionally, the mediation analysis confirmed that Islamic Innovation played a mediating role in the relationships between these components and Maqasid Sharia Performance. Overall, the findings support the theoretical model proposed in this study and provide empirical evidence on how intellectual resources and innovation contribute to Sharia-aligned organizational performance among halal SMEs. These results lay the groundwork for the broader interpretation and theoretical implications discussed in the next chapter.

CHAPTER 5
DISCUSSION OF THE RESULTS

5.1 Introduction of The Cahpter

This chapter presents a comprehensive discussion of the research findings obtained from data analysis. The aim is to interpret the statistical results in relation to the research objectives, hypotheses, and the theoretical framework established in earlier chapters. By doing so, this section bridges the gap between empirical evidence and theoretical expectations, offering insights into how the variables interact and contribute to the overall research model.

5.2 Discussion of Hypothesis Results

This section reviews the results of the data analysis conducted in this study. It provides a detailed discussion of the findings. The research questions are addressed, and explanations are provided. The key findings highlight insights from various stages of the research, focusing on how the studied organization manages its resources and sustains its operations in a challenging business environment while adhering to Islamic principles. These findings emphasize actual practices, intellectual capital measures, and their impact on performance based on Islamic principles (Maqasid Sharia). The discussion specifically pertains to small and medium enterprises (SMEs) operating in the halal industry.

5.2.1 The Relationship Between Intellectual Capital and Maqasid Sharia Performance

5.2.1.1 The Relationship Between Human Capital and Maqasid Sharia Performance

As presented in Table 4.23, the result show that human capital (HC) does not have a significant effect on Maqasid Sharia performance (MS) ($\beta = 0.032$, p value = 0.306, $t = 0.508$). Therefore, Hypothesis 1, which posited that human capital has a positive effect on Maqasid Sharia performance, is not supported.

Human capital represents the knowledge, competencies, leadership capabilities, and problem-solving skills possessed by employees and is commonly regarded as an important organizational asset (Kim & Tran, 2023). Bontis (1998) further emphasized that human capital often functions as a key driver of organizational performance. However, the findings of this study indicate that Human Capital alone is insufficient to directly improve Maqasid Sharia Performance within Indonesian halal SMEs.

Several possible explanations may account for this finding. In Indonesian SMEs, business decisions are often highly centralized around owner-managers, resulting in employees being more involved in operational activities rather than strategic organizational development (Molthar & Indarti, 2021). Consequently, employee competencies may contribute to day-to-day business operations but may not directly influence broader Maqasid Sharia objectives such as social welfare, equitable wealth distribution, ethical governance, and long-term societal benefit.

Previous studies similarly reported that the contribution of human capital toward organizational performance is often constrained by limited training investment (Crook et al., 2011), insufficient organizational support, weak institutional collaboration, and resource limitations (Khalique et al., 2015). Rodríguez & Orellana (2020) also argued that training programs in SMEs frequently face implementation challenges due to financial limitations and high employee turnover. Within the Indonesian context, Witasari & Gustomo (2020) further highlighted that training initiatives are sometimes conducted merely as administrative formalities rather than as long-term competency development mechanisms.

The findings also suggest that achieving Maqasid Sharia Performance requires more than employee capability alone. Organizational commitment, ethical leadership, strategic resource allocation, and innovation-oriented systems are equally important in translating employee competencies into outcomes aligned with Islamic principles. Although respondents reported relatively strong competencies in communication, leadership, and problem-solving skills, these competencies may not automatically lead to Maqasid Sharia-oriented outcomes without adequate organizational mechanisms that integrate Islamic values into business strategies and operations.

Moreover, Maqasid Sharia Performance encompasses broader organizational responsibilities, including fair wealth distribution, ZISWAF allocation, employee development, ethical governance, and social welfare. These objectives are organizational in nature and depend heavily on leadership commitment, organizational

culture, and strategic direction rather than relying solely on individual employee competencies.

This finding reflects the characteristics of Indonesian halal SMEs, where business sustainability and Maqasid Sharia-oriented performance are strongly influenced by the owner's strategic orientation and ethical commitment. Therefore, Human Capital may contribute indirectly through innovation and organizational support mechanisms rather than exerting an immediate direct effect on Maqasid Sharia Performance.

Overall, the findings imply that Human Capital should not be viewed merely as employee capability, but as part of a broader organizational ecosystem that integrates Islamic values, ethical leadership, innovation capability, and strategic management practices to achieve sustainable Maqasid Sharia Performance.

5.2.1.2 The Relationship Between Structural Capital and Maqasid Sharia Performance

As presented in Table 4.23, the result show that structural capital (SC) does not have a significant effect on Maqasid Sharia performance (MS) ($\beta = 0.040$, p value = 0.624, t = 0.065). Therefore, Hypothesis 2, which posited that structural capital has a positive effect on Maqasid Sharia performance, is not supported.

Structural capital generally refers to organizational systems, infrastructure, databases, routines, procedures, and organizational culture that support business activities and operational efficiency (Kim & Tran, 2023). Previous studies have commonly associated structural capital with improved organizational performance and long-term sustainability (Aljuboori et al., 2022; Bontis, 1998; Kim & Tran, 2023). However, the findings of this study indicate that Structural Capital alone does not directly contribute to Maqasid Sharia Performance among Indonesian halal SMEs.

The descriptive findings further support this issue. The indicator related to organizational infrastructure recorded one of the relatively lower scores, suggesting that many SMEs still experience limitations in infrastructure, operational systems, and technological support. This condition may reduce the ability of SMEs to effectively translate organizational resources into sustainable growth, operational efficiency, and broader Maqasid Sharia objectives.

One important aspect of Maqasid Sharia is promoting public welfare (jalb al-maslahah) and ensuring fairness (iqomah al-adl). However, the findings revealed that the indicator related to continuous sales growth also recorded a relatively weaker score. This suggests that although SMEs may uphold Islamic ethical values, limitations in infrastructure and organizational systems may hinder their ability to achieve stable financial and operational growth.

Beltramino et al. (2020) and Abubakar et al. (2019) similarly argued that structural capital contributes to organizational performance only when effectively integrated into innovation and operational processes. Ekayani et al. (2023) also found that structural capital may not directly influence SME performance but instead exerts an indirect influence through innovation capability. This indicates that organizational systems and infrastructure alone are insufficient unless actively utilized to support innovation, knowledge management, process efficiency, and strategic business development.

Within the Indonesian halal SME context, many businesses still rely heavily on traditional operational systems and informal management practices. Consequently, structural resources may exist but are not yet fully optimized to strengthen competitiveness and long-term organizational sustainability. This explains why structural capital did not demonstrate a direct relationship with Maqasid Sharia Performance despite its theoretical importance.

The findings further imply that achieving Maqasid Sharia Performance requires not only ethical commitment but also operational readiness and strategic organizational capability. Businesses with weak infrastructure may face difficulties in improving productivity, expanding market access, strengthening supply chain coordination, and implementing sustainable organizational systems. These limitations ultimately reduce the effectiveness of structural capital in supporting broader Maqasid Sharia objectives.

Therefore, Indonesian halal SMEs need to strengthen infrastructure, organizational systems, digital capability, and process management to ensure that structural capital can be effectively transformed into innovation, competitiveness, and sustainable Maqasid Sharia-oriented performance.

5.2.1.3 The Relationship Between Relational Capital and Maqasid Sharia Performance

As presented in Table 4.23 (p. 148), the result show that relational capital (RC) has a positive effect on Maqasid Sharia performance (MS) (β = 0.295, p value = 0.000, t = 4.042). Therefore, Hypothesis 3, which posited that relational capital has a positive effect on Maqasid Sharia performance, is supported.

Relational capital reflects an organization's ability to establish and maintain strong relationships with stakeholders, including customers, suppliers, communities, government institutions, and financial institutions (Aljuboori et al., 2022; Bontis, 1998). Previous studies consistently demonstrated that relational capital contributes significantly to organizational performance by strengthening trust, stakeholder engagement, market responsiveness, and long-term sustainability (Aljuboori et al., 2022; Kim & Tran, 2023; Muda et al., 2020).

The findings of this study suggest that stakeholder trust, community engagement, and relationship-based business practices play an important role in enhancing Maqasid Sharia Performance among Indonesian halal SMEs. In highly relationship-oriented business environments such as Indonesia, organizational sustainability is strongly influenced by trust, reputation, and long-term stakeholder relationships (Amin et al., 2016).

The descriptive findings revealed that respondents highly valued activities related to maintaining stakeholder relationships and community engagement. This supports the argument that relational capital functions not only as a business resource but also as a mechanism for achieving broader Maqasid Sharia objectives, particularly public welfare (jalb al-maslahah), fairness (iqomah al-adl), and ethical stakeholder interaction.

Previous studies similarly emphasized that market-oriented organizations capable of understanding customer needs and maintaining ethical relationships tend to achieve stronger organizational performance and customer loyalty (Deshpandé et al., 2013; Ishtiaque et al., 2019). In the context of Indonesian halal SMEs, relational capital enables businesses to maintain Sharia-compliant business practices while simultaneously strengthening competitiveness and customer trust. The findings also indicate that relational capital supports Maqasid Sharia Performance by encouraging ethical interactions, social responsibility, transparency, and long-term stakeholder

collaboration. Businesses that actively engage with communities, suppliers, and customers are more likely to create sustainable business ecosystems aligned with Islamic values.

Furthermore, relational capital facilitates knowledge sharing, market responsiveness, and collaborative learning among stakeholders (Fikri et al., (2022). Organizations capable of maintaining strong stakeholder networks are better positioned to adapt to market changes, strengthen operational coordination, and improve organizational resilience (Muda et al., 2020). This is particularly important within SMEs, where informal networks, social trust, and community relationships significantly influence business continuity and performance (Kim & Tran, 2023; Muda et al., 2020).

The findings therefore imply that Maqasid Sharia Performance is not solely determined by internal organizational resources, but also by the organization's ability to establish socially responsible, ethical, and trust-based relationships within society. This reinforces the importance of relational capital as a strategic mechanism connecting business sustainability with Islamic ethical objectives.

5.2.1.4 The Relationship Between Spiritual Capital and Maqasid Sharia Performance

As presented in Table 4.23 (p. 148),, the result show that relational capital (SPC) has a positive effect on Maqasid Sharia performance (MS) ($\beta = 0.163$, p value = 0.005, t value = 2.583). Therefore, Hypothesis 4, which posited that spiritual capital has a positive effect on Maqasid Sharia performance, is supported.

Spiritual capital represents intangible values related to religiosity, ethics, integrity, moral responsibility, and transcendental orientation within organizational activities (Zohar & Marshall, 2004). Previous studies highlighted that spiritual capital contributes significantly to organizational performance by strengthening ethical leadership, employee commitment, trust, organizational cohesion, and long-term sustainability (Kolade et al., 2023; Osunmakinde et al., 2021).

The findings of this study indicate that Spiritual Capital plays an important role in enhancing Maqasid Sharia Performance among Indonesian halal SMEs. Within the Indonesian context, spirituality and religiosity strongly influence entrepreneurial behavior, organizational decision-making, and business sustainability. Businesses operating in highly religious environments often integrate Islamic values into

operational and strategic activities, shaping ethical business conduct and social responsibility.

From a transcendental perspective, spiritual capital encourages organizations to prioritize fairness, honesty, accountability, trustworthiness, and societal welfare in business operations (Abdullah & Sofian, 2012; Khalique et al., 2020). This orientation aligns closely with Maqasid Sharia principles, which emphasize ethical governance, social justice, financial inclusivity, and public welfare. Consequently, organizations with stronger spiritual values are more likely to implement business practices aligned with Islamic ethical objectives.

From a psychological perspective, spiritual capital also contributes to organizational resilience, motivation, optimism, and long-term commitment toward ethical business practices. Moghadam & Makvandi (2019) found that organizations embedding spiritual values tend to demonstrate stronger employee engagement, organizational citizenship behavior, and innovation capability. This suggests that spiritual capital not only influences ethical orientation but also strengthens psychological readiness and organizational adaptability within competitive business environments (Tjahjadi et al., 2022).

Within Indonesian halal SMEs, spiritual values frequently serve as an important reference in decision-making processes, particularly in contexts where formal institutional systems remain limited (Tjondro Sugianto & Vasantan, 2023). Entrepreneurs often rely on Islamic principles and religious values to guide financial decisions, stakeholder relationships, and operational activities. This explains why spiritual capital demonstrated a significant contribution toward Maqasid Sharia Performance in this study.

Moreover, spiritual capital supports broader Maqasid Sharia objectives by encouraging responsible financial practices, fair wealth distribution, social responsibility, and sustainable organizational behavior. Organizations emphasizing spiritual values are more likely to avoid exploitative transactions, strengthen accountability, and prioritize ethical stakeholder engagement (Liu et al., 2023).

The findings therefore imply that Spiritual Capital functions as more than a religious or symbolic element within organizations. Instead, spiritual capital acts as a strategic organizational resource that shapes ethical behavior, strengthens organizational commitment, and enhances sustainable performance aligned with Maqasid Sharia principles within the Indonesian halal SME context.

5.2.2 The Relationship Between Intellectual Capital and Islamic Innovation

5.2.2.1 The Relationship Between Human Capital and Islamic Innovation

As presented in Table 4.23 (p. 148), the result show that human capital (HC) does not have an effect on Islamic innovation (INV) (β = 0.116, p value = 0.054, t value = 1.614). Therefore, Hypothesis 5, which posited that human capital has a positive effect on Maqasid Sharia performance, is not supported.

Human capital generally refers to employees' competencies, expertise, knowledge, creativity, and problem-solving capabilities that contribute to organizational development and innovation. Previous studies frequently highlighted human capital as an important driver of innovation and organizational competitiveness. However, the findings of this study indicate that Human Capital alone is insufficient to directly stimulate Islamic Innovation within Indonesian halal SMEs.

One possible explanation relates to the organizational characteristics of SMEs involved in this study. Most businesses were categorized as small enterprises with approximately 5–19 employees and were predominantly managed directly by owner-managers. In such settings, strategic decisions, including innovation activities, are frequently centralized around business owners rather than developed collaboratively across organizational members (Molthar & Indarti, 2021). Consequently, employees are often responsible for operational execution rather than participating actively in innovation development and strategic ideation processes (Deichmann & Stam, 2015).

The findings further suggest that Islamic Innovation within SMEs is frequently treated as a compliance-oriented activity rather than a collaborative innovation process. Respondents demonstrated relatively strong agreement regarding halal compliance, ethical commitments, and socially responsible business practices. However, these innovation activities may primarily reflect the strategic orientation and religious commitment of business owners rather than the direct contribution of employee competencies.

The results of descriptive statistics showed that the relatively higher scores related to ethical competition and halal-oriented products indicate that innovation is often used as a strategic differentiation mechanism within the halal market. Conversely, the relatively weaker score regarding the use of Islamic values to address competitive challenges suggests that SMEs may still face difficulties in transforming employee

competencies into proactive, value-driven innovation activities. This indicates that innovation within Indonesian halal SMEs is more strongly influenced by owner-driven ethical orientation and organizational commitment than by employee capability alone.

Previous studies similarly reported that the relationship between human capital and innovation is often more complex than traditionally assumed. Huang et al. (2023) argued that human capital mismatch may limit innovation performance when employee competencies are underutilized or not aligned with organizational needs. Marchiori & Franco (2020) further explained that innovation capability weakens when highly capable employees are confined to routine operational activities without strategic involvement.

Research conducted in SMEs and traditional industries also found that formal education and employee capability do not always translate directly into innovation outcomes (Liu et al., 2017; López-Rodríguez et al., 2018). In low-technology or resource-constrained environments, innovation is frequently influenced more by organizational leadership, strategic orientation, and external market pressures than by employee competencies alone.

Costa et al. (2014) and Crook et al. (2011) additionally emphasized that Human Capital requires structured organizational processes, strategic alignment, and formal innovation systems to generate meaningful innovation outcomes. Without adequate organizational support, employees' creativity and competencies may remain underutilized. This condition is particularly relevant within SMEs, where informal structures, limited resources, and centralized leadership often constrain collaborative innovation practices.

The findings therefore imply that Human Capital alone is insufficient to drive Islamic Innovation unless supported by organizational systems, ethical leadership, innovation culture, and strategic resource allocation. Within the context of Indonesian halal SMEs, Islamic Innovation appears to depend more heavily on owner commitment, organizational orientation, and Islamic ethical values rather than on employee competencies alone.

5.2.2.2 The Relationship Between Structural Capital and Islamic Innovation

As presented in Table 4.23 (p. 148), the result show that structural capital (SC) has a positive effect on Islamic innovation (INV) (β = 0.209, p value = 0.008, t value =

2.432). Therefore, Hypothesis 6, which posited that structural capital has a positive effect on Maqasid Sharia performance, is supported.

Structural capital represents organizational systems, infrastructure, databases, operational procedures, organizational culture, and knowledge-sharing mechanisms that support business activities and organizational learning. Previous studies consistently highlighted structural capital as an important driver of innovation because it provides the organizational foundation necessary for knowledge management, process coordination, and continuous improvement (Molthar & Indarti, 2021).

The findings of this study indicate that Structural Capital significantly contributes to Islamic Innovation among Indonesian halal SMEs. Businesses with stronger organizational systems, supportive infrastructure, and effective information-sharing mechanisms are better able to transform knowledge into innovative products, services, and operational improvements aligned with Islamic principles.

One important contribution of structural capital lies in its ability to facilitate knowledge acquisition, storage, and utilization within organizations. Beltramino et al. (2020) argued that businesses with well-developed organizational systems and supportive cultures create environments where both product and process innovation can flourish. Similarly, Arabiyat & Hasoneh (2019) emphasized that knowledge management systems enable organizations to preserve best practices, reduce operational inefficiencies, and improve organizational responsiveness.

Structural capital also supports innovation by strengthening organizational coordination and operational efficiency. Firms with stronger databases, technological systems, and standardized procedures are more capable of identifying market trends, responding to customer needs, and implementing new ideas effectively. Within Indonesian halal SMEs, these organizational capabilities are particularly important because businesses operate in increasingly competitive markets that require continuous adaptation while maintaining Islamic ethical standards.

In addition, structural capital contributes to process innovation by improving workflows, integrating technology, and supporting organizational learning (Al-Khatib, 2022). Businesses with efficient systems and supportive infrastructures are better positioned to document organizational knowledge, enhance productivity, and encourage continuous innovation. This enables SMEs to improve operational efficiency while simultaneously ensuring that innovation activities remain aligned with Islamic values such as fairness, transparency, and social responsibility.

The findings also indicate that structural capital plays an important role in operationalizing Islamic Innovation. A supportive work environment, efficient systems, and accessible technological tools enable organizations to focus not only on productivity improvement but also on ethical product and process development. For example, businesses with stronger infrastructures may be more capable of implementing halal-compliant production systems, improving service quality, and developing innovations that address societal needs.

These findings suggest that Islamic Innovation requires more than creative ideas alone. Innovation aligned with Islamic principles also depends on organizational readiness, structured processes, supportive infrastructure, and effective knowledge management systems. Consequently, structural capital functions as an important strategic resource enabling Indonesian halal SMEs to integrate innovation capability with Islamic ethical values. Overall, the findings reinforce the importance of structural capital as a strategic organizational asset that supports sustainable, ethical, and value-driven innovation within the halal SME sector.

5.2.2.3 The Relationship Between Relational Capital and Islamic Innovation

As presented in Table 4.23 (p. 148), the result show that relational capital (RC) has a positive effect on Islamic innovation (INV) ($\beta = 0.202$, p value = 0.020, t value = 2.060). Therefore, Hypothesis 7, which posited that structural capital has a positive effect on Maqasid Sharia performance, is supported.

Relational capital refers to an organization's ability to establish and maintain strong relationships with stakeholders, including customers, suppliers, communities, government institutions, and business partners. Previous studies consistently demonstrated that relational capital contributes significantly to innovation by strengthening collaboration, information exchange, market responsiveness, and stakeholder engagement (Aljuboori et al., 2022; Engelman et al., 2017). The findings of this study indicate that stakeholder relationships and external networks significantly support Islamic Innovation among Indonesian halal SMEs. Strong relationships with customers, suppliers, communities, and external institutions facilitate knowledge exchange and provide organizations with access to new ideas, market information, and collaborative opportunities that support innovation activities.

Previous studies emphasized that relational networks enhance organizational innovation capability by facilitating the acquisition of external knowledge (Mention, 2012) and encouraging collaboration among stakeholders (Ibidunni et al., 2020). Previous studies further explained that interactions between internal and external organizational actors create network systems that strengthen organizational learning and innovation development (Delgado, 2011; Subramaniam & Youndt, 2005).

Within the Indonesian halal SME context, relational capital also supports market-oriented strategies and socially responsible innovation practices. Fikri et al. (2022) highlighted that customer orientation, competitor orientation, and interfunctional coordination encourage organizations to develop innovations that align with customer expectations and Islamic values. This is particularly relevant within halal industries, where customer trust, ethical reputation, and cultural sensitivity strongly influence organizational competitiveness.

The descriptive findings revealed strong agreement regarding organizational involvement in community support activities. This suggests that SMEs recognize the importance of maintaining socially responsible relationships with communities and stakeholders (Giampaoli et al., 2019). Such practices strengthen goodwill, enhance stakeholder trust, and create opportunities for innovation that address societal and ethical needs consistent with Islamic principles.

Relational capital also supports Islamic Innovation by encouraging collaborative problem-solving and stakeholder engagement (Xu et al., 2019). Businesses capable of maintaining strong stakeholder networks are better positioned to identify unmet market needs, respond to changing consumer preferences, and develop products or services aligned with halal and ethical standards. Furthermore, strong stakeholder relationships improve organizational adaptability and facilitate the dissemination of market intelligence across organizational functions. Deichmann & Stam (2015) emphasized that effective coordination and information sharing contribute significantly to innovation development and strategic responsiveness.

The findings therefore imply that Islamic Innovation is not developed solely through internal organizational resources, but also through collaborative relationships, stakeholder trust, and socially responsible engagement with external parties. Within Indonesian halal SMEs, relational capital functions as an important mechanism connecting innovation capability with Islamic ethical values and societal expectations.

Overall, the findings reinforce the importance of relational capital as a strategic resource supporting collaborative, ethical, and socially responsive Islamic Innovation.

5.2.2.4 The Relationship Between Spiritual Capital and Islamic Innovation

As presented in Table 4.23 (p. 148), the result show that spiritual capital (SPC) has a positive effect on Islamic innovation (INV) (β = 0.368, p value = 0.000, t value = 4.492). Therefore, Hypothesis 8, which posited that spiritual capital has a positive effect on Maqasid Sharia performance, is supported.

Spiritual capital refers to intangible values related to religiosity, ethical orientation, moral responsibility, trustworthiness, and transcendental purpose within organizational activities. Previous studies demonstrated that spiritual capital significantly contributes to organizational innovation by strengthening ethical awareness, creativity, collaboration, resilience, and socially responsible decision-making (Usmanova et al., 2023; Kolade et al., 2020).

The findings of this study indicate that Spiritual Capital strongly contributes to Islamic Innovation among Indonesian halal SMEs. Organizations embedding spiritual values into their operations are more likely to develop innovations aligned with Islamic principles, ethical responsibility, and societal welfare. Within spiritual workplaces, employees and organizational members tend to develop shared values, stronger trust, transparent communication, and collective purpose. Usmanova et al. (2023) argued that such environments encourage creativity and innovative behavior because individuals feel more connected to organizational goals and ethical responsibilities. Similarly, Kolade et al. (2020) emphasized that spiritual values strengthen ethical decision-making and support innovative activities consistent with Islamic principles.

In highly religious societies such as Indonesia, spiritual values strongly influence entrepreneurial behavior and business practices (Games et al., 2024). Entrepreneurs frequently rely on religious beliefs and Islamic ethical principles when making strategic decisions, managing stakeholder relationships, and developing products or services. This explains why Spiritual Capital emerged as one of the strongest predictors of Islamic Innovation in this study. The findings further suggest that spiritual capital enhances innovation by fostering resilience, optimism, openness to change, and long-term organizational commitment. Entrepreneurs guided by spiritual values are often more willing to pursue innovations addressing social needs, community

welfare, and ethical business practices rather than focusing solely on short-term profitability.

Spiritual capital also strengthens collaboration and trust-based relationships among stakeholders. Entrepreneurs prioritizing values such as honesty, humility, fairness, and compassion are more likely to build supportive networks that facilitate knowledge exchange and collaborative innovation processes. This is particularly important within halal SMEs, where ethical credibility and stakeholder trust significantly influence business sustainability and innovation acceptance.

Another important contribution of spiritual capital lies in its ability to inspire purpose-driven innovation. Entrepreneurs motivated by higher ethical and spiritual objectives are more likely to explore innovative solutions addressing societal welfare, sustainability, and halal compliance. Neubert et al. (2017) further argued that spiritual practices such as prayer and reflection can strengthen creativity and help entrepreneurs overcome psychological barriers associated with uncertainty and innovation failure.

The findings therefore imply that Islamic Innovation is not driven solely by technological capability or market competition, but also by spiritual values that shape organizational behavior, ethical orientation, and social responsibility. Within Indonesian halal SMEs, spiritual capital functions as an important intangible resource that encourages innovation aligned with Islamic ethical principles and broader societal well-being. Overall, the findings reinforce the importance of spiritual capital as a strategic driver of ethical, socially responsible, and sustainable Islamic Innovation within the Indonesian halal business environment.

5.2.3 The Relationship Between Islamic Innovation and Maqasid Sharia Performance

As presented in Table 4.23 (p. 148), the result show that Islamic innovation (INV) has a positive effect on Maqasid Sharia performance (MS) ($\beta = 0.461$, p value = 0.000, t value = 8.596). Therefore, Hypothesis 9, which posited that Islamic innovation has a positive effect on Maqasid Sharia performance, is supported.

Innovation is widely recognized as an important driver of organizational growth, competitiveness, and long-term sustainability. Organizations that fail to innovate may experience difficulties in adapting to changing market conditions and maintaining competitiveness (Sivalogathasan & Wu, 2015). Previous studies also emphasized that

SMEs could improve innovation performance by effectively utilizing organizational resources and developing innovative products and processes (Raghuvanshi & Garg, 2022) that strengthen competitive advantage (Love & Roper, 2015). The findings of this study indicate that Islamic Innovation significantly contributes to Maqasid Sharia Performance among Indonesian halal SMEs. This suggests that innovation aligned with Islamic ethical principles not only enhances organizational competitiveness but also strengthens broader organizational objectives related to social welfare, fairness, ethical responsibility, and sustainable business practices.

Within the Islamic perspective, innovation is not viewed merely as a business strategy or economic necessity. Instead, innovation is encouraged as part of human responsibility to continuously seek improvement and beneficial solutions within the framework of Islamic values (Fikri et al., 2022). Malik et al. (2019) further emphasized that innovation is essential for achieving Maqasid Sharia because economic progress should be pursued in ways consistent with Islamic ethical principles and societal welfare.

Islamic Innovation therefore extends beyond conventional innovation by integrating economic, ethical, social, and spiritual considerations into organizational activities. This indicates that innovation within Islamic business environments should not focus solely on profitability and operational efficiency, but also on fairness, sustainability, halal compliance, and public benefit. Consequently, innovation becomes closely connected with the broader objectives of Maqasid Sharia, particularly the promotion of welfare (jalb al-maslahah), justice (iqomah al-adl), and ethical business conduct.

Previous studies also highlighted that Islamic Innovation encompasses both product and process innovation (Beltramino et al., 2022; Bulut et al., 2022; Hwang & Hsu, 2019; Ismanu & Kusmintarti, 2020; Xu et al., 2019). Islamic product innovation involves developing products and services that comply with Sharia principles while simultaneously addressing consumer needs and societal welfare. Meanwhile, Islamic process innovation focuses on improving operational systems, organizational procedures, and service delivery while maintaining ethical standards, fairness, and sustainability.

The findings imply that businesses capable of integrating Islamic values into product and process innovation are more likely to achieve stronger Maqasid Sharia Performance. Organizations that prioritize halal compliance, ethical sourcing, fairness,

and socially responsible operational practices not only strengthen market competitiveness but also improve stakeholder trust and long-term organizational sustainability.

Within the Indonesian halal SME context, Islamic Innovation is particularly important because businesses operate in highly religious and socially oriented environments where consumers increasingly value ethical and halal-based products and services. This creates pressure for SMEs to continuously innovate while maintaining Islamic ethical standards and societal responsibility. Consequently, Islamic Innovation functions not only as a competitive strategy but also as a mechanism for strengthening organizational legitimacy and stakeholder trust.

The integration of Islamic values into innovation activities also aligns with the Quranic principle encouraging beneficial and righteous actions. As stated in Surah Al-Baqarah (2:265):

مَثَلُ الَّذِينَ يُنفِقُونَ أَمْوَالَهُمُ ابْتِغَاءَ مَرْضَاتِ اللَّهِ وَتَثْبِيتًا مِّنْ أَنفُسِهِمْ كَمَثَلِ جَنَّةٍ بِرَبْوَةٍ أَصَابَهَا وَابِلٌ فَآتَتْ أُكُلَهَا ضِعْفَيْنِ

This verse emphasizes that actions performed sincerely and ethically generate beneficial and sustainable outcomes. In the business context, innovation guided by Tawhidic principles encourages organizations to pursue not only financial success but also societal well-being and ethical responsibility (Adham et al., 2013).

The findings therefore suggest that Islamic Innovation acts as an important mechanism connecting organizational competitiveness with ethical responsibility and Maqasid Sharia-oriented performance. Businesses capable of integrating innovation with Islamic principles are more likely to strengthen service quality, operational sustainability, stakeholder trust, and social responsibility simultaneously. Overall, the findings reinforce the importance of Islamic Innovation as a strategic organizational capability that supports sustainable growth, ethical business practices, and the achievement of broader Maqasid Sharia objectives within Indonesian halal SMEs.

5.2.4 The Relationship Between Intellectual Capital, Islamic Innovation and Maqasid Sharia Performance

5.2.4.1 The Relationship Between Human Capital, Islamic Innovation and Maqasid Sharia Performance

As presented in Table 4.25 (p. 149), Islamic Innovation (INV) has no mediating effect in the relationship between human capital (HC) and Maqasid Sharia performance (MS) (β = 0.054, p value = 0.052, t = 1.630). Therefore, Hypothesis 10, which posited that Islamic Innovation mediates the relationship between human capital and Maqasid Sharia performance, is not supported.

The findings indicate that Human Capital does not significantly contribute to Maqasid Sharia Performance through Islamic Innovation within Indonesian halal SMEs. This suggests that employee competencies alone are insufficient to stimulate innovation processes capable of improving broader Maqasid Sharia-oriented outcomes. One possible explanation relates to the structural characteristics of SMEs involved in this study. Most businesses were owner-centered organizations where innovation-related decisions were highly centralized around owner-managers. Deichmann & Stam (2015) argued that innovation activities within SMEs are often dominated by organizational leaders, limiting employees' involvement in strategic ideation and innovation development. Consequently, employees tend to focus more on operational implementation rather than contributing actively to innovation processes.

The findings also suggest that Islamic Innovation within these SMEs is frequently driven by compliance-oriented motivations rather than by collaborative innovation capability. Respondents reported relatively strong commitment toward halal compliance and ethical business practices. However, these activities appear to reflect owner-driven strategic orientation and religious commitment rather than innovation generated through employee competencies and organizational learning processes (Molthar & Indarti, 2021). Within the Indonesian halal SME context, innovation activities are frequently centralized around owner-managers due to limited organizational hierarchy and informal managerial structures. As a result, employees are often positioned as operational executors rather than strategic contributors to innovation and organizational transformation.

Previous studies similarly highlighted that human capital may fail to contribute significantly toward innovation when employee competencies are underutilized or poorly aligned with organizational needs. Huang et al. (2023) described this condition as human capital mismatch, where employees possessing advanced knowledge or skills are assigned to low-complexity operational tasks. Marchiori & Franco (2020) further emphasized that innovation capability weakens when organizations fail to strategically utilize employee competencies.

Research conducted in SMEs and traditional industries also reported that formal education and employee skills do not automatically enhance innovation capability or organizational performance (Liu et al., 2017; López-Rodríguez et al., 2018). Within low-resource environments, innovation is frequently shaped more strongly by organizational leadership, strategic orientation, and market pressures rather than employee capability alone.

Islamic Innovation itself may not be sufficient to directly translate Human Capital into Maqasid Sharia Performance. Several dimensions of Maqasid Sharia Performance, such as equitable profit distribution, ZISWAF allocation, employee welfare, and ethical governance, require broader organizational commitment, strategic policies, and financial capability beyond innovation activities alone (López-Rodríguez et al., 2018). Consequently, innovation capability derived from employee competencies may not immediately produce measurable improvements in Maqasid Sharia-oriented organizational outcomes.

Previous studies similarly argued that Human Capital requires organizational systems, formal innovation processes, and strategic alignment to generate meaningful innovation outcomes (Costa et al., 2014; Crook et al., 2011). Without supportive organizational structures and strategic integration, employee competencies often remain underutilized, particularly within SMEs characterized by limited resources and informal operational systems.

The findings therefore imply that Human Capital alone is insufficient to drive Islamic Innovation and subsequently improve Maqasid Sharia Performance. Within Indonesian halal SMEs, achieving Maqasid Sharia-oriented performance requires stronger organizational commitment, strategic leadership, structured innovation systems, and effective resource allocation capable of transforming employee competencies into meaningful innovation outcomes. Overall, the absence of a significant mediating effect reinforces the argument that Human Capital should not be

viewed as an isolated organizational resource. Instead, its contribution toward Islamic Innovation and Maqasid Sharia Performance depends heavily on organizational readiness, innovation culture, leadership orientation, and strategic implementation mechanisms.

5.2.4.2 The Relationship Between Structural Capital, Islamic Innovation and Maqasid Sharia Performance

As presented in Table 4.25 (p. 149), Islamic Innovation (INV) mediates the relationship between structural capital (SC) and Maqasid Sharia performance (MS) (β = 0.096, p value = 0.015, t=2.188). Therefore, Hypothesis 11, which posited that Islamic Innovation mediates the relationship between structural capital and Maqasid Sharia performance, is supported.

Previous studies consistently highlighted innovation as an important mechanism linking Structural Capital with organizational performance (Aljuboori et al., 2022; Beltramino et al., 2020, 2022). Structural Capital, which includes organizational infrastructure, databases, systems, operational procedures, and organizational culture, provides the organizational foundation necessary for innovation development and operational efficiency (Barney, 1991).

The findings of this study indicate that Islamic Innovation functions as an important mechanism through which Structural Capital contributes to Maqasid Sharia Performance within Indonesian halal SMEs. This suggests that organizational systems and infrastructure alone may not directly improve organizational performance unless effectively transformed into innovation activities aligned with Islamic principles.

Structural Capital facilitates Islamic Innovation by creating supportive organizational environments that enable knowledge management, information sharing, operational coordination, and continuous learning (Beltramino et al., 2020; Youndt et al., 2004). Businesses equipped with supportive infrastructures, reliable technological systems, and efficient workflows are better positioned to develop innovative products, services, and operational improvements aligned with Islamic ethical standards. According to the descriptive statistic, many halal SMEs still operate with limited technological infrastructure and relatively informal operational systems. Consequently, businesses that successfully develop structured workflows, knowledge-sharing

mechanisms, and digital support systems are more capable of translating innovation activities into sustainable Maqasid Sharia-oriented outcomes.

The findings also indicate that organizational systems emphasizing transparency, sustainability, and operational efficiency strengthen the implementation of Islamic Innovation. Previous studies argued that supportive organizational structures encourage businesses to develop innovations that address both market demands and ethical responsibilities (Arabiyat & Hasoneh, 2019; Molthar & Indarti, 2021). Within Indonesian halal SMEs, this is particularly important because businesses operate in increasingly competitive markets requiring continuous innovation while maintaining halal compliance and ethical business conduct.

Islamic Innovation subsequently transforms Structural Capital into broader Maqasid Sharia-oriented outcomes. Innovation activities supported by organizational systems contribute to employee development, ethical governance, equitable operational practices, and societal welfare. For example, innovation-driven organizational systems may improve employee training programs, enhance service quality, strengthen transparency, and support fair resource allocation.

The findings further suggest that Islamic Innovation strengthens the implementation of key Maqasid Sharia principles, including fairness (iqomah al-adl), public welfare (jalb al-maslahah), and individual development (tahdhib al-fard). Businesses capable of integrating Islamic ethical values into operational systems and innovation processes are more likely to improve organizational sustainability and stakeholder trust simultaneously.

Previous studies also emphasized that process and product innovation supported by Structural Capital enhance operational efficiency, organizational learning, and social responsibility (Beltramino et al., 2020). Structured workflows, efficient systems, and technological readiness enable organizations to optimize productivity, improve service quality (Aljuboori et al., 2022), and strengthen ethical business practices consistent with Maqasid Sharia objectives. This finding also reflects the increasing importance of organizational readiness among Indonesian halal SMEs as businesses face growing market competition, digital transformation pressures, and rising consumer expectations regarding halal and ethical business practices.

The findings therefore imply that Structural Capital contributes to Maqasid Sharia Performance indirectly through Islamic Innovation rather than through direct organizational effects alone. Organizational systems and infrastructure become

strategically valuable when effectively utilized to support ethical innovation, organizational learning, and socially responsible business practices. Overall, the findings hughlight the importance of integrating Structural Capital and Islamic Innovation as complementary organizational resources capable of supporting sustainable, ethical, and Maqasid Sharia-oriented organizational performance within Indonesian halal SMEs.

5.2.4.3 The Relationship Between Relational Capital, Islamic Innovation and Maqasid Sharia Performance

As presented in Table 4.25 (p. 149), Islamic Innovation (INV) mediates the relationship between relational capital (RC) and Maqasid Sharia performance (MS) (β = 0.093, p value = 0.020, t = 2.053). Therefore, Hypothesis 12, which posited that Islamic Innovation mediates the relationship between relational capital and Maqasid Sharia performance, is supported.

Relational Capital reflects an organization's ability to establish and maintain strong relationships with stakeholders, including customers, suppliers, communities, government institutions, and business partners. Previous studies consistently demonstrated that relational capital strengthens organizational competitiveness, market responsiveness, stakeholder trust (Aljuboori et al., 2022), and long-term sustainability (Kim & Tran, 2023; Muda et al., 2020). The findings of this study indicate that Islamic Innovation acts as an important mechanism connecting Relational Capital with Maqasid Sharia Performance within Indonesian halal SMEs. This suggests that stakeholder relationships become more valuable when transformed into innovation activities aligned with Islamic ethical principles and societal needs.

Relational Capital facilitates Islamic Innovation by enabling organizations to access external knowledge, market information, and collaborative opportunities. Previous studies emphasized that knowledge exchange and stakeholder collaboration significantly contribute to innovation capability (Engelman et al., 2017; Ibidunni et al., 2020). Organizations maintaining strong stakeholder relationships are therefore better positioned to identify market opportunities, understand consumer expectations, and develop innovative solutions (Deshpandé et al., 2013; Ishtiaque et al., 2019) consistent with halal and ethical standards. Within the Indonesian halal SME context, stakeholder relationships are particularly important because business sustainability is strongly

influenced by social trust, community engagement, and ethical reputation. Businesses capable of maintaining strong customer orientation and collaborative stakeholder relationships are more likely to develop innovations aligned with societal expectations and Islamic values.

Previous studies further highlighted that relational capital supports market-oriented innovation through customer focus, competitor awareness, and interfunctional coordination (Fikri et al. 2022). This enables organizations not only to respond to market changes but also to shape innovation activities that strengthen ethical business conduct and long-term stakeholder trust. Islamic Innovation subsequently strengthens the contribution of Relational Capital toward Maqasid Sharia Performance by integrating social responsibility, ethical governance, and public welfare into business strategies. Businesses actively engaging with communities and stakeholders are more likely to develop innovations supporting halal compliance, financial inclusivity, transparency, and sustainable operational practices.

The findings also indicate that Islamic Innovation contributes to the implementation of Maqasid Sharia principles such as fairness (iqomah al-adl), public welfare (jalb al-maslahah), and individual development (tahdhib al-fard). Businesses emphasizing stakeholder engagement and socially responsible innovation are more likely to improve ethical governance, strengthen customer trust, and contribute positively to societal well-being. Furthermore, relational capital facilitates knowledge dissemination and ethical awareness among stakeholders (Kim & Tran, 2023; Muda et al., 2020). Organizations leveraging collaborative networks and stakeholder relationships are better able to promote Sharia-compliant business practices and innovation-driven learning processes across organizational environments.

The findings reflect the characteristics of Indonesian halal SMEs, where collaborative networks, religious communities, and stakeholder trust significantly influence innovation capability and business sustainability. The findings therefore imply that Islamic Innovation strengthens the strategic value of Relational Capital by transforming stakeholder relationships into ethical, socially responsible, and Sharia-compliant innovation activities. Within Indonesian halal SMEs, relational networks become an important mechanism supporting both organizational competitiveness and Maqasid Sharia-oriented performance.

5.2.4.4 The Relationship Between Spiritual Capital, Islamic Innovation and Maqasid Sharia Performance

As presented in Table 4.25 (p. 149), Islamic Innovation (INV) mediates the relationship between spiritual capital (SC) and Maqasid Sharia performance (MS) (β = 0.170, p value = 0.000, t = 3.930). Therefore, Hypothesis 13, which posited that Islamic Innovation mediates the relationship between spiritual capital and Maqasid Sharia performance, is supported.

Spiritual Capital refers to intangible values related to religiosity, ethical responsibility, integrity, trustworthiness, and transcendental purpose that shape organizational behavior and decision-making. Previous studies consistently highlighted that Spiritual Capital contributes significantly to organizational sustainability, ethical conduct, innovation capability, and stakeholder trust (Li et al., 2023; Usmanova et al., 2023). The findings of this study indicate that Islamic Innovation serves as an important mechanism through which Spiritual Capital contributes to Maqasid Sharia Performance within Indonesian halal SMEs. This suggests that spiritual values not only shape ethical orientation directly but also encourage innovation activities aligned with Islamic principles and societal welfare.

Spiritual Capital provides an ethical and moral foundation supporting creativity, innovation, and responsible decision-making within organizations. Kolade et al. (2023) argued that spiritual values strengthen organizational insight, ethical awareness, and knowledge development, enabling businesses to innovate in ways that support both competitiveness and social responsibility.

In the Indonesian context, spirituality and religiosity remain deeply embedded within entrepreneurial activities and business decision-making processes. Within highly religious societies such as Indonesia, spiritual values strongly influence entrepreneurial orientation, organizational culture, and innovation behavior. Entrepreneurs guided by Islamic ethical principles are more likely to develop innovations addressing societal welfare, environmental sustainability, fairness, and halal compliance. This explains why Islamic Innovation effectively mediates the relationship between Spiritual Capital and Maqasid Sharia Performance in this study.

Neubert et al. (2017) further emphasized that spiritual values encourage openness to opportunity recognition, creativity, resilience, and long-term commitment toward innovation activities. Entrepreneurs possessing stronger spiritual orientation are

generally more willing to pursue innovative solutions despite resource limitations and market uncertainty. Such innovation capability becomes particularly important within SMEs operating in dynamic and competitive halal markets.

Islamic Innovation subsequently transforms Spiritual Capital into broader organizational outcomes aligned with Maqasid Sharia principles. Businesses integrating spiritual values into innovation processes are more likely to strengthen ethical governance, social responsibility, environmental sustainability, and stakeholder trust simultaneously.

The findings also indicate that Islamic Innovation contributes to broader societal objectives, including social justice, financial inclusivity, and sustainable development. Organizations embedding spiritual values into innovation activities tend to prioritize responsible operational practices and socially beneficial innovations consistent with Islamic ethical teachings. Rima (2020) argued that spiritual capital functions as a moral foundation supporting accountability, fairness, and collective welfare within organizations. When organizations integrate spiritual values into innovation processes, they contribute not only to organizational competitiveness but also to broader societal development and ethical transformation.

This finding reflects the growing role of Islamic ethical orientation within Indonesia's halal economic ecosystem, where businesses are increasingly expected to balance profitability with social responsibility, ethical governance, and community welfare. The findings therefore imply that Spiritual Capital contributes more effectively toward Maqasid Sharia Performance when translated into innovation activities aligned with Islamic values and societal welfare. Within Indonesian halal SMEs, spiritual values become strategically meaningful when operationalized through ethical innovation practices capable of generating sustainable organizational and social outcomes.

5.3 Summary of The Chapter

The study reveals that not all components of intellectual capital directly influence Maqasid Sharia performance. Specifically, human capital and structural capital do not show any significant relationship with Maqasid Sharia performance. However, relational capital and spiritual capital demonstrate a positive and significant

impact, indicating that external relationships and spiritual values play an essential role in enhancing Maqasid Sharia performance.

Regarding the impact of intellectual capital on Islamic innovation, the findings indicate that structural capital, relational capital, and spiritual capital positively and significantly influence Islamic innovation. However, human capital does not show any significant effect on Islamic innovation. This suggests that while human capital alone may not drive Islamic innovation, the structures, relationships, and spiritual values within an organization contribute to fostering innovative practices aligned with Islamic principles.

The study also examines the role of Islamic innovation in linking intellectual capital with Maqasid Sharia performance. The findings indicate that Islamic innovation does not mediate the relationship between human capital and Maqasid Sharia performance. However, it fully mediates the relationship between structural capital and Maqasid Sharia performance, implying that structural elements only contribute to Maqasid Sharia performance through innovation. Additionally, Islamic innovation partially mediates the relationships between relational capital, spiritual capital, and Maqasid Sharia performance. This highlights the importance of Islamic innovation as a mechanism through which relational and spiritual aspects enhance Maqasid Sharia performance. Finally, the study confirms that Islamic innovation has a direct and significant impact on Maqasid Sharia performance, reinforcing the importance of innovative approaches in achieving Islamic economic and social objectives. The next chapter presents the conclusions and recommendations based on these findings. Table 5.1 shows the summary of the research questions as discussed earlier.

Table 5.1
Summary of Discussion

Research Question	Objective	Findings
RQ 1: To what extent does Intellectual Capital influence Maqasid Sharia performance?	To examine the effect of Intellectual Capital on Maqasid Sharia Performance.	
RQ 1a: To what extent does Human Capital influence Maqasid Sharia performance?	To examine the effect of Human Capital on Maqasid Sharia Performance.	There is no relationship between human capital and Maqasid Sharia performance.
RQ 1b: To what extent does Human Capital influence Maqasid Sharia performance?	To examine the effect of Structural Capital on Maqasid Sharia Performance.	There is no relationship between structural capital and Maqasid Sharia performance.
RQ 1c: To what extent does Structural Capital influence Maqasid Sharia performance?	To examine the effect of Relational Capital on Maqasid Sharia Performance.	There is a positive and significant effect between relational capital and Maqasid Sharia performance.
RQ 1d: To what extent does Relational Capital influence Maqasid Sharia performance?	To examine the effect of Spiritual Capital on Maqasid Sharia Performance.	There is a positive and significant effect between spiritual capital and Maqasid Sharia performance.
RQ 2: To what extent does Intellectual Capital influence Islamic Innovation?	To analyze the effect of Intellectual Capital on Islamic Innovation.	
RQ 2a: To what extent does Human Capital influence Islamic Innovation?	To analyze the effect of Human Capital on Islamic Innovation.	There is no effect between human capital and Islamic innovation.
RQ 2b: To what extent does Structural Capital influence Islamic Innovation?	To analyze the effect of Structural Capital on Islamic Innovation.	There is a positive and significant effect between structural capital and Islamic innovation.
RQ 2c: To what extent does Relational Capital influence Islamic Innovation?	To analyze the effect of Relational Capital on Islamic Innovation.	There is a positive and significant effect between relational capital and Islamic innovation.
RQ 2d: To what extent does Spiritual Capital influence Islamic Innovation?	To analyze the effect of Spiritual Capital on Islamic Innovation.	There is a positive and significant effect between

Research Question	Objective	Findings
		spiritual capital and Islamic innovation.
RQ 3: To what extent does Islamic Innovation influence Maqasid Sharia performance?	To investigate the effect of Islamic Innovation on Maqasid Sharia Performance.	There is a positive and significant effect between Islamic innovation and Maqasid Sharia performance.
RQ 4: How Islamic Innovation influence the relationship between Intellectual Capital and Maqasid Sharia Performance?	To examine the influence of Islamic Innovation in the relationship between Intellectual Capital and Maqasid Sharia Performance.	
RQ 4a: How Islamic Innovation influence the relationship between Human Capital and Maqasid Sharia Performance?	To examine the influence of Islamic Innovation in the relationship between Human Capital and Maqasid Sharia Performance.	Islamic Innovation has no mediating effect in the relationship between Human Capital and Maqasid Sharia Performance.
RQ 4b: How Islamic Innovation influence the relationship between Structural Capital and Maqasid Sharia Performance?	To examine the influence of Islamic Innovation in the relationship between Structural Capital and Maqasid Sharia Performance.	Islamic Innovation mediates the relationship between Structural Capital and Maqasid Sharia Performance.
RQ 4c: How Islamic Innovation influence the relationship between Relational Capital and Maqasid Sharia Performance?	To examine the influence of Islamic Innovation in the relationship between Relational Capital and Maqasid Sharia Performance.	Islamic Innovation mediates the relationship between Relational Capital and Maqasid Sharia Performance.
RQ 4d: How Islamic Innovation influence the relationship between Spiritual Capital and Maqasid Sharia Performance?	To examine the influence of Islamic Innovation in the relationship between Spiritual Capital and Maqasid Sharia Performance.	Islamic Innovation mediates the relationship between Spiritual Capital and Maqasid Sharia Performance.

CHAPTER 6
CONCLUSION

6.1 Introduction of the Chapter

This study has achieved its research objectives in examining the roles of intellectual capital, Islamic innovation, and Maqasid Sharia performance within the context of halal industry SMEs. This chapter presents the main conclusions based on the empirical findings. It revisits the research questions to demonstrate how each of them has been addressed through the analysis of the measurement and structural models. The chapter also reflects on the theoretical foundations used in the study and explains how the results contribute to the broader understanding of resource-based perspectives and Sharia-driven performance frameworks.

In addition to summarizing the findings, this chapter outlines the implications of the study for scholars, policymakers, and SME practitioners operating in the halal sector. These implications highlight the ways in which intellectual capital and Islamic innovation can be leveraged to strengthen organizational performance in alignment with Maqasid Sharia principles. The chapter further acknowledges the limitations faced during the research process, including methodological and contextual constraints that may have influenced the outcomes. Recognizing these limitations provides a basis for interpreting the findings with appropriate caution.

Finally, this chapter offers recommendations for future research to build upon the current work, suggesting potential avenues for deeper investigation and broader application. Practical recommendations are also offered to guide industry players and stakeholders in enhancing Sharia-oriented performance among halal SMEs. Together, these elements provide a comprehensive conclusion that connects the study's aims, findings, and contributions.

6.2 Readdressing Research Questions

This section revisits the research questions to demonstrate how the findings of the study have addressed each one.

RQ1: To what extent does Intellectual Capital influence Maqasid Sharia Performance?

The findings reveal that not all dimensions of Intellectual Capital contribute equally to Maqasid Sharia Performance. Relational Capital and Spiritual Capital demonstrated significant positive effects, indicating that stakeholder trust, ethical business relationships, and spiritually grounded organizational values play important roles in enhancing Sharia-aligned organizational performance. Within the Indonesian halal SME context, these findings reflect the importance of social trust, religiosity, and ethical orientation in shaping sustainable business practices and long-term organizational legitimacy.

Human Capital and Structural Capital, however, did not show direct significant effects on Maqasid Sharia Performance. Although employee competencies, organizational systems, and operational infrastructure are important organizational resources, these factors alone may not directly improve broader Maqasid Sharia objectives without strategic alignment, leadership commitment, and innovation-oriented implementation (López Rodríguez & Serrano Orellana, 2020; Witasari & Gustomo, 2020). Previous studies similarly emphasized that organizational systems and infrastructure only contribute meaningfully to performance when effectively utilized and integrated into innovation processes (Ekayani et al., 2023; Beltramino et al., 2020; Abubakar et al., 2019). The findings therefore suggest that Maqasid Sharia Performance within Indonesian halal SMEs is influenced not only by resource ownership, but also by the organization's ability to operationalize those resources into ethical, socially responsible, and innovation-driven business practices.

RQ2: To what extent does Intellectual Capital influence Islamic Innovation?

The findings confirm that Structural Capital, Relational Capital, and Spiritual Capital significantly support Islamic Innovation. Organizations equipped with stronger systems, collaborative stakeholder relationships, and spiritually guided values are more

likely to develop innovations aligned with Islamic principles and ethical business conduct.

Within Indonesian halal SMEs, innovation capability appears to depend heavily on organizational readiness, stakeholder collaboration, and ethical orientation rather than relying solely on employee competencies. Structural Capital supports Islamic Innovation through efficient systems, operational coordination, and knowledge-sharing mechanisms, while Relational Capital strengthens innovation through external collaboration, stakeholder trust, and market responsiveness. Spiritual Capital further enhances innovation by encouraging ethical awareness, moral responsibility, and socially oriented business practices.

Human Capital, however, did not demonstrate a significant effect on Islamic Innovation. This may be explained by the owner-centered characteristics of many SMEs, where employees are more involved in operational activities rather than strategic innovation processes (Deichmann & Stam, 2015; Huang et al., 2023; Molthar & Indarti, 2021). Previous studies also highlighted that employee competencies alone are insufficient to stimulate innovation without supportive systems, strategic alignment, and organizational commitment (Marchiori & Franco, 2020; López-Rodríguez et al., 2018; Liu et al., 2017; Crook et al., 2011). These findings indicate that Islamic Innovation within Indonesian halal SMEs is shaped more strongly by organizational systems, ethical orientation, and stakeholder relationships than by employee capability alone.

RQ3: To what extent does Islamic Innovation influence Maqasid Sharia Performance?

The findings demonstrate that Islamic Innovation has a significant positive effect on Maqasid Sharia Performance. This suggests that SMEs integrating Sharia-compliant, ethically grounded, and socially responsible innovation into their business activities are more capable of achieving organizational objectives related to fairness, public welfare, and sustainable development.

Innovation within Islamic business environments extends beyond conventional product and process improvement. Instead, Islamic Innovation integrates ethical responsibility, halal compliance, social welfare, and sustainability into organizational activities (Fikri et al., 2022; Malik et al., 2019). Within the Indonesian halal market

context, this finding reflects the growing expectation for SMEs to balance competitiveness with ethical and socially responsible business conduct.

Organizations capable of embedding Islamic values into innovation activities are therefore more likely to strengthen stakeholder trust, improve operational sustainability, and maintain long-term organizational legitimacy. The findings therefore highlight the importance of Islamic Innovation as a strategic mechanism connecting organizational competitiveness with ethical responsibility and Maqasid Sharia-oriented performance within Indonesian halal SMEs.

RQ4: How does Islamic Innovation influence the relationship between Intellectual Capital and Maqasid Sharia Performance?

The mediation analysis shows that Islamic Innovation plays an important mediating role in the relationship between several dimensions of Intellectual Capital and Maqasid Sharia Performance. Structural Capital, Relational Capital, and Spiritual Capital indirectly contribute to Maqasid Sharia Performance through Islamic Innovation, indicating that these organizational resources become more meaningful when transformed into Sharia-aligned innovation practices.

Previous studies similarly highlighted that innovation functions as a strategic mechanism capable of transforming organizational capabilities into performance outcomes (Aljuboori et al., 2022; Beltramino et al., 2020). Within the context of Indonesian halal SMEs, Islamic Innovation enables organizations to operationalize intellectual resources into ethical, socially responsible, and sustainable business practices consistent with Maqasid Sharia principles.

The findings also reveal that Human Capital did not demonstrate a significant mediating relationship through Islamic Innovation. This suggests that employee competencies alone may not be sufficient to generate innovation activities capable of improving Maqasid Sharia-oriented performance without organizational support, leadership commitment, and innovation-driven systems.

Overall, the findings indicate that Islamic Innovation serves as an important strategic mechanism connecting Intellectual Capital with Maqasid Sharia Performance. This highlights the importance of integrating organizational systems, stakeholder relationships, and spiritual values into innovation processes to strengthen ethical business practices, societal welfare, and sustainable organizational performance within the Indonesian halal SME environment.

6.3 Implications

The results of this study provide several important implications for SMEs in the halal industry, especially regarding how intellectual capital, Islamic innovation, and Maqasid Sharia performance interact to support organizational success. The findings reveal that human capital remains one of the most challenging areas for halal SMEs, particularly in terms of employees' ability to identify growth opportunities, adapt to market demands, and make informed business decisions. This reinforces previous studies highlighting that strong human capital is essential for sustaining competitive advantage and fostering innovation (Al-Khatib, 2022; Lo et al., 2020; Rehman et al., 2022). SMEs, therefore, need to strengthen employee competencies and ethical conduct, as these qualities reinforce tahdhib al-fard, iqomah al-'adl, and jalb al-maslahah through knowledge sharing, fair practices, and community-oriented innovation (Al Mansoori et al., 2025; Hasnat Bhatti et al., 2023; Abalala et al., 2021; Asad et al., 2021;). By strategically nurturing and utilizing their human capital, SMEs can ensure that employee capabilities genuinely support Sharia-aligned innovation and enhance overall Maqasid Sharia performance.

Structural capital also emerged as an area requiring improvement, as many SMEs reported operational inefficiencies and technological constraints that hinder productivity. This finding aligns with previous studies (Beltramino et al., 2022; Muda et al., 2020), who emphasize that effective structural capital is a critical foundation for innovation and performance. To address these gaps, SMEs should invest in stronger systems and digital tools help embed fairness, learning, and community welfare so SMEs should prioritize digital platforms and workflow improvements (Al Zeer et al., 2024; Jo & Raj, 2024; Machado & Davim, 2021), with support from government and financial institutions through grants and capacity-building programs.

The study further identified limited relational capital, particularly in the form of weak engagement with financial institutions and industry development programs. Relational capital plays a crucial role in strengthening business resilience, as it allows SMEs to access external resources, partnerships, and financial networks (Aljuboori et al., 2022; Sumi et al., 2024). Strengthening connections with Islamic banks, halal certification bodies, business associations, and research institutions can provide SMEs with better access to capital, advisory services, and collaborative opportunities. Financial institutions, in turn, should develop tailored Islamic financing schemes to support the diverse needs of halal SMEs.

Sales performance and market expansion remain major challenges for halal SMEs, reflecting gaps in marketing capabilities and market access. The findings suggest that SMEs must adopt modern marketing approaches, such as digital branding, social media engagement, and e-commerce integration. Strengthening partnerships with halal certification agencies and industry networks can improve credibility and visibility, ultimately enhancing customer trust. This is particularly important given that Maqasid Sharia performance emphasizes financial stability, community welfare, and ethical business conduct.

Islamic innovation also represents an important area for development. While SMEs recognize the importance of innovation, many struggle to integrate Islamic values consistently into their innovation processes. This is aligned with Azmi & Hashim (2022), who stress that Islamic innovation must balance market needs with ethical and religious principles. Collaborations with Islamic scholars, research institutions, and innovation consultants can help SMEs design new products and services that reflect

6.4 Limitations

This study has several limitations that should be acknowledged when interpreting the findings. Nevertheless, these limitations do not diminish the overall validity and contribution of the study. Instead, they provide opportunities for future research to further expand and refine the understanding of Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance within halal SMEs.

First, the study encountered challenges related to data collection due to the absence of an official and centralized database specifically identifying halal SMEs in Banyumas Regency. Although general SME statistics are available, no formal registry distinguishes halal-certified or halal-oriented SMEs. Consequently, the researcher relied on manual verification and direct outreach to identify eligible respondents. While this approach helped ensure that the selected respondents met the study criteria, it may have limited the overall coverage of halal SMEs within the region. Future studies may benefit from stronger institutional collaboration with halal certification agencies, local governments, or SME associations to obtain broader and more comprehensive sampling frames (Hair et al., 2022).

Second, the sample composition largely reflects the actual characteristics of SMEs in Banyumas Regency, where small enterprises dominate the halal business

sector. Although this enhances the contextual relevance of the study, it may limit broader comparison across different categories of SMEs. Intellectual Capital capability, innovation maturity, and organizational structure may differ significantly between micro, small, and medium enterprises. Therefore, caution should be exercised when generalizing the findings across different organizational scales and industrial contexts.

Third, this study adopted a cross-sectional research design, where data were collected at a single point in time. As a result, the study was unable to capture the dynamic evolution of Intellectual Capital, Islamic Innovation, and Maqasid Sharia Performance over time. Organizational learning, innovation capability, and ethical business practices are continuously influenced by market conditions, technological change, regulatory developments, and organizational adaptation processes. A longitudinal research design would therefore provide richer insights into how these relationships evolve within the Indonesian halal SME environment.

Fourth, the study relied on a single-informant approach, where one respondent represented each SME organization. The selected respondents were business practitioners directly involved in managerial, supervisory, strategic, or operational decision-making activities. Although this approach is commonly adopted in SME research due to organizational size limitations and accessibility considerations, it may still introduce subjective perception bias. Different organizational members may hold different perspectives regarding innovation capability, organizational systems, and Maqasid Sharia-oriented practices. Future studies may therefore strengthen the robustness of findings by employing multi-informant approaches involving owners, managers, employees, financial officers, and external stakeholders.

Fifth, the study was conducted within a specific cultural, religious, and geographical setting, namely halal SMEs operating in Banyumas Regency, Indonesia. This context was intentionally selected because the study aimed to examine Maqasid Sharia Performance within an Islamic business environment. However, cultural norms, religiosity, halal ecosystem maturity, and institutional support structures may differ across regions and countries. Consequently, the findings may not be fully generalizable to non-halal industries or different cultural and regulatory environments.

In addition, this study primarily focused on the mediating role of Islamic Innovation between Intellectual Capital and Maqasid Sharia Performance. Other potentially important organizational factors, such as entrepreneurial orientation, digital capability, organizational culture, leadership style, and Sharia governance, were not

incorporated into the model. These variables may also influence organizational performance and innovation capability within halal SMEs and therefore warrant further investigation in future studies. Despite these limitations, the study provides meaningful theoretical and practical contributions by extending the discussion of Intellectual Capital and innovation into the context of Maqasid Sharia Performance within Indonesian halal SMEs. The findings contribute to understanding how organizational resources, ethical orientation, and Islamic Innovation interact to support sustainable and socially responsible business performance.

6.5 Recommendation

This study has several recommendations to support the sustainable development of halal industry SMEs. For policymakers and relevant authorities, strengthening institutional support systems is essential. One of the immediate priorities is the establishment of a centralized and regularly updated database of halal SMEs. Such a database would not only facilitate more accurate research and policy planning but also enhance coordination among ministries, agencies, and industry stakeholders. Moreover, government should expand capacity-building initiatives to include more targeted training on intellectual capital development and Islamic innovation. Islamic financial institutions also play a crucial role to encouraged and design financing schemes that accommodate the specific needs of halal SMEs, particularly those related to digital transformation, innovation activities, and halal certification. Authorities such as BPJPH may further contribute by simplifying certification procedures, increasing outreach efforts, and reducing compliance burdens to help SMEs access halal-related knowledge and services more easily.

For SMEs, the findings highlight the need to strengthen internal capabilities, beginning with the development of human capital. Investing in employee skills, ethical awareness, and continuous learning can help align organizational behaviour with the principles of Maqasid Sharia. SMEs are also encouraged to enhance their structural capital by adopting digital tools such as management systems, workflow automation, and digital documentation platforms to improve operational efficiency. Building stronger relational capital is equally important to actively engage with business associations, halal certification agencies, Islamic financial institutions, and academic partners to access new knowledge, training opportunities, financial support, and market

linkages. Finally, SMEs should prioritize Islamic innovation by integrating Sharia principles into both product and process innovation. This integration will not only improve competitiveness but also ensure that business practices remain aligned with ethical and social objectives, ultimately contributing to stronger Maqasid Sharia performance.

6.6 Suggestions for Future Research

Several opportunities exist for future studies to extend, refine, and deepen the insights generated from this research. First, future research should consider developing or accessing a formalized database of halal SMEs, ideally in collaboration with government agencies such as the Ministry of Cooperatives and SMEs, BPJPH, or regional halal centers. A more comprehensive sampling frame would enable broader representation and allow more precise comparisons across SME categories, sectors, and geographical clusters.

Second, employing a longitudinal research design is recommended to capture the dynamic evolution of intellectual capital, Islamic innovation adoption, and Maqasid Sharia performance. Longitudinal data would allow researchers to observe causal pathways more accurately and evaluate how SMEs adapt their strategies over time, especially in response to shifts in halal certification policies, digital transformation, and competitive pressures.

Third, future studies should adopt multi-informant data collection to reduce respondent bias. Collecting data from owners, managers, employees, and external partners can yield more robust insights into how intellectual capital is developed, shared, and applied within SMEs. This approach will also enrich the understanding of how innovation decisions are made and how organizational values shape performance.

Fourth, researchers may explore the influence of additional mediators or moderators such as digital capability, entrepreneurial orientation, Sharia governance, leadership style, or organizational culture. These variables have been highlighted in recent literature as important drivers of innovation and ethical performance in Islamic business contexts.

Fifth, future studies could broaden the scope beyond Banyumas Regency to include comparative analyses across regions or countries. Comparative studies could uncover how differences in policy environments, cultural norms, halal ecosystems, and

business infrastructures influence the relationship between intellectual capital and Maqasid Sharia performance. This would significantly enhance external validity and theoretical generalization.

Sixth, qualitative or mixed-method approaches could provide deeper insights into how SMEs interpret and apply Maqasid Sharia principles. Interviews, case studies, and ethnographic work may reveal that quantitative surveys cannot capture. Seventh, future researchers may consider analyzing the role of technology adoption and examining how technological readiness interacts with intellectual capital to shape Islamic innovation outcomes. This is particularly relevant as digital transformation becomes increasingly important in the halal value chain. Finally, expanding the model to incorporate economic performance indicators, such as profitability, growth rate, or export readiness, could provide a more holistic understanding of how Islamic values align with financial sustainability as a central concern in Islamic economics and Maqasid Sharia frameworks.

6.7 Summary of the Chapter

This chapter presents main conclusions of the study by reassessing the research objectives, explaining the key findings, and outlining their implications for halal SMEs in Banyumas Regency. The results show that intellectual capital contributes meaningfully to Maqasid Sharia performance, with Islamic innovation functioning as an important mediating pathway. The chapter also highlights several practical implications which underline the broader importance of aligning intellectual resources and innovation with Maqasid Sharia to support sustainable growth in the halal SME sector.

The discussion further identifies several limitations which provide opportunities for future research. Overall, this chapter emphasizes that strengthening intellectual capital and promoting Islamic innovation remain essential strategies for improving Maqasid Sharia performance. The recommendations offered aim to guide SMEs, policymakers, and practitioners in developing a more competitive, ethical, and resilient halal business ecosystem.

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APPENDICES

APPENDIX A

Taxonomy Of Variables

Organizational and Business Performance

Author	Definition	Dimension of Performance Measurement	Independent Variable	Country	Focus	Methodology
Pratiwi et al (2025)	Organizational performance refers to the extent an organization achieves its objectives and goals, typically measured in terms of financial success, operational efficiency, and the attainment of strategic targets.	Financial achievements, operational efficiency, and strategic goal attainment	Green Human Capital (GHC)	Indonesia	Employees at various levels within organizations operating in the manufacturing sector in the provinces of Banten and DKI Jakarta,	Quantitative, descriptive, and survey
Khan & Yusoof (2023)	Firm performance is defined as a company's ability to efficiently and effectively change its internal resources to produce financial outcomes and encourage employment growth by hiring more workers.	Financial indicators such as market share, sales, cash flow, and profit margin, and non-financial indicators like employability growth (increase or reduction in employee numbers).	Intellectual Capital (IC): Human Capital, Structural Capital, and Relational Capital.	Pakistan	486 SME owners/managers through a survey questionnaire	Quantitative, descriptive, and survey
Truong & Nguyen (2023)	Business performance measures based on items indicating sustainable business	five items focusing on sustainable business development, industry reputation, customer perception of	Intellectual Capital (IC), which includes	companies across various	206 management team members	Quantitative, descriptive, and survey

Author	Definition	Dimension of Performance Measurement	Independent Variable	Country	Focus	Methodology
	development, reputation, customer appreciation of quality, and achievement of sales and profit targets over the past three years.	product/service quality, and achievement of sales and profit targets.	human capital (HC), structural capital (SC), and relational capital (RC)	industries in Vietnam	across various industries	
Kim & Tran (2023)	Financial performance is represented by Return on Assets (ROA), which is obtained by dividing gross profit by total assets.	Financial performance ROA	Intellectual Capital (IC) measured by Value-Added Intellectual Coefficient (VAIC), and its sub-components: Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE), and Capital Employed Efficiency (CEE).	SMEs in Vietnam		Quantitative, descriptive, and survey

Author	Definition	Dimension of Performance Measurement	Independent Variable	Country	Focus	Methodology
Dwikat et al. (2023)	Performance refers to overall firm performance, representing the general effectiveness and success of SMEs	The conventional operational assessment of a company's performance involves evaluating economic metrics, including total income, profit margin, sales growth, etc.	Human capital	Jordan	Jordanian SMEs	Quantitative, descriptive, and survey
Aljuboori et al. (2022)	Firm performance is characterized by its capacity to achieve excellent economic benefits, such as revenue generation, profits, cost reduction, sales enhancement, and asset return.	Five items focusing on continuous increases in revenue, profit, reduction in cost per revenue unit, net return on assets, and net return on sales over the past five years	Intellectual capital: human capital, structural capital, and relational capital	Malaysia	SMEs in the manufacturing sector	Quantitative, descriptive, and survey
Beltramino et al. (2022)	Performance is measured using a multidimensional approach that includes both financial and non-financial components, such as sales volume, profitability, productivity, customer satisfaction, employee satisfaction, and owner/investor/shareholder satisfaction.	Performance is measured through six indicators based on manager perception: sales volume, profitability, productivity, customer satisfaction, employee satisfaction, and satisfaction of owners/investors/shareholders.	Intellectual Capital: Human Capital, Structural Capital, and Relational Capital.	Argentina	259 owner/managers of industrial SMEs	Quantitative, descriptive, and survey
Muda (2020)	Performance in an organizational context is broadly understood as the degree to which an	financial and non-financial indicators, reflecting companies' performance relative to competitors	Intellectual Capital (IC): Human Capital,	Malaysia	Small and Medium-sized Enterprises (SMEs) in	Quantitative, descriptive, and survey

Author	Definition	Dimension of Performance Measurement	Independent Variable	Country	Focus	Methodology
	organization succeeds or achieves its goals. In one study, organizational performance is described as a measure of an organization's success.		Structural Capital, and Relational Capital.		Malaysia, specifically around Klang Valley	
Khalique et al. (2020)	Organizational performance generally refers to outcomes such as customer satisfaction, product/service quality, innovation capability, market effectiveness, and employee satisfaction. These aspects reflect organizational success beyond financial indicators.	Financial and non-financial indicators	Human capital, customer capital, structural capital, social capital, technological capital, and spiritual capital.	Pakistan	Pakistan SMEs	Quantitative, descriptive, and survey
Antony and Bhattacharyya (2010)	Organizational performance is described as a complex interrelationship between six criteria: effectiveness, efficiency, quality, productivity, innovation, and profitability.	Creativeness, innovativeness, productivity, efficiency, effectiveness, competitiveness, and profitability		India	Small and Medium Enterprises (SMEs)	The paper proposes a conceptual framework for measuring organizational performance and organizational excellence, specifically designed for

Author	Definition	Dimension of Performance Measurement	Independent Variable	Country	Focus	Methodology
						self-evaluation by SMEs.
Gold et al (2009)	Organizational effectiveness is seen as a learning effect where the organization improves over time in its capabilities for creating value, including improved innovation, coordination, responsiveness, and reduced redundancy, rather than being solely tied to financial ratios.	improvements in abilities related to innovation, coordination, market responsiveness, and internal process streamlining, aiming to capture the value-added aspect of knowledge management capability.	Knowledge Infrastructure Capability" (comprising technology, structure, and culture) and "Knowledge Process Capability" (comprising acquisition, conversion, application, and protection processes)		identifying and assessing essential organizational capabilities, specifically a knowledge infrastructure and knowledge process architecture, as preconditions for effective knowledge management and their direct impact on organizational effectiveness.	Quantitative approach
Kaplan (2009)	Performance encompass a balanced view of both financial outcomes and the nonfinancial drivers (customer, internal process, and learning and growth) that lead to those outcomes over time.	The Balanced Scorecard (BSC) integrates financial metrics with measures from customer, internal process, and learning and growth perspectives to drive long-term shareholder value.			The origins and evolution of the Balanced Scorecard from a performance measurement tool to a comprehensive strategy	Conceptual

Author	Definition	Dimension of Performance Measurement	Independent Variable	Country	Focus	Methodology
	"*If you can not measure it, you cannot improve it*"				management system that bridges conflicting management literatures.	

Maqasid Sharia Implementation in Business

Author	Method (data & technique)	Focus	Concept of Maqasid Sharia	Finding
Sheikh & hussain (2025)	Qualitative method using inductive content analysis of data gathered through 12 semi-structured interviews with Sharia scholars, researchers, and Islamic bankers.	The study explores how Islamic banks in Pakistan align their practices with Maqasid Sharia to identify gaps between theory and practice and propose reforms for enhancing societal well-being.	Maqasid Aammah (general objectives, including the five protections of Al-Ghazali) and Maqasid Khassah (specific objectives for financial transactions based on Ibn-Ashur), integrated with the concept of Value-Based Intermediation (VBI)	while banks realize many objectives through real economic activities, reforms such as providing microfinance and revisiting Sharia governance are needed to better harmonize practice with theory.
Shompa et al (2024)	Conceptual study using a qualitative content analysis of literature with an inductive approach. The developed framework was subsequently validated through expert review.	The study focuses on developing a conceptual framework to harmonize the principles of Maqasid Sharia with sustainable waste management practices, with Malaysia as a contextual example.	classical Maqasid Sharia framework centered on the five essential protections (dharuriyyah): religion, life, intellect, lineage, and wealth, and integrates the contemporary views of Yusuf al-Qaradawi on environmental conservation (hifz al-bi'ah)	a conceptual framework focused on harmonizing sustainable waste management with Maqasid Sharia finding that the five essential protections provide a direct ethical foundation for specific waste management principles and practices.

Author	Method (data & technique)	Focus	Concept of Maqasid Sharia	Finding
Okumus (2024)	qualitative text mining and content analysis of the reports, followed by the quantitative construction of a Maqasid Sharia Performance Index (MSPI)	the performance of all six participation banks (PBs) operating in Türkiye based on the Maqasid Sharia framework 2019 to 2021	Ghazalian perspective of Maqasid Sharia, which is defined as safeguarding five fundamental human requirements: faith, self, intellect, posterity, and wealth.	Privately owned Türkiye Finans achieved the highest average MSPI score, while the state-owned Ziraat had the lowest. The banks performed highest on the objective of "wealth," indicating a focus on profitability and efficiency, making them more market oriented. The banks scored lowest on the objectives of "intellect" and "self," showing insufficient support for education, research, and social welfare.
Zain et al. (2024)	Conceptual paper using a theoretical research approach. The study uses qualitative content analysis of literature, and the resulting framework is validated by experts.	The study focuses on developing a comprehensive blueprint for the integration of Environmental, Social, and Governance (ESG) principles within the operations of Takaful (Islamic insurance).	The study integrates ESG principles with the five essential protections of Maqasid Sharia: preservation of life, religion, intellect, lineage and wealth.	develop a conceptual blueprint for integrating ESG principles into Takaful operations by aligning them with the five protections of Maqasid Sharia, finding a strong conceptual alignment and proposing a disclosure index to guide sustainable and ethical practices.
Abdullah et al. (2024)	Conceptual paper using a theoretical inquiry design. The technique is a qualitative content analysis of existing literature to synthesize and integrate concepts.	The study focuses on developing a new scale to measure whistleblowing likelihood by integrating Western (Kohlberg) and Islamic (Maqasid Sharia) ethical frameworks.	The study integrates Kohlberg's six stages of moral development with the five essential protections of Maqasid Sharia: preservation of religion, life, intellect, lineage and property.	Develop a new scale for whistleblowing likelihood by integrating Kohlberg's six stages of moral development with the five protections of Maqasid Sharia, finding that as an

Author	Method (data & technique)	Focus	Concept of Maqasid Sharia	Finding
				individual's moral reasoning advances, their inclination to whistleblow aligns more with the Islamic ethical principles of justice and societal well-being.
Abdullah et al (2023)	Conceptual paper using a theoretical research design. The study uses qualitative content analysis of existing literature to integrate two theories.	The study focuses on developing a novel conceptual framework and measurement index to understand employee motivation by integrating Western and Islamic perspectives.	The study integrates David McClelland's needs theory (achievement, power, and affiliation) with the five essential protections of Maqasid Sharia (religion, life, intellect, lineage, and wealth).	focus on understanding employee motivation by integrating McClelland's needs theory with the five protections of Maqasid Sharia, resulting in a new conceptual framework that yields 15 propositions and a novel measurement index.
Hamidi & Worthington (2023)	A mixed-method approach combining a survey of 504 stakeholders in Indonesia (analyzed with regression) with a comparative case study of two Islamic banks in Indonesia and Malaysia (using annual reports and interviews).	The study proposes and tests a new "Quadruple Bottom Line" (4Ps: Prosperity, People, Planet, Prophet) performance framework for Islamic banks.	The study integrates the five pillars of the Ghazalian perspective of Maqasid Sharia into its proposed Quadruple Bottom Line (4Ps) framework, where Prophet represents the preservation of faith.	ntegrate the Ghazalian perspective of Maqasid Sharia into a new "Quadruple Bottom Line" framework, finding that stakeholders rank Prosperity highest followed by the new Prophet dimension, which case studies show helped improve bank performance during financial distress.
Prasojo et al. (2023)	Quantitative method, data from the Bankscope database and annual reports from 2014-2018.	The research examines the relationship between intellectual capital, sharia governance, and the Maqasid Sharia-based performance of 70 Islamic banks from various countries.	Maqasid Sharia Index (MSI), which operationalizes the five core aspects of Al-Ghazali's framework:	higher intellectual capital efficiency improves performance and that this relationship is moderated by sharia governance.
Wahyudin & Rosmamn (2022)	Systematic literature review of 15 articles published between	The study explores and synthesizes the approaches used in previous empirical	The paper reviews studies that primarily use the concepts of	most studies report low Maqasid Sharia performance by Islamic

Author	Method (data & technique)	Focus	Concept of Maqasid Sharia	Finding
	2012 and 2019, analyzed using an integrative review and thematic analysis.	research to measure the performance of Islamic banks based on Maqasid Sharia.	Abu Zahrah (educating individuals, establishing justice, and maslahah), al-Najjar, and Chapra, which are largely based on the foundational five elements of Al-Ghazali.	banks and identify a significant research gap concerning the factors that determine this performance.
Hasan (2022)	Quantitative method using unbalanced panel data from the REFINITIV database.	comparing the environmental performance of 481 Sharia-compliant versus non-compliant non-financial firms listed on the US stock exchange from 2017 to 2021.	theoretical framework of Maqasid Sharia, which embeds environmental sustainability within its core values and guides firms on the need to preserve the environment as an essential human need	US Sharia-compliant firms have significantly better environmental performance, confirming the hypothesis that the principles of Maqasid Sharia guide firms toward being more environmentally friendly.
Tarique et al (2021)	Qualitative model, literature review, in-depth interviews with 12 experts and a Focus Group Discussion (FGD) with academics and practitioners.	The study focuses on developing and validating a comprehensive performance evaluation model for Islamic banks.	The study combines the Maqasid Sharia frameworks of Imam al-Ghazali (including the five necessities, complements, and embellishments) and Abu Zahrah (justice, education, and maslahah).	developed and validated a comprehensive Maqasid Sharia -based performance measurement model for Islamic banks that combines the frameworks of al-Ghazali and Abu Zahrah.
Monawar et al. (2022)	Conceptual paper that uses a qualitative content analysis method and an inductive approach on classical and contemporary literature.	formulating a conceptual framework to facilitate the actualization of Maqasid Sharia in the product design and consumption cycle within Islamic financial institutions	Al-Ghazali's five protections, to build a new framework based on six vital constituents: parameters, particular objectives, appropriate means, micro provisions, level of need and legal maxims.	actualizing Maqasid Sharia in Islamic finance by synthesizing classical concepts, which results in a novel three-stage conceptual framework (identification, operationalization and consumption) based on six vital constituents to guide product design.

Author	Method (data & technique)	Focus	Concept of Maqasid Sharia	Finding
Alkhan and Hassan (2021)	qualitative methodology with a single case study approach. Data was collected through semi-structured, face-to-face interviews with key personnel of an Islamic microfinance institution	The research focuses on analyzing whether the practice of Islamic microfinance serves Maqasid Sharia, using an Islamic microfinance window in Kyrgyzstan as a case study.	five key factors of Maqasid Sharia pertaining to an Islamic economy and wealth—poverty reduction, economy enhancement, social enhancement, wealth circulation, and intellectual enhancement—based on literature from classical scholars like Al-Ghazali	The empirical evidence from the case study suggests that the practice of Islamic microfinance in Kyrgyzstan contributes to serving key aspects of Maqasid Sharia, particularly in poverty reduction, economic and social enhancement, wealth circulation, and the improvement of society's intellectual levels.
Hudaefi & Noordin (2019)	A mixed-method approach to construct an integrated performance index (IMSPM) by harmonizing previous studies, using data from annual reports from 2013-2015.	developing a new performance yardstick and using it to measure the Maqasid Sharia -based performance of a sample of 11 Islamic banks from 11 different countries.	develops its index based on the Maqasid Sharia concept as explained by Chapra, which is rooted in the five interdependent objectives of Al-Ghazali:	banks collectively performed highest on the Maqasid objective of preserving the self (nafs).
Antonio et al. (2012)	Quantitative method using secondary data from annual reports and the IBIS database from 2008-2010. The technique used is the Simple Additive Weighting (SAW) method to construct a Maqasid Index.	The research focuses on a comparative performance analysis of four Islamic banks: two from Indonesia (Bank Syariah Mandiri, Bank Muamalat Indonesia) and two from Jordan (Jordan Islamic Bank, Islamic International Arab Bank).	Maqasid Sharia concept as formulated by Abu Zahrah,	based on the Maqasid Index, the sampled Islamic banks in Indonesia demonstrated better overall performance in achieving the objectives of Sharia compared to the sampled Islamic banks in Jordan during the period studied.
Aisyah, et al. (2021)	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks	Abu zahrah’s maqasid sharia concept	The implementation of maqasid sharia in Islamic banks

Author	Method (data & technique)	Focus	Concept of Maqasid Sharia	Finding
Mergaliyev et al. (2021)	Quantitative and descriptive (ratio calculation), annual report	Islamic banks from 12 countries (including: Indonesian, Malaysian, Sudan, Bahrain, Jordan, and Bangladesh)	Abu zahrah's maqasid sharia concept	The implementation of maqasid sharia in Islamic banks
Antonio, et al. (2020)	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks	Abu zahrah's maqasid sharia concept	The implementation of maqasid sharia in Islamic banks
Mukhibad et al. (2020)	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks	Abu zahrah's maqasid sharia concept	The implementation of maqasid sharia in Islamic banks
Lesmana & Haron (2019)	Sytematic Literature Review	Islamic banks	Abu zahrah's maqasid sharia concept	The implementation of maqasid sharia in Islamic banks
Setiyobono et al. (2019)	Quantitative and descriptive (ratio calculation), annual report	Indonesian Islamic banks	Abu zahrah's maqasid sharia concept	The implementation of maqasid sharia in Islamic banks

Human Capital (Independent)

Author	Dependent Variable	Country	Focus	Methodology	Results		
					Positive	Negative	Not Sign
Alkhatib & Valeri (2024)	Innovation and competitive advantage	Jordania	Hotel firms	Quantitative, descriptive, and survey	v		
Khan & Yusoof (2023)	Performance	Pakistan	SMEs	Quantitative, descriptive, and survey	v		
Teoh et al. (2023)	Business Model Innovation	Malaysia	SMEs	Quantitative, descriptive, and survey			v
Truong & Nguyen (2023)	Knowledge absorptive capacity and business performance	Vietnam	Company	Quantitative, descriptive, and survey	v		
Kim & Tran (2023)	Business performance	Vietnam	SMEs	Quantitative and descriptive (ratio calculation)			v

Author	Dependent Variable	Country	Focus	Methodology	Results		
					Positive	Negative	Not Sign
Huang et al. (2023)	Innovation performance	China	High-tech enterprise	Quantitative, descriptive, and survey			v
Dwikat et al. (2023)	Performance	Malaysia	SMEs	Quantitative, descriptive, and survey	v		
Aljuboori et al. (2022)	Financial performance	Malaysia	Manufacturing firms	Quantitative, descriptive, and survey	v		
Al-khatib (2022)	Innovation performance	Jordan	Banking sector	Quantitative, descriptive, and survey	v		
Khalique & Shaari (2022)	Business performance	Malaysia	Halal industry SMEs	Quantitative, descriptive, and survey	v		
Beltramino et al. (2022)	Peoduct innovation, process innovation & Performance	Argentina	SMEs	Quantitative, descriptive, and survey	v		
Molthar and Indarti (2021)	Innovation Capability	Indonesia	Food and beverage MSMEs	Quantitative, descriptive, and survey			v
Rahman et al (2021)	Entrepreneurial opportunity recognition	Oman	SMEs	Quantitative, descriptive, and survey			v
Muda (2020)	Business performance	Malaysia	SMEs	Quantitative, descriptive, and survey	v		
Khalique et al. (2020)	Organizational performance	Pakistan	SMEs operating in tourism sector	Quantitative, descriptive, and survey			v
Rodríguez and Orellana (2019)	Export performance	Spain	Manufacturing firms	Quantitative and descriptive (ratio calculation)	v		
Hogendoorn et al. (2019)	Entrepreneurial performance	21 countries	Industrial	Qualitative and literature review	v		

Author	Dependent Variable	Country	Focus	Methodology	Results		
					Positive	Negative	Not Sign
Witasari and Gustomo (2019)	Employee performance	Indonesia	Architecture firms	Quantitative, descriptive, and survey			v
Absah et al. (2018)	Business performance	Indonesian	Fashion MSMEs		v		
Khalique et al. (2018)	Organisational petrformance	Malaysia	Knowledge-intensice SMEs	Quantitative, descriptive, and survey	v		
Khalique and Pablos (2015)	Organisational performance	Malaysia	Electrical and electronics manufacturing sector SMEs	Quantitative, descriptive, and survey	v		

Structural Capital (Independent)

Author	Dependent Variable	Country	Focus	Methodology	Results		
					Positive	Negative	Not Sign
Alkhatib & Valeri (2024)	Innovation and competitive advantage	Jordania	Hotel firms	Quantitative, descriptive, and survey	v		
Khan & Yusoof (2023)	Performance	Pakistan	SMEs	Quantitative, descriptive, and survey	v		
Teoh et al. (2023)	Business Model Innovation	Malaysia	SMEs	Quantitative, descriptive, and survey	v		
Truong & Nguyen (2023)	Knowledge absorptive capacity and business performance	Vietnam	Company	Quantitative, descriptive, and survey	v		
Kim & Tran (2023)	Business performance	Vietnam	SMEs	Quantitative and descriptive (ratio calculation)			v
Aljuboori et al. (2022)	Financial performance	Malaysia	Manufacturing firms	Quantitative, descriptive, and survey		v	

Author	Dependent Variable	Country	Focus	Methodology	Results		
					Positive	Negative	Not Sign
Al-khatib (2022)	Innovation performance	Jordan	Banking sector	Quantitative, descriptive, and survey	v		
Khalique & Shaari (2022)	Business performance	Malaysia	Halal industry SMEs	Quantitative, descriptive, and survey	v		
Beltramino et al. (2022)	Peoduct innovation, process innovation & Performance	Argentina	SMEs	Quantitative, descriptive, and survey	v		
Molthar and Indarti (2021)	Innovation Capability	Indonesia	Food and beverage MSMEs	Quantitative, descriptive, and survey	v		
Rahman et al (2021)	Entrepreneurial opportunity recognition	Oman	SMEs	Quantitative, descriptive, and survey	v		
Muda (2020)	Business performance	Malaysia	SMEs	Quantitative, descriptive, and survey	v		
Khalique et al. (2020)	Organizational performance	Pakistan	SMEs operating in tourism sector	Quantitative, descriptive, and survey			v
Khalique et al. (2018)	Organisational petrformance	Malaysia	Know;edge-intensice SMEs	Quantitative, descriptive, and survey	v		
Khalique and Pablos (2015)	Organisational performance	Malaysia	Electrical and electronics manufacturing sector SMEs	Quantitative, descriptive, and survey	v		

Relational Capital (Independent)

Author	Dependent Variable	Country	Focus	Methodology	Results		
					Positive	Negative	Not Sign
Alkhatib & Valeri (2024)	Innovation and competitive advantage	Jordania	Hotel firms	Quantitative, descriptive, and survey	v		
Khan & Yusoof (2023)	Performance	Pakistan	SMEs	Quantitative, descriptive, and survey	v		
Teoh et al. (2023)	Business Model Innovation	Malaysia	SMEs	Quantitative, descriptive, and survey	v		
Truong & Nguyen (2023)	Knowledge absorptive capacity and business performance	Vietnam	Company	Quantitative, descriptive, and survey	v		
Ramírez-Solis et al. (2022)	Innovation		SMEs	Quantitative, descriptive, and survey	v		
Aljuboori et al. (2022)	Financial performance	Malaysia	Manufacturing firms	Quantitative, descriptive, and survey			v
Al-khatib (2022)	Innovation performance	Jordan	Banking sector	Quantitative, descriptive, and survey	v		
Beltramino et al. (2022)	Peoduct innovation, process innovation & Performance	Argentina	SMEs	Quantitative, descriptive, and survey	v		
Molthar and Indarti (2021)	Innovation Capability	Indonesia	Food and beverage MSMEs	Quantitative, descriptive, and survey	v		
Rahman et al (2021)	Entrepreneurial opportunity recognition	Oman	SMEs	Quantitative, descriptive, and survey	v		
Muda (2020)	Business performance	Malaysia	SMEs	Quantitative, descriptive, and survey	v		
Onofrei et al. (2020)	Innovation performance	10 countries	Manufacturing plants	Quantitative, descriptive, and archival data	v		

Spiritual Capital (Independent)

Author	Dependent Variable	Country	Focus	Methodology	Results		
					Positive	Negative	Not Sign
Tjahjadi et al. (2023)	Environmental sustainability Performance	Indonesia	MSMEs	Quantitative, descriptive, and survey	v		
Li et al. (2023)	Innovative behavior	China	Manufacturing companies	Quantitative, descriptive, and survey	v		
Ariyanto et al. (2023)	Organizational performance	Banda aceh, indonesia	Tourism institustion			v	
Tjahjadi et al. (2022)	Social sustainability Performance	Indonesia	MSMEs	Quantitative, descriptive, and survey	v		
Indrawati et al. (2022)	Competitive advantage	Malang, Indonesia	Handicraft industries	Quantitative, descriptive, and survey			v
Usmanova et al. (2021)	Innovative work behavior	China	Multinational company	Quantitative, descriptive, and survey	v		
Khalique et al. (2020)	Organizational performance	Pakistan	SMEs operating in tourism sector	Quantitative, descriptive, and survey			v
Rahman et al (2021)	Entrepreneurial opportunity recognition	Oman	SMEs	Quantitative, descriptive, and survey	v		
Khalique et al. (2018)	Organisational petrformance	Malaysia	Know;edge-intensice SMEs	Quantitative, descriptive, and survey	v		
Khalique and Pablos (2015)	Organizational performance	Malaysia	Electrical and electronics manufacturing sector SMEs	Quantitative, descriptive, and survey	v		

Innovation (as Mediator)

Author	Variable	Country	Focus	Methodology	Results
Dinku et al. (2024)	HC-Innovation-Performance	Ethiopia	SMEs	Quantitative, descriptive, and survey	Innovation practice partially mediates the nexus between HC and SME performance.
Masyhuri et al. (2024)	HC-innovation-performance	Indonesia	Service industry	Quantitative, descriptive, and survey	Innovation practice partially mediates HC and SME performance.
Ekayani et al. (2023)	HC, customer capital, SC-innovation-performance	Indonesia	Culinary SMEs	Quantitative, descriptive, and survey	Technological innovation partially mediates HC and SME performance.
Aljuboori et al. (2022)	HC, SC, RC-INVC-FP	Malaysia	Manufacturing firms	Quantitative, descriptive, and survey	Innovation capablity mediates the relationsship between SC & RC on FP
Fikri et al. (2022)	Market orientation-innovation-performance	Indonesia	MSMEs	Quantitative, descriptive, and survey	Innovation mediates the relationship between MO & business performance
Ryu et al. (2021)	RC-INV-international performance	South korea	Manufacturing SMEs	Quantitative, descriptive, and survey	Innovation mediated the relationship between relational capital and international performance
Beltramino et al. (2020)	SC-innovation-performance	Argentina	Industrial SMes	Quantitative, descriptive, and survey	Innovation mediated the relationship between several structural capital dimensions & SMEs performance
Asiaei et al. (2020)	HC, SC, RC-INNOVATIVENESS-FP	Iran	Public-listed companies	Quantitative, descriptive, and survey	Innovativeness mediates the relationsship between HC, SC & RC on FP
Jegede et al. (2016)	HC-Innovation-Performance	Nigeria	Mining industry	Quantitative, descriptive, and survey	Innovation mediated the relationship between HC & performance

Type of Innovation

Author	Innovation	Focus	Result
Asghar et al. (2023)	Product and process innovation	Manufacturing industrial firms in Lahore, Pakistan.	Managerial skills and technology adaptation positively influence firm performance, and this relationship is mediated by both process and product innovation

Author	Innovation	Focus	Result
Ben Khalifa (2023)	Product and process innovation	Manufacturing firms in Tunisia	Investment in R&D and the use of ICT positively impact both product and process innovation, which in turn significantly contributes to improvements in firm productivity.
Begum et al. (2022)	Green product and process innovation	High-tech industries in China.	Green transformational leadership positively influences green innovation, and this relationship is mediated by green thinking and creative process engagement.
Domnich (2022)	Product and process innovation	A literature review of empirical studies on innovation and productivity from 2000-2022, covering international and intersectoral contexts.	Significant international and intersectoral differentiation in the impact of product and process innovations on productivity, suggesting the need for a revised, multi-perspective approach to their measurement and assessment.
Hwang and Hsu (2019)	Product and process innovation	Manufacturing firms in Taiwan using data from the Taiwan Community Innovation Survey.	Product and process innovations are positively associated with a firm's decision to servitize (add services to its products).
Edwards-Schachter (2018)	Product, process, organizational, marketing, technological, hidden, non-technological, and social innovation.	A conceptual review of the current understanding and classification of innovation, considering how global challenges and changes in knowledge production have led to more diverse forms.	The progressive incorporation of hidden and non-technological innovations, alongside the fourth industrial revolution, is fundamentally changing the understanding and measurement of innovation, making it more complex and fragmented than ever before.
Gault (2018)	Product, process, marketing/communication, organizational, and production or delivery innovation.	A conceptual study that develops a framework for defining and statistically measuring innovation across all sectors of the economy.	The paper combines general definitions of innovation with a systems approach to develop a conceptual framework for statistical measurement, which has implications for innovation research and policy learning.
Najafi-Tavani et al. (2018)	Product and process innovation	Iranian high and medium technology manufacturing industries	The study explores how product and process innovation capabilities act as mediating mechanisms in the relationship between collaborative innovation networks and new product performance.

Author	Innovation	Focus	Result
OECD (2018)	Product and process innovation	A methodological guide for collecting, reporting, and using innovation data across all sectors of the economy to ensure international comparability.	The manual provides an updated international standard for defining and measuring innovation, broadening the scope to better capture innovation in all sectors of the economy.
Hullova et al. (2016)	Product and process innovation	A conceptual study on the complementarity between product and process innovation within New Product and Process Development Projects.	Develoing the classification defining seven unique complementarities between product and process innovation, which are illustrated in a Product-Process Complementarity Map.
Prajogo (2016)	Product and process innovation	Manufacturing organizations in Australia.	The positive relationship between product innovation and business performance is stronger in less dynamic and less competitive environments, while the impact of process innovation is not significantly affected by the business environment.
Kafetzopoulos and Psomas (2015)	Product, process, marketing, and organizational innovation.	Manufacturing companies in Greece	Innovation capability, encompassing product, process, marketing, and organizational innovation, has a significant positive impact on the overall business performance of manufacturing companies.
Huang et al. (2012)	Product and process innovation	Start-ups' founders from China-based Taiwanese SMEs	A founder's human capital and ties positively influence organizational innovation, and this relationship is mediated by the firm's business network.
Gunday et al. (2011)	Organizational, process, product, and marketing innovations.	184 manufacturing firms in Turkey.	All types of innovation have a positive effect on various aspects of firm performance.
OECD (2005)	Product innovation, process innovation, organisational innovation, and marketing innovation.	A methodological guide for the collection and interpretation of innovation data to ensure international comparability.	The manual establishes a standardized international framework for defining and measuring innovation, enabling a better understanding of innovation's impact on economic growth.
Wang and Ahmed (2004)	Product, process, marketing, behavioural, and strategic innovativeness.	A conceptual study to develop and validate a measurement construct for organizational innovativeness.	The study successfully develops and validates a final 20-item measurement construct for organizational innovativeness based on the five identified dimensions.

APPENDIX B

Measurement Of Variable

Maqasid Sharia Performance Measurement

Variable	Construct		Measurement Item
Maqasid Sharia Perfromance	Financial Aspect	MS1	Our business allocates a budget for employee character development training.
		MS2	Our business allocates a budget to support employees' participation in spiritual retreats.
		MS3	Our business has ensured a fair and balanced distribution of profits among employees.
		MS4	Our business pays Zakat, Infaq, Sadaqat, and Waqf (ZISWAF) every year.
		MS5	For the last three years, our business generates profit.
		MS6	For the last three years, our sales have shown continuous growth.
	Non-Financial Aspect	MS7	Our production has improved as we educate employee to enhance their sense of responsibility.
		MS8	Our production has grown as we train employees to focus on producing high-quality products.
		MS9	Our production has risen due to the equitable distribution of tasks among employees.
		MS10	The rising demand for our products has allowed us to create more job opportunities.
		MS11	Our business have gained more customers because our products offer better benefits.
		MS12	Customers feel assured purchasing our products as we strictly adhere to halal procedures.
		MS13	Customer trust has strengthened because we prioritize transparency in our operations.
		MS14	Customer trust has also grown due to our active involvement in charitable activities.

Measurement of Human Capital

Construct		Measurement Item	Literature Review
Competencies	HC1	Our employees have valuable knowledge for our business.	Khalique & Pablos (2015)
	HC2	Our employees are experts in their job.	Khalique et al. (2020)
	HC3	Our employees have been trained to suit their job.	Khalique & Pablos (2015)
Attitude	HC4	Our employees are willing to learn from their peers.	Bontis (1998)
	HC5	Our employees have a passion to do their best work.	Bontis (1998)
	HC6	Our employees work well with their peers.	Bontis (1998)
Intellectual Alertness	HC7	Our employees are capable of completing business transactions efficiently.	Bontis (1998)
	HC8	Our employees are able to anticipate potential challenges in the business.	Muda et al. (2020)
	HC9	Our employees can identify opportunities for business growth and adapt accordingly.	Muda et al. (2020)
Soft Skill	HC10	Our employees possess good communication skills.	Muda et al. (2020)

	HC11	Our employees have an excellent leadership ability.	Muda et al. (2020)
	HC12	Our employees can resolve business problem faced by the business.	Muda et al. (2020)

Measurement of Structural Capital

Construct		Measurement	Source
Culture	SC1	Our business provides a comfortable work environment.	Muda et al. (2020)
	SC2	Our top management has emphasized strong ethical.	Muda et al. (2020)
	SC3	We follow values that match our mission and vision.	Muda et al. (2020)
Process and procedures	SC4	We have well-organized processes.	Muda et al. (2020)
	SC5	We implement effective strategies to manage our ideas aniod creations.	Bontis (1998)
	SC6	We have a good R&D practice.	Muda et al. (2020)
Information system	SC7	We have sufficient funding for the development of information systems.	Muda et al. (2020)
	SC8	Our databases provide essential support for accessing relevant information.	Bontis (1998)
	SC9	We maintain current policies, procedures, and databases.	Khalique et al. (2020)
	SC10	We have good infrastructure that enables employees to perform their tasks efficiently.	Khalique et al. (2020)

Measurement of Relational Capital

Construct		Measurement Items	Source
Customer	RC1	We have good relationships with our customers.	Bontis (1998)
	RC2	Our customers consistently show loyalty to our business.	Bontis (1998)
	RC3	Our products/services are easily accessible to our customers.	Khalique et al. (2020)
	RC4	We have a clear understanding of market needs.	Bontis (1998)
Suppliers	RC5	Our suppliers receive timely payments from our business.	Sharabati et al. (2010)
	RC6	We have a good communication with our suppliers.	Sharabati et al. (2010)
	RC7	Our suppliers have a good understanding of our needs.	Sharabati et al. (2010)
Social and community	RC8	We foster positive relationships with the community through social initiatives.	Muda et al. (2020)
	RC9	We set a financial plan to support community events.	Muda et al. (2020)
	RC10	We consider feedback from the community to be constructive input.	Muda et al. (2020)
Government	RC11	Our business pays tax on time.	Muda et al. (2020)
	RC12	We follow regulation established by the government.	Muda et al. (2020)
	RC13	We actively participate in development projects organized by the government.	Muda et al. (2020)
Financial entities	RC14	We have a good relationship with bank.	Muda et al. (2020)

	RC15	We have good track record of debt repayment from bank.	Muda et al. (2020)
	RC16	We involve in activities organized by bank.	Muda et al. (2020)

Measurement of Spiritual Capital

Dimension		Measurement Item	Source
Knowledge of religious	SPC1	We emphasize work as a form of worship, enabling employees to give their best efforts.	Khalique et al. (2018)
	SPC2	We believe that integrating religious values into our business contributes to greater profitability.	Khalique et al. (2018)
	SPC3	Our employees stay committed to their work, even if they don't receive the same rewards as others.	Khalique & Pablos (2015)
	SPC4	Our employees sincerely perform their jobs because of religious teachings.	Khalique & Pablos (2015)
	SPC5	Due to religious teaching, employees fulfill their responsibilities with honesty.	Khalique & Pablos (2015)
Ethical values	SPC6	We view our commitment as an ethical standard.	Khalique et al. (2020)
	SPC7	We respect our employee's religiosity.	Khalique et al. (2020)
	SPC8	The value of our business culture is based on trust.	Khalique et al. (2020)
	SPC9	Shared knowledge is the core of our organizational culture.	Khalique et al. (2020)

Islamic Innovation Measurement

Dimension		Measurement Items
Islamic Product Innovation	INV1	We strive to be the leading business with halal product or service.
	INV2	We showed our commitment to ethical standard
	INV3	Our product and services are innovative in accordance with Islamic principle that allow us to have healthy competition.
	INV4	We face new competitors by introducing products and services that align with the Islamic value of striving for excellence.
	INV5	We showed our commitment to ethical continuous improvement.
	INV6	We give positive contributions to society by developing innovative products.
	INV7	Our business upholds trust, which shape our efforts to enhance our business image.
Islamic Process Innovation	INV8	We improve our business processes shows our ethical commitment to excellence.
	INV9	Our quick adaptation in production methods shows our commitment to ethical flexibility.
	INV10	Our innovative manufacturing processes demonstrate our ethical commitment to efficiency.
	INV11	Our manufacturing processes utilize our resource wisely.
	INV12	Our process guarantees high quality product to serve our customers.
	INV13	Our process improvement reflects our commitment to strive for perfection.
	INV14	We continuously adopt new technology to improve our production process to demonstrates our ethical commitment to utilization.
	INV15	We are committed towards ethical standard by taking proactive step for producing a better product.

APPENDIX C

Questionnaire

INTELLECTUAL CAPITAL, ISLAMIC INNOVATION, AND MAQASID SHARIA PERFORMANCE

Dear Sir/Madam,

We would like to invite you to participate in a survey related to Intellectual Capital, Islamic Innovation, and Maqasid Shariah Performance in the halal industry. This study is conducted by Maulida Nurul Innayah, a PhD student from Universiti Teknologi MARA (UiTM) **(REF: REC/07/2024 (PG/MR/313))**. Your cooperation is highly appreciated as it will help us better understand current business practices. All information collected in this study will remain confidential and will only be used for research purposes.

In this survey, you are requested to answer several questions regarding your current business practices. The questionnaire is expected to take approximately 15 minutes to complete. We kindly ask you to answer each question honestly and accurately according to the current condition of your organization. Your responses will be treated with strict confidentiality and used solely for academic research purposes. There are no right or wrong answers.

Your participation and responses are greatly appreciated.

Thank you for your time and support.

Sincerely,

Maulida Nurul Innayah
Faculty of Business and Management
Universiti Teknologi MARA (UiTM)
Telp.

Demographic Profile

Instruction: This section aims to identify your demographic profile.

Please tick (√) the appropriate box/space or write your answer in the space provided.
Your responses will remain anonymous.

Section A: Business

1. This business:
☐ Sole proprietorship
☐ Partnership
☐ Family-owned business
☐ Others. Please specify: …

2. Length of business operation
☐ Less than 2 years
☐ 2 – 4 years
☐ 5 – 7 years
☐ 8 – 10 years
☐ More than 10 years

3. Number of full-time employees:
☐ Less than 5 employees
☐ 5 – 19 employees
☐ 20 – 99 employees
☐ More than 99 employees

4. Annual sales turnover:
☐ Less than Rp 300 million
☐ >Rp 300 million – 500 million
☐ >Rp 500 million – 1 billion
☐ >Rp 1 billion – 2,5 billion
☐ >Rp 2,5 billion – 50 billion
☐ >Rp 50 billion

5. Sector Type:
☐ Manufacturing
☐ Trading
☐ Services
☐ Others. Please specify: …

6. Does your business possess halal certification?
☐ Yes
☐ No
☐ In process

7. Which of the following best describes your business? Please tick (√) only one box.

	Café		Agriculture
	Restaurant		Plantation
	Other food and beverage		Fisheries
	Hotel		Livestock
	Spa, sauna, massage		Pharmaceutical and cosmetic product
	Travel agency		Media and advertising
	Tour guide		Tekstil and clothing
	Tourist destination		Craft
	Healthcare		Financial institution and banking
	Takaful (insurance)		Others. Please specify: …

Section B: Respondent	
1. Gender: ☐ Male ☐ Female	**2. Age:** ☐ Less than 20 years old ☐ 20 – 29 years ☐ 30 – 39 years ☐ 40 – 49 years ☐ 50 – 59 years ☐ More than 60 years old
3. Ethnicity: ☐ Javanese ☐ Sundanese ☐ Bataknese ☐ Minangkabau ☐ Chinese - Indonesian ☐ Others. Please specify: …	**4. Current position in the business:** ☐ Owner-manager ☐ Co-owner ☐ Partner ☐ Supervisory manager ☐ Middle manager ☐ Top manager ☐ Others. Please specify: …
5. Eduaction background: ☐ Senior high school ☐ Diploma ☐ Bachelor's degree ☐ Mater's degree ☐ Doctoral Degree ☐ Others. Please specify: …	**6. Religion:** ☐ Islam ☐ Protestant Christiany ☐ Catholicism ☐ Hinduism ☐ Buddhism ☐ Confucianism

Section C: Maqasid Sharia Performance

Maqasid Sharia Performance is defined as evaluating economic activities that are aligned with Islamic principles and contribute positively to society.

Please tick (√) the appropriate response according to the following scale:
1 = Strongly Disagree
2 = Disagree
3 = Neutral
4 = Agree
5 = Strongly Agree

Code	To what extent do you agree that the following statements describe your business?	Strongly Disagree				Strongly Agree
		1	2	3	4	5

MS1	We allocate a budget for character development training for employees.	▢	▢	▢	▢	▢
MS2	We allocate a budget for religious activities for employees.	▢	▢	▢	▢	▢
MS3	We distribute profits fairly among employees.	▢	▢	▢	▢	▢
MS4	We pay Zakat/Infaq/Sadaqah/Waqf (ZISWAF) annually.	▢	▢	▢	▢	▢
MS5	Over the past three years, our business has generated profits.	▢	▢	▢	▢	▢
MS6	Over the past three years, our sales have increased.	▢	▢	▢	▢	▢
MS7	Our production has improved because we educate employees to develop a sense of responsibility.	▢	▢	▢	▢	▢
MS8	Our production has improved because we educate employees to produce high-quality products.	▢	▢	▢	▢	▢
MS9	Our production has improved because we distribute tasks fairly among employees.	▢	▢	▢	▢	▢
MS10	Our business creates more employment opportunities due to increased production.	▢	▢	▢	▢	▢
MS11	We gain more customers because our products provide greater benefits.	▢	▢	▢	▢	▢
MS12	Customers are confident in purchasing our products because we fulfill halal product criteria.	▢	▢	▢	▢	▢
MS13	Customer trust has increased because we prioritize honesty.	▢	▢	▢	▢	▢
MS14	Customer trust has increased because we contribute to religious activities.	▢	▢	▢	▢	▢

Section D: Intellectual Capital

Intellectual Capital refers to packaged and useful knowledge, such as information, intellectual property, and experience, that can be used to create value. Intellectual Capital consists of Human Capital, Structural Capital, Relational Capital, and Spiritual Capital.

Please tick (√) the appropriate response according to the following scale:
1 = Strongly Disagree
2 = Disagree

3 = Neutral
4 = Agree
5 = Strongly Agree

Code	To what extent do you agree that the following statements describe your business?	Strongly Disagree				Strongly Agree
		1	2	3	4	5
HC1	Our employees possess valuable knowledge for the business.	☐	☐	☐	☐	☐
HC2	Our employees are experts in their work.	☐	☐	☐	☐	☐
HC3	Our employees are well trained according to their job requirements.	☐	☐	☐	☐	☐
HC4	Our employees are willing to learn from their colleagues.	☐	☐	☐	☐	☐
HC5	Our employees have the desire to perform their work well.	☐	☐	☐	☐	☐
HC6	Our employees cooperate effectively with their colleagues.	☐	☐	☐	☐	☐
HC7	Our employees are able to conduct business transactions efficiently.	☐	☐	☐	☐	☐
HC8	Our employees are able to anticipate potential business problems.	☐	☐	☐	☐	☐
HC9	Our employees are able to recognize opportunities to develop the business.	☐	☐	☐	☐	☐
HC10	Our employees possess good communication skills.	☐	☐	☐	☐	☐
HC11	Our employees possess good leadership skills.	☐	☐	☐	☐	☐
HC12	Our employees are able to solve business problems faced by the business.	☐	☐	☐	☐	☐
SC1	Our business provides a comfortable working business.	☐	☐	☐	☐	☐
SC2	Our leaders emphasize the importance of ethical conduct in managing the business.	☐	☐	☐	☐	☐
SC3	We uphold values that are aligned with our mission and vision.	☐	☐	☐	☐	☐
SC4	We have well-organized business processes.	☐	☐	☐	☐	☐
SC5	We have effective strategies to manage ideas and creativity.	☐	☐	☐	☐	☐

SC6	We have good product research and development practices.	▢	▢	▢	▢	▢
SC7	We have sufficient funds to develop information systems.	▢	▢	▢	▢	▢
SC8	We have databases that provide essential and accurate information.	▢	▢	▢	▢	▢
SC9	We have updated regulations, work procedures, and databases.	▢	▢	▢	▢	▢
SC10	We provide good facilities to help employees complete their tasks.	▢	▢	▢	▢	▢
RC1	We maintain good relationships with our customers.	▢	▢	▢	▢	▢
RC2	Our customers are loyal.	▢	▢	▢	▢	▢
RC3	Customers can easily access our products.	▢	▢	▢	▢	▢
RC4	We understand market needs.	▢	▢	▢	▢	▢
RC5	Suppliers receive payments on time from our business.	▢	▢	▢	▢	▢
RC6	We maintain good communication with our suppliers.	▢	▢	▢	▢	▢
RC7	Suppliers have a good understanding of our needs.	▢	▢	▢	▢	▢
RC8	We maintain positive relationships with the community through social activities.	▢	▢	▢	▢	▢
RC9	We establish financial plans to support community events.	▢	▢	▢	▢	▢
RC10	We consider community feedback as constructive input.	▢	▢	▢	▢	▢
RC11	We pay taxes on time.	▢	▢	▢	▢	▢
RC12	We comply with government regulations.	▢	▢	▢	▢	▢
RC13	We actively participate in development projects organized by the government.	▢	▢	▢	▢	▢
RC14	We maintain good relationships with banks.	▢	▢	▢	▢	▢
RC15	We have a good track record in repaying bank loans.	▢	▢	▢	▢	▢
RC16	We are involved in activities organized by banks.	▢	▢	▢	▢	▢
SPC1	We emphasize that work is a form of worship, encouraging employees to give their best efforts.	▢	▢	▢	▢	▢

SPC2	We believe that being a religious-oriented business makes us more profitable.	▢	▢	▢	▢	▢
SPC3	Our employees remain committed to their work responsibilities.	▢	▢	▢	▢	▢
SPC4	Our employees sincerely perform their work because they uphold religious principles.	▢	▢	▢	▢	▢
SPC5	Our employees perform their work honestly because they uphold religious principles.	▢	▢	▢	▢	▢
SPC6	We regard commitment as part of our ethical standards.	▢	▢	▢	▢	▢
SPC7	We respect the religiosity of our employees.	▢	▢	▢	▢	▢
SPC8	Our organizational culture is based on trust.	▢	▢	▢	▢	▢
SPC9	Knowledge sharing is central to our organizational culture.	▢	▢	▢	▢	▢

Section E: Islamic Innovation

Islamic Innovation is defined as a purposeful and ethical process of generating new ideas and entrepreneurial activities aligned with Islamic principles, particularly emphasizing the concept of Tawhid (Oneness of God).

Please tick (√) the appropriate response according to the following scale:
1 = Strongly Disagree
2 = Disagree
3 = Neutral
4 = Agree
5 = Strongly Agree

Code	To what extent do you agree that the following statements describe your business?	Strongly Disagree				Strongly Agree
		1	2	3	4	5
INV1	We are committed to becoming a leading business in halal products and services.	▢	▢	▢	▢	▢
INV2	We demonstrate commitment to ethical standards.	▢	▢	▢	▢	▢
INV3	We offer innovative products and services aligned with Islamic principles that encourage healthy competition.	▢	▢	▢	▢	▢
INV4	We compete with new competitors through products and services that reflect Islamic values to achieve excellence.	▢	▢	▢	▢	▢

INV5	We are committed to continuous ethical improvement.	▢	▢	▢	▢	▢
INV6	We contribute positively to society through the development of innovative products.	▢	▢	▢	▢	▢
INV7	We value customer trust as the foundation for building and improving our business image.	▢	▢	▢	▢	▢
INV8	We continuously improve our business processes to demonstrate our ethical commitment to quality excellence.	▢	▢	▢	▢	▢
INV9	Our ability to adapt production methods reflects our commitment to flexibility.	▢	▢	▢	▢	▢
INV10	Our innovative production processes reflect our commitment to ethical efficiency.	▢	▢	▢	▢	▢
INV11	We utilize resources wisely in the production process.	▢	▢	▢	▢	▢
INV12	We ensure high-quality products and services to fulfill customer needs.	▢	▢	▢	▢	▢
INV13	We improve production quality to achieve the best outcomes.	▢	▢	▢	▢	▢
INV14	We adopt new technologies to improve production processes as a commitment to responsible utilization.	▢	▢	▢	▢	▢
INV15	We are committed to upholding ethical standards and taking proactive steps to produce better products and services.	▢	▢	▢	▢	▢

Date :
Business Name:
Respondent Name (initials may be used):

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APPENDIX D

Statistic Results

Reliability Test of The Pilot Study

Reliability Statistics

Cronbach's Alpha	N of Items
.844	14

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
MS1	56.83	25.943	.126	.862
MS2	56.58	27.071	.050	.857
MS3	56.45	22.972	.531	.831
MS4	56.48	25.230	.310	.844
MS5	56.38	26.856	.080	.856
MS6	56.75	23.987	.529	.831
MS7	56.48	22.461	.774	.815
MS8	56.30	22.779	.872	.813
MS9	56.33	22.840	.787	.816
MS10	56.45	23.433	.558	.829
MS11	56.35	22.746	.808	.815
MS12	56.35	23.977	.431	.838
MS13	56.10	24.144	.649	.826
MS14	56.60	23.990	.562	.829

Reliability Statistics

Cronbach's Alpha	N of Items
.939	12

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
HC1	46.63	33.420	.681	.936
HC2	46.65	33.259	.722	.935
HC3	46.45	32.151	.831	.931
HC4	46.45	32.818	.789	.932
HC5	46.45	32.664	.813	.932
HC6	46.38	33.215	.768	.933
HC7	46.58	32.815	.793	.932
HC8	46.55	33.433	.564	.941
HC9	46.85	32.336	.737	.934
HC10	46.50	32.103	.858	.930
HC11	46.68	32.020	.659	.938
HC12	46.65	33.464	.602	.939

Reliability Statistics

Cronbach's Alpha	N of Items
.908	10

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SC1	37.33	18.789	.771	.893
SC2	37.30	18.626	.802	.891
SC3	37.42	18.353	.771	.892
SC4	37.35	18.900	.694	.897
SC5	37.88	18.728	.659	.899
SC6	37.85	19.567	.521	.907
SC7	37.85	19.105	.501	.911
SC8	37.42	18.815	.734	.894
SC9	37.58	18.712	.727	.895
SC10	37.78	19.563	.578	.904

Reliability Statistics

Cronbach's Alpha	N of Items
.943	16

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
RC1	65.03	53.410	.392	.947
RC2	64.60	51.477	.646	.941
RC3	64.60	50.144	.850	.936
RC4	64.53	50.461	.862	.936
RC5	64.47	51.281	.827	.937
RC6	64.55	50.459	.865	.936
RC7	64.53	50.717	.903	.936
RC8	64.72	53.640	.438	.945
RC9	64.43	52.199	.652	.941
RC10	64.63	49.420	.883	.935
RC11	64.68	50.840	.736	.939
RC12	64.60	50.451	.877	.936
RC13	64.68	50.840	.690	.940
RC14	64.72	50.820	.710	.939
RC15	65.03	52.179	.513	.944
RC16	65.22	52.538	.478	.945

Reliability Statistics

Cronbach's Alpha	N of Items
.924	9

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SPC1	35.00	15.538	.436	.936
SPC2	34.98	14.589	.745	.915
SPC3	34.88	14.830	.726	.916
SPC4	35.03	14.230	.791	.912
SPC5	34.93	14.276	.807	.911
SPC6	34.98	14.281	.824	.910
SPC7	34.85	14.541	.799	.912
SPC8	35.00	14.205	.726	.916
SPC9	34.98	14.333	.744	.915

Reliability Statistics

Cronbach's Alpha	N of Items
.968	15

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
INV1	61.45	56.715	.673	.968
INV2	61.55	55.741	.847	.965
INV3	61.52	54.974	.870	.965
INV4	61.72	55.435	.690	.969
INV5	61.55	55.587	.866	.965
INV6	61.62	55.676	.879	.965
INV7	61.50	55.179	.844	.965
INV8	61.68	54.071	.898	.964
INV9	61.60	53.323	.857	.965
INV10	61.62	55.522	.831	.966
INV11	61.60	56.656	.750	.967
INV12	61.52	56.256	.782	.966
INV13	61.52	56.256	.851	.965
INV14	61.58	55.789	.848	.965
INV15	61.60	55.938	.681	.968

The Results of Non-response Bias (T-test)

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	**Sig.**	**t**	**df**	**Sig.**
MS1	0.415	0.520	-1.050	205	0.295
MS2	2.613	0.108	-0.925	205	0.356
MS3	1.624	0.204	-0.538	205	0.591
MS4	0.992	0.320	-0.712	205	0.477
MS5	0.055	0.815	-0.493	205	0.623
MS6	1.938	0.165	-0.334	205	0.739
MS7	0.191	0.662	-0.938	205	0.349
MS8	0.537	0.464	-0.465	205	0.642
MS9	0.849	0.358	-0.316	205	0.752
MS10	0.505	0.478	0.685	205	0.494
MS11	0.730	0.394	0.389	205	0.698
MS12	0.405	0.525	-0.657	205	0.512
MS13	0.960	0.328	0.476	205	0.635
MS14	1.879	0.172	-0.870	205	0.385
HC1	0.035	0.852	0.471	205	0.638
HC2	0.064	0.801	0.349	205	0.728
HC3	0.458	0.499	-0.320	205	0.749
HC4	0.015	0.902	-0.146	205	0.884
HC5	0.166	0.684	1.091	205	0.277
HC6	0.270	0.604	0.896	205	0.371
HC7	0.589	0.444	0.731	205	0.466
HC8	0.150	0.699	0.942	205	0.347
HC9	3.439	0.065	-0.095	205	0.925
HC10	0.463	0.497	0.858	205	0.392
HC11	0.368	0.545	0.166	205	0.868
HC12	0.179	0.672	0.865	205	0.388
SC1	0.004	0.950	-0.097	205	0.923
SC2	0.141	0.707	-0.603	205	0.547
SC3	0.000	0.992	-0.779	205	0.437
SC4	0.216	0.643	0.725	205	0.469
SC5	1.826	0.178	-0.460	205	0.646
SC6	2.775	0.097	-1.689	205	0.093
SC7	0.598	0.440	-0.147	205	0.884
SC8	0.751	0.387	-0.157	205	0.875
SC9	1.183	0.278	0.842	205	0.401
SC10	0.270	0.604	0.066	205	0.948
RC1	0.071	0.791	-1.022	205	0.308
RC2	0.016	0.900	-0.136	205	0.892
RC3	0.140	0.708	0.180	205	0.857
RC4	0.172	0.679	0.212	205	0.832
RC5	0.443	0.507	-0.500	205	0.618

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	**Sig.**	**t**	**df**	**Sig.**
RC6	0.080	0.778	-0.425	205	0.672
RC7	0.245	0.621	-0.343	205	0.732
RC8	0.202	0.654	-0.081	205	0.936
RC9	0.666	0.416	0.393	205	0.695
RC10	0.220	0.639	-1.575	205	0.117
RC11	0.202	0.654	-1.008	205	0.315
RC12	0.114	0.736	-0.990	205	0.323
RC13	0.324	0.570	-0.159	205	0.874
RC14	0.538	0.464	-0.343	205	0.732
RC15	0.927	0.337	-0.276	205	0.783
RC16	2.044	0.154	-1.037	205	0.301
SPC1	0.182	0.670	-1.296	205	0.196
SPC2	0.008	0.929	-1.086	205	0.279
SPC3	0.014	0.905	-1.157	205	0.248
SPC4	0.100	0.752	-1.116	205	0.266
SPC5	0.749	0.388	-1.163	205	0.246
SPC6	0.728	0.395	-1.668	205	0.097
SPC7	0.046	0.830	-0.960	205	0.338
SPC8	0.071	0.790	-1.811	205	0.072
SPC9	1.185	0.278	-1.833	205	0.068
INV1	0.592	0.443	0.985	205	0.326
INV2	0.036	0.851	0.005	205	0.996
INV3	0.671	0.414	-0.356	205	0.722
INV4	0.014	0.906	-0.066	205	0.948
INV5	3.599	0.059	1.182	205	0.239
INV6	0.293	0.589	-0.350	205	0.727
INV7	1.069	0.302	-0.107	205	0.915
INV8	0.263	0.609	-0.903	205	0.367
INV9	2.614	0.107	-1.152	205	0.251
INV10	1.397	0.239	-0.041	205	0.967
INV11	0.217	0.642	-0.533	205	0.595
INV12	1.614	0.205	0.594	205	0.553
INV13	0.980	0.323	0.053	205	0.958
INV14	0.006	0.940	0.728	205	0.467
INV15	0.212	0.646	-0.802	205	0.424

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
MS1	Equal variances assumed	.415	.520	-1.050	205	.295	-.120	.114	-.346	.106
	Equal variances not assumed			-1.049	203.664	.295	-.120	.115	-.346	.106
MS2	Equal variances assumed	2.613	.108	-.925	205	.356	-.088	.095	-.276	.100
	Equal variances not assumed			-.927	204.999	.355	-.088	.095	-.276	.099
MS3	Equal variances assumed	1.624	.204	-.538	205	.591	-.062	.116	-.290	.166
	Equal variances not assumed			-.536	198.088	.593	-.062	.116	-.291	.167
MS4	Equal variances assumed	.992	.320	-.712	205	.477	-.074	.104	-.280	.131
	Equal variances not assumed			-.713	204.945	.476	-.074	.104	-.280	.131
MS5	Equal variances assumed	.055	.815	-.493	205	.623	-.048	.098	-.241	.145
	Equal variances not assumed			-.492	203.048	.623	-.048	.098	-.241	.145
MS6	Equal variances assumed	1.938	.165	-.334	205	.739	-.035	.104	-.239	.170
	Equal variances not assumed			-.333	198.847	.740	-.035	.104	-.239	.170
MS7	Equal variances assumed	.191	.662	-.938	205	.349	-.095	.101	-.295	.105
	Equal variances not assumed			-.934	198.590	.351	-.095	.102	-.295	.105
MS8	Equal variances assumed	.537	.464	-.465	205	.642	-.048	.102	-.249	.154
	Equal variances not assumed			-.464	201.326	.643	-.048	.103	-.250	.155
MS9	Equal variances assumed	.849	.358	-.316	205	.752	-.033	.106	-.242	.175
	Equal variances not assumed			-.315	198.997	.753	-.033	.106	-.243	.176

MS10	Equal variances assumed	.505	.478	.685	205	.494	.078	.114	-.147	.303
	Equal variances not assumed			.684	202.934	.495	.078	.114	-.147	.303
MS11	Equal variances assumed	.730	.394	.389	205	.698	.029	.076	-.120	.179
	Equal variances not assumed			.388	202.409	.698	.029	.076	-.120	.179
MS12	Equal variances assumed	.405	.525	-.657	205	.512	-.072	.109	-.287	.143
	Equal variances not assumed			-.656	201.100	.513	-.072	.109	-.287	.144
MS13	Equal variances assumed	.960	.328	.476	205	.635	.036	.076	-.114	.186
	Equal variances not assumed			.474	200.309	.636	.036	.076	-.114	.187
MS14	Equal variances assumed	1.879	.172	-.870	205	.385	-.084	.096	-.273	.106
	Equal variances not assumed			-.872	204.947	.384	-.084	.096	-.273	.106
HC1	Equal variances assumed	.035	.852	.471	205	.638	.051	.108	-.162	.264
	Equal variances not assumed			.469	199.893	.639	.051	.108	-.163	.264
HC2	Equal variances assumed	.064	.801	.349	205	.728	.035	.100	-.162	.231
	Equal variances not assumed			.349	203.450	.728	.035	.100	-.162	.231
HC3	Equal variances assumed	.458	.499	-.320	205	.749	-.035	.109	-.249	.180
	Equal variances not assumed			-.319	200.304	.750	-.035	.109	-.250	.180
HC4	Equal variances assumed	.015	.902	-.146	205	.884	-.015	.101	-.215	.185
	Equal variances not assumed			-.145	203.496	.884	-.015	.102	-.215	.185
HC5	Equal variances assumed	.166	.684	1.091	205	.277	.110	.101	-.089	.309
	Equal variances not assumed			1.094	204.972	.275	.110	.101	-.088	.308
HC6	Equal variances assumed	.270	.604	.896	205	.371	.093	.103	-.111	.296

	Equal variances not assumed			.896	203.706	.371	.093	.103	-.111	.296
HC7	Equal variances assumed	.589	.444	.731	205	.466	.073	.100	-.125	.272
	Equal variances not assumed			.732	204.740	.465	.073	.100	-.124	.271
HC8	Equal variances assumed	.150	.699	.942	205	.347	.111	.118	-.122	.345
	Equal variances not assumed			.942	203.503	.348	.111	.118	-.122	.345
HC9	Equal variances assumed	3.439	.065	-.095	205	.925	-.010	.109	-.224	.204
	Equal variances not assumed			-.094	194.173	.925	-.010	.109	-.226	.205
HC10	Equal variances assumed	.463	.497	.858	205	.392	.086	.100	-.112	.284
	Equal variances not assumed			.858	203.165	.392	.086	.100	-.112	.284
HC11	Equal variances assumed	.368	.545	.166	205	.868	.018	.110	-.198	.235
	Equal variances not assumed			.166	202.281	.869	.018	.110	-.199	.235
HC12	Equal variances assumed	.179	.672	.865	205	.388	.094	.109	-.121	.309
	Equal variances not assumed			.864	202.655	.389	.094	.109	-.121	.310
SC1	Equal variances assumed	.004	.950	-.097	205	.923	-.007	.074	-.152	.138
	Equal variances not assumed			-.097	203.975	.923	-.007	.074	-.152	.138
SC2	Equal variances assumed	.141	.707	-.603	205	.547	-.046	.076	-.196	.104
	Equal variances not assumed			-.600	198.588	.549	-.046	.076	-.196	.105
SC3	Equal variances assumed	.000	.992	-.779	205	.437	-.058	.075	-.206	.089
	Equal variances not assumed			-.777	201.371	.438	-.058	.075	-.207	.090
SC4	Equal variances assumed	.216	.643	.725	205	.469	.081	.111	-.139	.300
	Equal variances not assumed			.726	204.921	.469	.081	.111	-.138	.300

SC5	Equal variances assumed	1.826	.178	-.460	205	.646	-.050	.109	-.266	.165
	Equal variances not assumed			-.462	204.005	.644	-.050	.109	-.265	.164
SC6	Equal variances assumed	2.775	.097	-1.689	205	.093	-.176	.104	-.381	.029
	Equal variances not assumed			-1.685	200.564	.094	-.176	.104	-.381	.030
SC7	Equal variances assumed	.598	.440	-.147	205	.884	-.018	.121	-.255	.220
	Equal variances not assumed			-.147	204.930	.883	-.018	.120	-.255	.219
SC8	Equal variances assumed	.751	.387	-.157	205	.875	-.017	.111	-.236	.201
	Equal variances not assumed			-.157	204.342	.875	-.017	.111	-.236	.201
SC9	Equal variances assumed	1.183	.278	.842	205	.401	.094	.111	-.126	.313
	Equal variances not assumed			.843	204.939	.400	.094	.111	-.125	.313
SC10	Equal variances assumed	.270	.604	.066	205	.948	.007	.108	-.206	.220
	Equal variances not assumed			.066	201.277	.948	.007	.108	-.206	.220
RC1	Equal variances assumed	.071	.791	-1.022	205	.308	-.120	.118	-.353	.112
	Equal variances not assumed			-1.021	203.832	.308	-.120	.118	-.353	.112
RC2	Equal variances assumed	.016	.900	-.136	205	.892	-.014	.100	-.211	.184
	Equal variances not assumed			-.136	202.885	.892	-.014	.100	-.211	.184
RC3	Equal variances assumed	.140	.708	.180	205	.857	.019	.103	-.184	.221
	Equal variances not assumed			.181	204.737	.857	.019	.102	-.183	.220
RC4	Equal variances assumed	.172	.679	.212	205	.832	.021	.100	-.175	.217
	Equal variances not assumed			.212	204.812	.832	.021	.099	-.175	.217
RC5	Equal variances assumed	.443	.507	-.500	205	.618	-.053	.106	-.262	.156

	Equal variances not assumed			-.498	197.163	.619	-.053	.106	-.263	.157
RC6	Equal variances assumed	.080	.778	-.425	205	.672	-.044	.104	-.250	.161
	Equal variances not assumed			-.424	203.493	.672	-.044	.104	-.250	.162
RC7	Equal variances assumed	.245	.621	-.343	205	.732	-.033	.096	-.223	.157
	Equal variances not assumed			-.343	204.483	.732	-.033	.096	-.223	.157
RC8	Equal variances assumed	.202	.654	-.081	205	.936	-.009	.108	-.221	.204
	Equal variances not assumed			-.081	204.223	.936	-.009	.108	-.221	.204
RC9	Equal variances assumed	.666	.416	.393	205	.695	.036	.093	-.146	.219
	Equal variances not assumed			.392	202.631	.695	.036	.093	-.146	.219
RC10	Equal variances assumed	.220	.639	-1.575	205	.117	-.162	.103	-.364	.041
	Equal variances not assumed			-1.574	203.455	.117	-.162	.103	-.364	.041
RC11	Equal variances assumed	.202	.654	-1.008	205	.315	-.111	.110	-.328	.106
	Equal variances not assumed			-1.006	201.515	.316	-.111	.110	-.328	.106
RC12	Equal variances assumed	.114	.736	-.990	205	.323	-.107	.108	-.320	.106
	Equal variances not assumed			-.988	201.746	.324	-.107	.108	-.320	.106
RC13	Equal variances assumed	.324	.570	-.159	205	.874	-.018	.113	-.241	.205
	Equal variances not assumed			-.159	204.828	.873	-.018	.113	-.241	.205
RC14	Equal variances assumed	.538	.464	-.343	205	.732	-.037	.107	-.248	.175
	Equal variances not assumed			-.343	204.995	.732	-.037	.107	-.248	.174
RC15	Equal variances assumed	.927	.337	-.276	205	.783	-.027	.098	-.220	.166
	Equal variances not assumed			-.276	201.994	.783	-.027	.098	-.220	.166

RC16	Equal variances assumed	2.044	.154	-1.037	205	.301	-.106	.102	-.306	.095
	Equal variances not assumed			-1.041	204.613	.299	-.106	.101	-.305	.094
SPC1	Equal variances assumed	.182	.670	-1.296	205	.196	-.141	.109	-.355	.073
	Equal variances not assumed			-1.291	199.112	.198	-.141	.109	-.356	.074
SPC2	Equal variances assumed	.008	.929	-1.086	205	.279	-.117	.108	-.329	.095
	Equal variances not assumed			-1.083	200.335	.280	-.117	.108	-.330	.096
SPC3	Equal variances assumed	.014	.905	-1.157	205	.248	-.124	.107	-.334	.087
	Equal variances not assumed			-1.156	203.323	.249	-.124	.107	-.334	.087
SPC4	Equal variances assumed	.100	.752	-1.116	205	.266	-.119	.106	-.329	.091
	Equal variances not assumed			-1.114	201.521	.267	-.119	.107	-.329	.092
SPC5	Equal variances assumed	.749	.388	-1.163	205	.246	-.125	.107	-.337	.087
	Equal variances not assumed			-1.159	198.273	.248	-.125	.108	-.338	.088
SPC6	Equal variances assumed	.728	.395	-1.668	205	.097	-.174	.104	-.379	.032
	Equal variances not assumed			-1.666	202.711	.097	-.174	.104	-.379	.032
SPC7	Equal variances assumed	.046	.830	-.960	205	.338	-.098	.103	-.301	.104
	Equal variances not assumed			-.958	202.191	.339	-.098	.103	-.301	.104
SPC8	Equal variances assumed	.071	.790	-1.811	205	.072	-.193	.106	-.403	.017
	Equal variances not assumed			-1.809	202.775	.072	-.193	.107	-.403	.017
SPC9	Equal variances assumed	1.185	.278	-1.833	205	.068	-.198	.108	-.411	.015
	Equal variances not assumed			-1.834	204.422	.068	-.198	.108	-.411	.015
INV1	Equal variances assumed	.592	.443	.985	205	.326	.110	.111	-.110	.330

	Equal variances not assumed			.987	204.873	.325	.110	.111	-.110	.329
INV2	Equal variances assumed	.036	.851	.005	205	.996	.000	.099	-.195	.196
	Equal variances not assumed			.005	203.860	.996	.000	.099	-.195	.196
INV3	Equal variances assumed	.671	.414	-.356	205	.722	-.038	.106	-.247	.171
	Equal variances not assumed			-.355	200.870	.723	-.038	.106	-.248	.172
INV4	Equal variances assumed	.014	.906	-.066	205	.948	-.007	.110	-.224	.209
	Equal variances not assumed			-.065	202.911	.948	-.007	.110	-.224	.209
INV5	Equal variances assumed	3.599	.059	1.182	205	.239	.125	.106	-.083	.333
	Equal variances not assumed			1.175	194.672	.241	.125	.106	-.085	.334
INV6	Equal variances assumed	.293	.589	-.350	205	.727	-.038	.108	-.250	.175
	Equal variances not assumed			-.349	200.945	.727	-.038	.108	-.251	.176
INV7	Equal variances assumed	1.069	.302	-.107	205	.915	-.012	.113	-.235	.211
	Equal variances not assumed			-.107	200.575	.915	-.012	.113	-.236	.212
INV8	Equal variances assumed	.263	.609	-.903	205	.367	-.103	.114	-.328	.122
	Equal variances not assumed			-.901	200.610	.369	-.103	.114	-.328	.122
INV9	Equal variances assumed	2.614	.107	-1.152	205	.251	-.131	.114	-.355	.093
	Equal variances not assumed			-1.146	196.383	.253	-.131	.114	-.357	.094
INV10	Equal variances assumed	1.397	.239	-.041	205	.967	-.005	.116	-.233	.223
	Equal variances not assumed			-.041	204.975	.967	-.005	.116	-.232	.223
INV11	Equal variances assumed	.217	.642	-.533	205	.595	-.059	.110	-.277	.159
	Equal variances not assumed			-.533	203.803	.595	-.059	.110	-.277	.159

INV12	Equal variances assumed	1.614	.205	.594	205	.553	.062	.104	-.143	.267
	Equal variances not assumed			.592	200.885	.554	.062	.104	-.144	.267
INV13	Equal variances assumed	.980	.323	.053	205	.958	.006	.108	-.208	.219
	Equal variances not assumed			.052	199.964	.958	.006	.109	-.209	.220
INV14	Equal variances assumed	.006	.940	.728	205	.467	.076	.105	-.130	.283
	Equal variances not assumed			.729	204.933	.467	.076	.105	-.130	.283
INV15	Equal variances assumed	.212	.646	-.802	205	.424	-.091	.113	-.314	.133
	Equal variances not assumed			-.801	202.983	.424	-.091	.113	-.314	.133

The Result of Normality Test

	Skewness Statistic	Kurtosis Statistic
MS1	-0.417	-0.487
MS2	-0.165	-0.863
MS3	-0.464	-0.643
MS4	-0.533	-0.371
MS5	-0.295	-0.639
MS6	-0.011	-0.840
MS7	-0.424	-0.501
MS8	-0.251	-1.110
MS9	-0.265	-0.833
MS10	-0.125	-1.234
MS11	-0.196	-1.057
MS12	-0.485	-1.018
MS13	-0.283	0.257
MS14	-0.275	-0.893
HC1	-0.067	-0.785
HC2	0.005	-0.826
HC3	-0.226	-0.984
HC4	-0.181	-0.853
HC5	-0.081	-1.086
HC6	-0.205	-0.941
HC7	0.009	-0.871
HC8	-0.252	-0.817
HC9	0.009	-0.530
HC10	-0.136	-0.629
HC11	-0.071	-0.693
HC12	-0.041	-0.685
SC1	0.145	-0.778
SC2	-0.168	0.419
SC3	0.101	-0.492
SC4	-0.087	-1.427
SC5	0.007	-0.200
SC6	-0.047	-0.368
SC7	-0.242	-0.368
SC8	-0.169	-1.089
SC9	-0.107	-0.618
SC10	-0.066	-0.406
RC1	-0.168	-0.443
RC2	-0.447	-0.675
RC3	-0.358	-0.608
RC4	-0.260	-1.011
RC5	-0.656	-0.150
RC6	-0.561	-0.339
RC7	-0.333	-0.886
RC8	-0.089	-1.146
RC9	-0.331	-0.771
RC10	-0.380	-0.852
RC11	-0.257	-1.031
RC12	-0.366	-0.883
RC13	-0.365	-0.349
RC14	-0.373	-0.052
RC15	0.403	-0.915
RC16	0.529	-0.534
SPC1	-0.356	-0.636
SPC2	-0.484	-0.454

	Skewness Statistic	Kurtosis Statistic
SPC3	-0.503	-0.552
SPC4	-0.436	-0.435
SPC5	-0.465	-0.616
SPC6	-0.600	0.032
SPC7	-0.603	-0.424
SPC8	-0.081	-1.131
SPC9	-0.251	-0.983
INV1	-0.649	-0.053
INV2	-0.307	-0.700
INV3	-0.632	-0.781
INV4	0.010	-0.992
INV5	-0.110	-0.912
INV6	-0.702	-0.573
INV7	-0.472	-0.616
INV8	-0.478	-1.045
INV9	-0.508	-1.018
INV10	-0.239	-1.247
INV11	-0.296	-1.179
INV12	-0.410	-0.870
INV13	-0.545	-0.748
INV14	-0.630	-0.512
INV15	-0.270	-1.151

The Result of Descriptive Statistic

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
MS1	207	1	5	4.08	.823	-.417	.169	-.487	.337
MS2	207	3	5	4.13	.685	-.165	.169	-.863	.337
MS3	207	2	5	4.08	.829	-.464	.169	-.643	.337
MS4	207	2	5	4.19	.749	-.533	.169	-.371	.337
MS5	207	2	5	4.14	.702	-.295	.169	-.639	.337
MS6	207	2	5	3.92	.743	-.011	.169	-.840	.337
MS7	207	2	5	4.17	.728	-.424	.169	-.501	.337
MS8	207	3	5	4.15	.734	-.251	.169	-1.110	.337
MS9	207	2	5	4.08	.759	-.265	.169	-.833	.337
MS10	207	2	5	4.01	.818	-.125	.169	-1.234	.337
MS11	207	3	5	4.43	.544	-.196	.169	-1.057	.337
MS12	207	2	5	4.23	.783	-.485	.169	-1.018	.337
MS13	207	2	5	4.39	.546	-.283	.169	.257	.337
MS14	207	3	5	4.19	.691	-.275	.169	-.893	.337
HC1	207	2	5	3.89	.775	-.067	.169	-.785	.337
HC2	207	2	5	3.94	.715	.005	.169	-.826	.337
HC3	207	2	5	4.06	.780	-.226	.169	-.984	.337
HC4	207	2	5	4.07	.728	-.181	.169	-.853	.337
HC5	207	3	5	4.05	.725	-.081	.169	-1.086	.337
HC6	207	2	5	4.08	.743	-.205	.169	-.941	.337
HC7	207	2	5	3.94	.722	.009	.169	-.871	.337
HC8	207	2	5	3.93	.851	-.252	.169	-.817	.337
HC9	207	2	5	3.71	.779	.009	.169	-.530	.337
HC10	207	2	5	3.99	.721	-.136	.169	-.629	.337
HC11	207	2	5	3.84	.787	-.071	.169	-.693	.337
HC12	207	2	5	3.82	.783	-.041	.169	-.685	.337
SC1	207	3	5	4.32	.527	.145	.169	-.778	.337
SC2	207	2	5	4.32	.546	-.168	.169	.419	.337
SC3	207	3	5	4.28	.539	.101	.169	-.492	.337
SC4	207	3	5	4.05	.799	-.087	.169	-1.427	.337
SC5	207	1	5	3.69	.784	.007	.169	-.200	.337
SC6	207	2	5	3.69	.751	-.047	.169	-.368	.337
SC7	207	1	5	3.74	.864	-.242	.169	-.368	.337
SC8	207	2	5	4.03	.794	-.169	.169	-1.089	.337
SC9	207	2	5	3.81	.799	-.107	.169	-.618	.337
SC10	207	2	5	3.68	.774	-.066	.169	-.406	.337

RC1	207	1	5	3.79	.848	-.168	.169	-.443	.337
RC2	207	2	5	4.23	.718	-.447	.169	-.675	.337
RC3	207	2	5	4.13	.736	-.358	.169	-.608	.337
RC4	207	3	5	4.17	.714	-.260	.169	-1.011	.337
RC5	207	2	5	4.22	.761	-.656	.169	-.150	.337
RC6	207	2	5	4.20	.749	-.561	.169	-.339	.337
RC7	207	3	5	4.23	.691	-.333	.169	-.886	.337
RC8	207	2	5	4.01	.773	-.089	.169	-1.146	.337
RC9	207	3	5	4.25	.664	-.331	.169	-.771	.337
RC10	207	2	5	4.18	.741	-.380	.169	-.852	.337
RC11	207	2	5	4.08	.791	-.257	.169	-1.031	.337
RC12	207	2	5	4.14	.777	-.366	.169	-.883	.337
RC13	207	1	5	4.02	.812	-.365	.169	-.349	.337
RC14	207	1	5	4.03	.769	-.373	.169	-.052	.337
RC15	207	3	5	3.74	.702	.403	.169	-.915	.337
RC16	207	2	5	3.58	.732	.529	.169	-.534	.337
SPC1	207	2	5	4.06	.783	-.356	.169	-.636	.337
SPC2	207	2	5	4.13	.774	-.484	.169	-.454	.337
SPC3	207	2	5	4.17	.769	-.503	.169	-.552	.337
SPC4	207	2	5	4.10	.766	-.436	.169	-.435	.337
SPC5	207	2	5	4.15	.773	-.465	.169	-.616	.337
SPC6	207	2	5	4.15	.752	-.600	.169	.032	.337
SPC7	207	2	5	4.26	.737	-.603	.169	-.424	.337
SPC8	207	2	5	4.01	.770	-.081	.169	-1.131	.337
SPC9	207	2	5	4.07	.782	-.251	.169	-.983	.337
INV1	207	1	5	4.19	.801	-.649	.169	-.053	.337
INV2	207	2	5	4.15	.712	-.307	.169	-.700	.337
INV3	207	2	5	4.30	.761	-.632	.169	-.781	.337
INV4	207	2	5	3.89	.787	.010	.169	-.992	.337
INV5	207	2	5	3.99	.760	-.110	.169	-.912	.337
INV6	207	2	5	4.30	.774	-.702	.169	-.573	.337
INV7	207	2	5	4.11	.812	-.472	.169	-.616	.337
INV8	207	2	5	4.19	.819	-.478	.169	-1.045	.337
INV9	207	2	5	4.21	.819	-.508	.169	-1.018	.337
INV10	207	2	5	4.07	.830	-.239	.169	-1.247	.337
INV11	207	2	5	4.13	.793	-.296	.169	-1.179	.337
INV12	207	2	5	4.20	.747	-.410	.169	-.870	.337
INV13	207	2	5	4.23	.777	-.545	.169	-.748	.337
INV14	207	2	5	4.27	.753	-.630	.169	-.512	.337
INV15	207	2	5	4.09	.814	-.270	.169	-1.151	.337
Valid N (listwise)	207								

The Result of Common Method Bias Test

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	37.916	49.890	49.890	37.916	49.890	49.890
2	4.313	5.675	55.564			
3	2.991	3.935	59.499			
4	2.187	2.878	62.377			
5	2.141	2.817	65.194			
6	1.817	2.391	67.585			
7	1.402	1.844	69.430			
8	1.315	1.730	71.160			
9	1.253	1.649	72.809			
10	1.162	1.530	74.339			
11	1.008	1.326	75.664			
12	.911	1.199	76.863			
13	.899	1.183	78.047			
14	.817	1.075	79.122			
15	.806	1.060	80.182			
16	.741	.975	81.157			
17	.711	.936	82.092			
18	.689	.907	83.000			
19	.661	.870	83.869			
20	.609	.802	84.671			
21	.594	.782	85.453			
22	.574	.755	86.208			
23	.518	.682	86.890			
24	.514	.676	87.566			
25	.480	.632	88.198			
26	.468	.616	88.814			
27	.441	.581	89.394			
28	.418	.550	89.945			
29	.399	.525	90.470			
30	.391	.515	90.985			
31	.362	.477	91.462			
32	.348	.458	91.920			
33	.333	.438	92.358			
34	.324	.427	92.785			
35	.309	.406	93.191			
36	.293	.386	93.577			

37	.280	.369	93.945			
38	.273	.359	94.305			
39	.260	.342	94.647			
40	.240	.316	94.963			
41	.229	.301	95.264			
42	.223	.293	95.558			
43	.205	.270	95.827			
44	.195	.257	96.084			
45	.189	.249	96.332			
46	.184	.243	96.575			
47	.170	.224	96.799			
48	.167	.220	97.018			
49	.156	.205	97.223			
50	.143	.188	97.411			
51	.137	.180	97.591			
52	.131	.173	97.764			
53	.129	.170	97.934			
54	.123	.162	98.096			
55	.118	.155	98.251			
56	.111	.147	98.398			
57	.107	.141	98.539			
58	.100	.131	98.670			
59	.093	.122	98.792			
60	.090	.118	98.910			
61	.088	.116	99.026			
62	.081	.106	99.133			
63	.073	.096	99.228			
64	.071	.094	99.322			
65	.065	.085	99.407			
66	.062	.081	99.488			
67	.054	.071	99.559			
68	.052	.069	99.628			
69	.049	.064	99.693			
70	.044	.058	99.751			
71	.041	.054	99.806			
72	.035	.047	99.852			
73	.032	.042	99.894			
74	.031	.041	99.934			
75	.027	.035	99.970			
76	.023	.030	100.000			

Extraction Method: Principal Component Analysis.

The Result of Outer Loadings Test

	HC	INV	MS	RC	SC	SPC
HC1	0,846					
HC10	0,872					
HC11	0,805					
HC12	0,763					
HC2	0,838					
HC3	0,868					
HC4	0,870					
HC5	0,870					
HC6	0,848					
HC7	0,869					
HC9	0,753					
INV1		0,749				
INV10		0,653				
INV11		0,655				
INV12		0,619				
INV13		0,603				
INV15		0,794				
INV2		0,789				
INV4		0,687				
INV5		0,813				
INV7		0,798				
INV8		0,623				
MS10			0,824			
MS11			0,683			
MS12			0,783			
MS13			0,726			
MS2			0,674			
MS3			0,752			
MS4			0,775			
MS5			0,782			
MS6			0,784			
MS7			0,857			
MS8			0,835			
MS9			0,867			
RC1				0,666		
RC10				0,879		
RC11				0,844		
RC12				0,879		
RC14				0,777		
RC15				0,614		
RC2				0,814		
RC3				0,865		

RC4				0,885		
RC5				0,906		
RC6				0,906		
RC7				0,895		
RC8				0,694		
SC1					0,770	
SC10					0,755	
SC2					0,827	
SC3					0,759	
SC4					0,757	
SC5					0,687	
SC6					0,656	
SC7					0,692	
SC9					0,803	
SPC1						0,808
SPC2						0,865
SPC3						0,901
SPC4						0,904
SPC5						0,923
SPC6						0,912
SPC7						0,898
SPC8						0,838
SPC9						0,834
MS1			0,659			

The Result of Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
HC	0,957	0,958	0,963	0,701
INV	0,905	0,922	0,918	0,507
MS	0,943	0,945	0,950	0,596
RC	0,959	0,964	0,964	0,677
SC	0,901	0,909	0,919	0,558
SPC	0,962	0,963	0,968	0,769

The Result of Heterotrait-Monotrait Ratio of Correlations (HTMT)

Heterotrait-Monotrait Ratio (HTMT)

	HC	INV	MS	RC	SC	SPC
HC						
INV	0,733					
MS	0,778	0,878				
RC	0,799	0,772	0,887			
SC	0,881	0,774	0,820	0,848		
SPC	0,757	0,789	0,864	0,874	0,800	

The Result of Cross Loadings Test

Cross Loadings

	HC	INV	MS	RC	SC	SPC
HC1	0,846	0,638	0,660	0,621	0,664	0,612
HC10	0,872	0,608	0,611	0,641	0,745	0,604
HC11	0,805	0,578	0,585	0,646	0,725	0,579
HC12	0,763	0,579	0,589	0,605	0,707	0,575
HC2	0,838	0,567	0,598	0,639	0,631	0,593
HC3	0,868	0,616	0,684	0,717	0,712	0,678
HC4	0,870	0,603	0,633	0,681	0,710	0,635
HC5	0,870	0,592	0,628	0,639	0,666	0,624
HC6	0,848	0,619	0,637	0,666	0,659	0,637
HC7	0,869	0,618	0,634	0,707	0,732	0,627
HC9	0,753	0,542	0,545	0,519	0,698	0,527
INV1	0,545	0,749	0,740	0,687	0,595	0,647
INV10	0,406	0,653	0,443	0,377	0,391	0,401
INV11	0,452	0,655	0,442	0,423	0,439	0,478
INV12	0,374	0,619	0,358	0,313	0,381	0,341
INV13	0,353	0,603	0,364	0,363	0,359	0,354
INV15	0,607	0,794	0,782	0,702	0,607	0,727
INV2	0,636	0,789	0,749	0,628	0,690	0,699
INV4	0,478	0,687	0,605	0,570	0,528	0,452
INV5	0,604	0,813	0,787	0,694	0,637	0,644
INV7	0,616	0,798	0,760	0,626	0,639	0,698
INV8	0,298	0,623	0,370	0,293	0,314	0,360
MS10	0,616	0,728	0,824	0,688	0,632	0,625
MS11	0,578	0,525	0,683	0,638	0,588	0,568
MS12	0,629	0,720	0,783	0,747	0,647	0,699
MS13	0,665	0,593	0,726	0,703	0,650	0,643
MS2	0,524	0,612	0,674	0,549	0,554	0,592
MS3	0,594	0,738	0,752	0,597	0,605	0,663
MS4	0,501	0,623	0,775	0,655	0,553	0,601
MS5	0,510	0,696	0,782	0,599	0,517	0,639
MS6	0,538	0,695	0,784	0,614	0,554	0,595
MS7	0,638	0,715	0,857	0,733	0,648	0,729
MS8	0,568	0,690	0,835	0,636	0,595	0,635
MS9	0,615	0,749	0,867	0,683	0,642	0,682
RC1	0,416	0,489	0,542	0,666	0,502	0,578
RC10	0,676	0,642	0,716	0,879	0,689	0,739
RC11	0,620	0,649	0,709	0,844	0,632	0,703
RC12	0,659	0,678	0,744	0,879	0,706	0,778
RC14	0,605	0,651	0,693	0,777	0,649	0,644
RC15	0,485	0,503	0,569	0,614	0,571	0,543
RC2	0,668	0,625	0,712	0,814	0,613	0,698

RC3	0,709	0,652	0,735	0,865	0,675	0,713
RC4	0,698	0,683	0,754	0,885	0,703	0,732
RC5	0,726	0,717	0,761	0,906	0,752	0,751
RC6	0,710	0,695	0,739	0,906	0,739	0,747
RC7	0,708	0,670	0,709	0,895	0,724	0,719
RC8	0,463	0,487	0,573	0,694	0,517	0,585
SC1	0,684	0,507	0,585	0,628	0,770	0,529
SC10	0,694	0,546	0,551	0,528	0,755	0,535
SC2	0,705	0,596	0,631	0,627	0,827	0,643
SC3	0,605	0,560	0,582	0,552	0,759	0,567
SC4	0,722	0,723	0,752	0,752	0,757	0,681
SC5	0,454	0,452	0,453	0,529	0,687	0,457
SC6	0,467	0,462	0,458	0,500	0,656	0,503
SC7	0,485	0,486	0,476	0,540	0,692	0,498
SC9	0,668	0,586	0,582	0,640	0,803	0,593
SPC1	0,562	0,587	0,644	0,692	0,614	0,808
SPC2	0,613	0,683	0,702	0,726	0,636	0,865
SPC3	0,701	0,713	0,770	0,784	0,713	0,901
SPC4	0,617	0,671	0,705	0,701	0,626	0,904
SPC5	0,660	0,699	0,723	0,730	0,663	0,923
SPC6	0,678	0,697	0,755	0,752	0,703	0,912
SPC7	0,661	0,716	0,764	0,778	0,690	0,898
SPC8	0,596	0,674	0,691	0,703	0,650	0,838
SPC9	0,642	0,703	0,735	0,749	0,649	0,834
MS1	0,424	0,579	0,659	0,590	0,509	0,571

The Result of Collinearity Statistic Test

Outer VIF Values

	VIF
HC1	3,572
HC10	4,770
HC11	3,779
HC12	**2,884**
HC2	3,512
HC3	4,071
HC4	4,273
HC5	**5,797**
HC6	**5,165**
HC7	3,838
HC9	**2,429**
INV1	**2,124**
INV10	**2,446**
INV11	**2,521**

INV12	**2,653**
INV13	**2,311**
INV15	**2,250**
INV2	**2,749**
INV4	**1,802**
INV5	**2,614**
INV7	**2,722**
INV8	**2,641**
MS10	3,268
MS11	**1,996**
MS12	**2,641**
MS13	**2,078**
MS2	**2,195**
MS3	**2,149**
MS4	**2,363**
MS5	3,147
MS6	**2,364**
MS7	3,765
MS8	4,068
MS9	4,745
RC1	**2,316**
RC10	4,393
RC11	3,585
RC12	4,668
RC14	**2,398**
RC15	**1,630**
RC2	**2,900**
RC3	3,904
RC4	4,924
RC5	**6,650**
RC6	**6,334**
RC7	**6,088**
RC8	**2,342**
SC1	3,148
SC10	**1,914**
SC2	**5,173**
SC3	3,841
SC4	**1,825**
SC5	**2,212**
SC6	**1,861**
SC7	**2,354**
SC9	**2,412**
SPC1	**2,739**
SPC2	3,775
SPC3	4,415

SPC4	**5,530**
SPC5	**6,060**
SPC6	4,987
SPC7	4,147
SPC8	3,552
SPC9	3,451
MS1	**1,815**

The Result of Determination of Coefficient

	R Square	R Square Adjusted
INV	0,680	0,674
MS	0,837	0,833

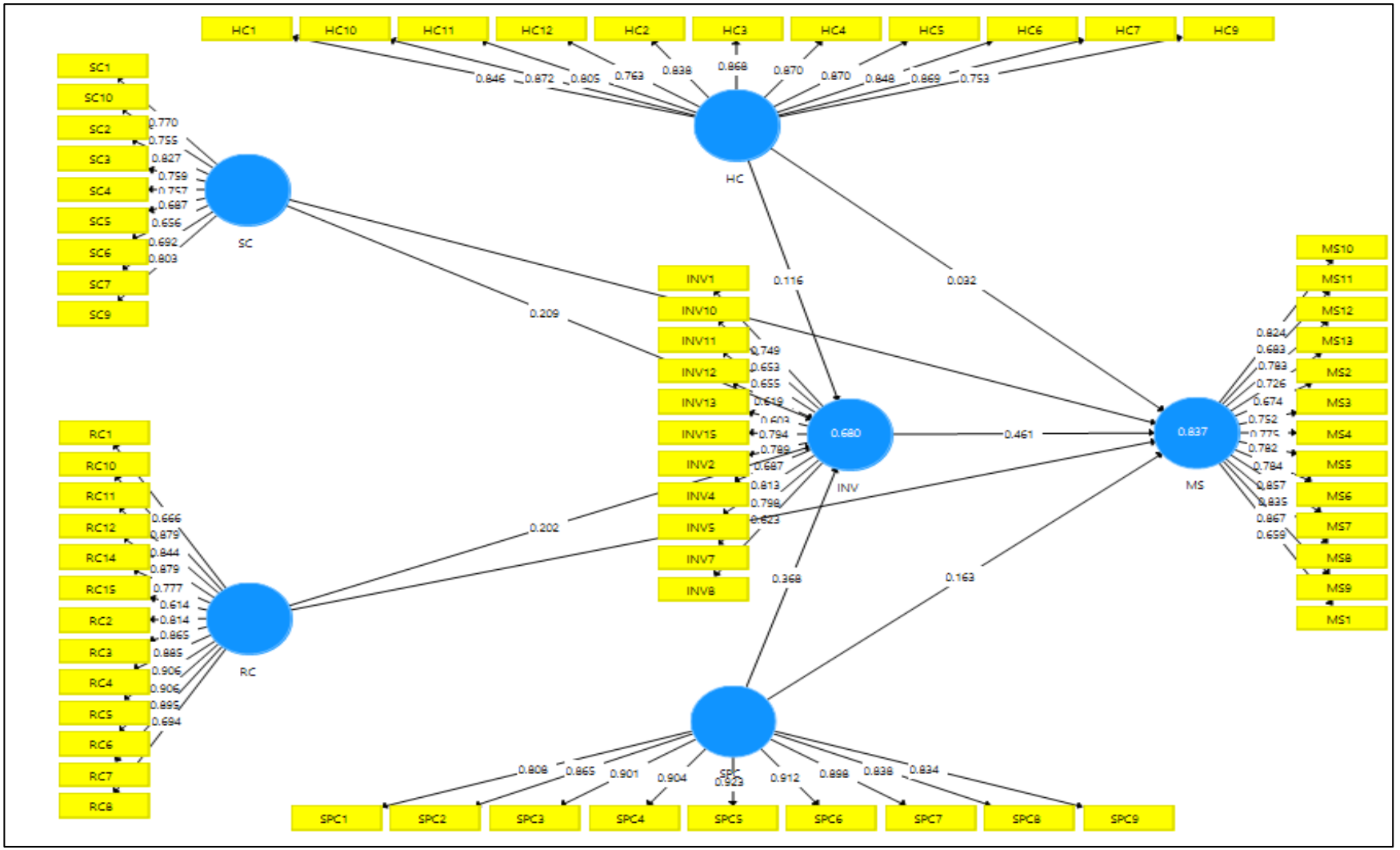
The Result of Blindfolding Test

	SSO	SSE	Q^2 (=1-SSE/SSO)
HC	2277,000	2277,000	
INV	2277,000	1546,245	0,321
MS	2691,000	1368,531	0,491
RC	2691,000	2691,000	
SC	1863,000	1863,000	
SPC	1863,000	1863,000	

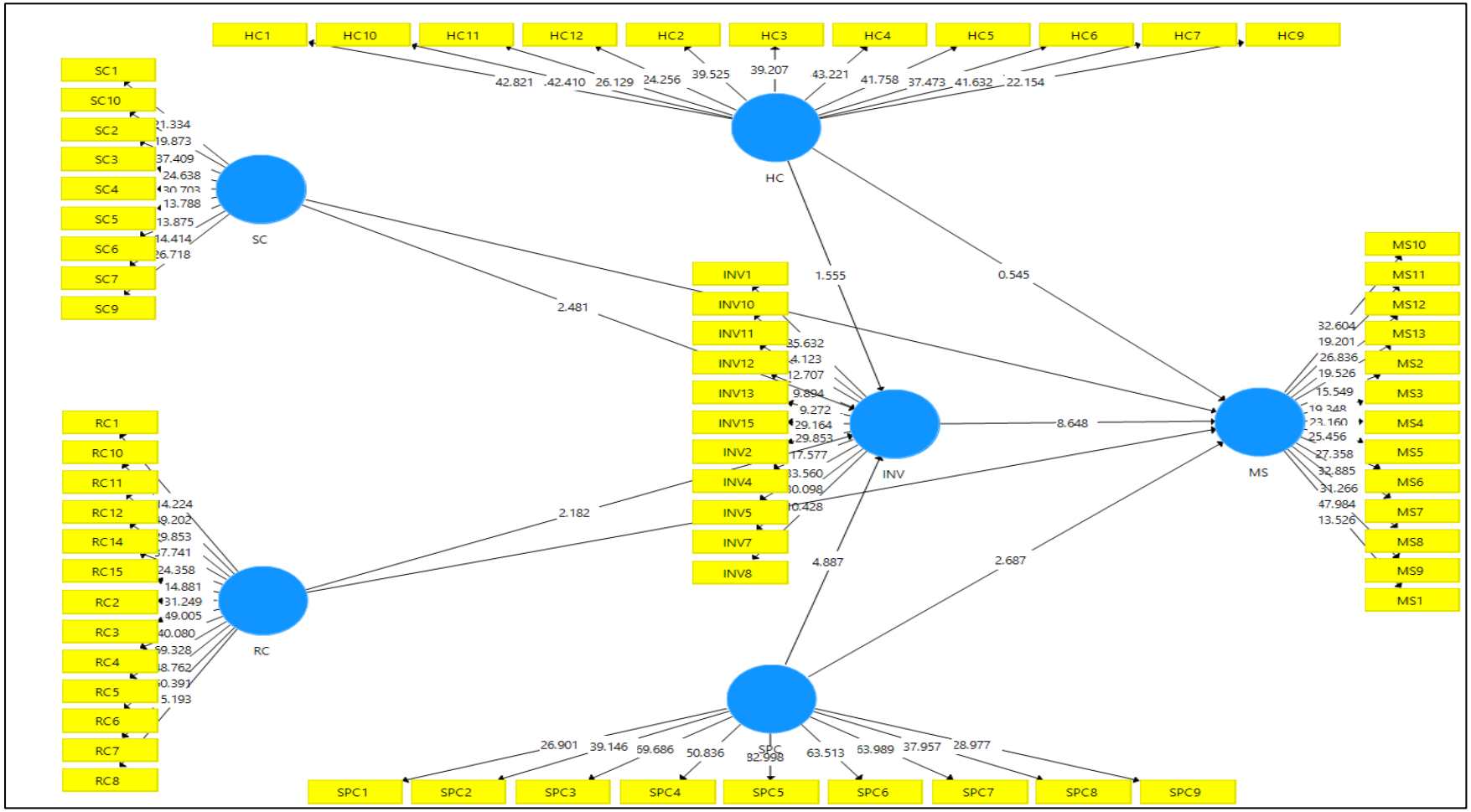
The Result of Effect Size

	HC	INV	MS	RC	SC	SPC
HC		**0,012**	**0,002**			
INV			**0,417**			
MS						
RC		0,029	0,116			
SC		0,033	**0,002**			
SPC		0,115	0,040			

The Result of Measurement Model



The Result of Structural Model



The Results of Hypothesis Testing (Direct Effect)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
HC -> INV	0,116	0,116	0,075	1,555	**0,060**
HC -> MS	0,032	0,032	0,059	0,545	**0,293**
INV -> MS	0,461	0,460	0,053	8,648	**0,000**
RC -> INV	0,202	0,201	0,093	2,182	**0,015**
RC -> MS	0,295	0,294	0,069	4,258	**0,000**
SC -> INV	0,209	0,210	0,084	2,481	**0,007**
SC -> MS	0,040	0,042	0,062	0,652	**0,257**
SPC -> INV	0,368	0,372	0,075	4,887	**0,000**
SPC -> MS	0,163	0,164	0,061	2,687	**0,004**

The Results of Mediating Effect (Indirect Effect)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
HC -> INV -> MS	0,054	0,053	0,034	1,564	**0,059**
RC -> INV -> MS	0,093	0,092	0,042	2,202	**0,014**
SC -> INV -> MS	0,096	0,097	0,043	2,255	**0,012**
SPC -> INV -> MS	0,170	0,171	0,040	4,213	**0,000**

AUTHOR'S PROFILE



Maulida Nurul Innayah is a PhD candidate at the Faculty of Business and Management, Universiti Teknologi MARA, Malaysia. She holds a Master of Science (M.Sc.) in Management from Universitas Gadjah Mada, Indonesia, and currently serves as a lecturer at the Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto. Her research interests encompass financial management, strategic management, behavioral finance, intellectual capital, innovation, and SME development. She has participated in international conferences and has published several academic articles during her PhD studies.

LIST OF PAPER PUBLICATION

Innayah, M. N., Ngah, R., Munir, R. (2026). Harnessing Intellectual Capital for Islamic Value-Based Innovation: Evidence from Indonesian Halal Industry SMEs. *Management, 30*(1).

Innayah, M. N., Ngah, R., Munir, R. (2024). Maqasid Sharia Performance: A Conceptual Framework for Micro, Small, and Medium-Sized Enterprises (MSMEs) in Halal Perspective. *ASEAN Entrepreneurship Journal, 11*(3).

Innayah, M. N., Ngah, R., Munir, R. (2026). Human Capital and Structural Capital as Drivers of Maqasid Sharia Performance in Women-Led Halal Businesses. *ASEAN Entrepreneurship Journal, 12*(1).

Innayah, M. N., Ngah, R., Munir, R. (in press). Towards Business Sustainability: The Strategic Role of Women Entrepreneurs and the Emergence of Islamic Value-Based Innovation. Springer Nature.

LIST OF PAPER PRESENTATION

Innayah, M. N., Ngah, R., Munir, R. (2025, August 6–7). *Towards Business Sustainability: The Strategic Role of Women Entrepreneurs and the Emergence of Islamic Value-Based Innovation* [Paper presentation]. International Conference on Development Economics and Sustainability (ICDES2025), Indonesia.

Innayah, M. N. (2024, September 25–26). *Advancing Micro, Small and Medium-Sized Enterprises (MSMEs) Business Performance in Tourism Industry: The Role of Human Capital and Green Process Innovation* [Paper presentation]. International Conference on Accounting & Management 2024, Malaysia.

LIST OF ACHIEVEMENT

Best Presenter in the International Conference on Accounting & Management 2024, Malaysia, September 25 & 26, 2024