



# Analysis of The Influence of Motivation and Spiritual Capital on Performance With Competence as A Moderating Variable In MSMEs Community of Kwala Serapuh Langkat

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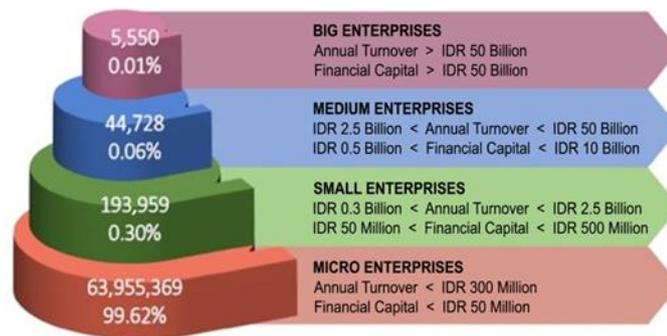
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**Abstract:** This study aims to analyze the influence of motivation and spiritual capital on the performance of MSMEs in Kwala Serapuh Langkat Village, with competence as a moderating variable. Motivation and spiritual capital are seen as important factors that can affect the performance of MSMEs, while competence plays a role as a moderating variable that can strengthen or weaken this influence. The research method used is a quantitative approach by distributing questionnaires to MSME actors in Kwala Village, Serapuh Langkat. The data obtained were analyzed using multiple regression analysis and Moderated Regression Analysis (MRA) with the help of SmartPLS 2. software to test the effect of competency moderation on the relationship between motivation, spiritual capital, and MSME performance. The results of the study show that motivation and spiritual capital have a positive and significant influence on the performance of MSMEs in Kwala Village, Serapuh Langkat. In addition, competence has not been proven to moderate the influence of motivation and spiritual capital on the performance of MSMEs.

**Keywords:** Motivation, Spiritual Capital, Competence, MSME Performance, Kwala Serapuh Lalat Village.

## Introduction

Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (Law 20/2008) explains that MSMEs are one of the main pillars of the national economy that must receive priority in terms of business opportunities as well as support, protection, and business development. Based on publications from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (Kemenkop UKM), the number of micro enterprises (UMi) in Indonesia is 63,955,369 units or 99.62% of the total business units in Indonesia, small enterprises (UK) 193,959 units or 0.30%, medium enterprises (UM) 44,728 units or 0.06%, and large enterprises (UB) 5,550 units or 0.01% (Ministry of Cooperatives and SMEs, 2024).



**Figure 1.** Overview of Indonesian MSMEs.

With a total of 64,194,056 units (UMi+UK+UM), Indonesian MSMEs create 99.9% of employment and absorb up to 96.9% of the workforce and contribute 60.5% to the national Gross Regional Income (GDP) with a total investment of 60% (Ministry of Cooperatives and SMEs, 2024). The data above further corroborates that MSMEs are the backbone of Indonesia's economy that encourages GDP growth by providing a safety net, especially for low-income people to carry out productive economic activities (Ministry of Cooperatives and SMEs, 2022). Its role as the foundation of the people's economic system, placing the development of MSMEs as one of the main goals of national economic development (Budiarto, *et.al.*, 2024:240). Furthermore, the growth of MSMEs will have an impact on the expansion of the economic base and the acceleration of structural changes that lead not only to strengthening the economy at the regional level but also to strengthening the national economy (Jumadi, 2016).

Unfortunately, the contribution of MSMEs to national GDP is inversely proportional to the data on the development and performance of MSMEs in Indonesia, which are stagnant, even the data used by the Ministry of Cooperatives and SMEs in the 2022 Performance Report is 2019 data (Ministry of Cooperatives and SMEs, 2022). The above obstacles are felt by many MSME actors, including in the North Sumatra Province area, which is the fifth province with the highest number of MSMEs in Indonesia (Indonesian Chamber of Commerce, 2022). According to the results of the Micro and Small Industry Survey conducted by the Central Statistics Agency (BPS) of North Sumatra Province in 2022, MSMEs in this province with the fifth most populous population (Central Statistics Agency, 2023) face classic problems around access to capital, product marketing, raw materials, guidance/training, and partnerships. This is what makes it difficult for MSMEs in North Sumatra to upgrade (Panggabean, 2023).

At the district/city level, the development of MSMEs in Lalat Regency, which is the third most populous area in North Sumatra, after Medan City and Deli Serdang Regency (BPS North Sumatra, 2023), also faces similar problems. In fact, in this district with a total workforce of 562,833 people, there are 215,024 entrepreneurs, consisting of 192,953 beginner entrepreneurs and 22,014 established entrepreneurs (Simarmata, Bangun & Izzati, 2023). The economy in Langkat Regency, especially Kwala Serapuh Village, is mostly contributed through the role of MSMEs in driving economic activities in various fields. In its development from year to year, the number of MSMEs in the Kwala Serapuh Village area has grown.

One of the areas contributing to the Entrepreneurship Ratio of Langkat Regency is Kwala Serapuh Village, which is one of 19 villages in the administrative area of Tanjung Pura District. In terms of the various difficulties it faces, this village with a population of 1,942 people (BPS Langkat Regency, 2023) has 125 non-agricultural MSME actors who are doing business in the industrial, handicraft, trade, and service sectors (BPS Langkat Regency, 2023). The development of the increasing number of MSMEs in Kwala Serapuh Village has not been balanced with the development of the quality of MSMEs that still face a classic problem, namely low productivity.

Competent Human Resources (HR) is an absolute requirement in achieving goals. The low ability of human resources in business management affects business performance. The limitations of human resources' abilities and skills in creating ideas by seeing opportunities and challenges are obstacles for MSMEs in developing their businesses. The competence or knowledge of the MSME workforce in operational activities is an *intangible asset* that needs to be developed because it can encourage the ability to innovate.

The low level of education in small industry players makes their business horizons very narrow, low entrepreneurial spirit because of their lack of insight and ability, and not knowing business management. In addition, other problems in the production process carried out by MSMEs at this time are still using traditional methods. This is due to low knowledge of technology and lack of initiative to develop businesses using new technologies.

In the Kwala Serapuh Village area, there are various micro and small businesses that have great potential to be developed, especially in the manufacturing sector, because some businesses are still experiencing difficulties in terms of marketing and sales with products from foreign entrepreneurs that can produce better products at more affordable prices, which results in business profits falling and even tending to be sluggish. The problem of motivation also plays a very important role for business actors because if the level of motivation is low, the performance will be low even though the ability is good and the job opportunities are there. The level of motivation is also another problem for MSME actors in improving the quality of their business. In a broader perspective, the enthusiasm and determination of employees will drive their involvement and consistency in the organization's efforts to realize its business goals (Malkoc & Dal, 2021). Therefore, motivation has a positive relationship with performance (Charka, Moelyatie & Yamaly, 2022).

In addition to competence and motivation, spiritual capital can also affect the behavior and performance of economic actors. In contrast to *financial capital*, which refers to wealth, profit, profit, and material power (Pandey, 2016), *spiritual capital* is capital that can generate material profits, which will not only increase the degree of external welfare but also add value to inner wealth. However, this spiritual awareness is considered by some people only as issues related to religious issues and far from working life. (Chakrabarty, 2023) explains that the main components of *spiritual capital* are belief, a *sense of being a part of wider communities*, and a *sense of employment*. By relying on this opinion, the belief component in MSME actors in Kwala Serapuh Village is represented by confidence in answering challenges through commitment, self-understanding, honesty, and setting goals

for their business. Spiritual capital is seen as a source of motivation, enthusiasm, and dedication for rental entrepreneurial activities (Neubert et al., 2017).

According to the opinion (Zohar and Marshall, 2004) in addition to supporting the transformation process above spiritual consciousness is needed to provide a new orientation in the management of the company. Especially from the spirit of capitalism that underlies the management of companies and businesses today, the spirit of capitalism that can encourage a person to commit greed and exploitation of nature and humans, when spiritual motives can be instilled into the company, then spirituality will help the company build a new business orientation that is upheld on the mentality of abundance in the form of openness of mind, abundance of soul, breadth of view, wisdom and love among humans as well as the unity of humans with nature.

The number of studies that explain the positive relationship between motivation and performance and its correlation with the achievement of organizational goals, further emphasizes that motivation is essentially an effort or technique carried out by an organization to achieve its goals and ideals by satisfying the needs and/or demands of the parties involved in it (Haque, Haque & Islam, 2014). Research on the influence of leadership on employee performance also generally produces a positive relationship, such as in a study conducted by (Farine, 2020) which states that motivation has a positive and significant effect and competence does not have a significant effect on employee performance.

Seeing the problems related to MSMEs in Indonesia in general and in Kwala Serapuh Village, it is necessary to conduct research "Analysis of the Influence of Motivation and *Spiritual Capital* on Performance with Competence as a *Moderating Variable* in MSMEs in the Kwala Serapuh Langkat Village Community".

## Theoretical Foundations

### Motivation

Motivation comes from the word motive, which means encouragement. Thus, motivation means a condition that encourages or causes a person to do an action/activity that takes place consciously (Wilson, 2012). Motivation is believed to have a contribution to the quality of human resources and individual performance in an organization (Aarabi, Subramaniam & Akeel, 2013). Motivation according to (Setiawan, 2016) is one of the things that affect human behavior, motivation is also referred to as a push, desire, support or need that can make a person excited and motivated to reduce and fulfill their own motivation, so that they can act and act in certain ways that will lead to an optimal direction.

A simple strategy that organizations can do to foster motivation in employees is through meeting employee needs and persuasive communication to arouse attention, interest, desire, *decision*, action, and satisfaction) employees towards their duties and work (Mangkunegara, 2019). Most organizations generate motivation by developing an incentive scheme (*reward*) that is given to their employees based on certain conditions (Ghaffari, *et.al.*, 2017). But there are also organizations that prefer to build employee motivation by providing challenges that continue to grow, because there are employees who are more oriented towards achievement (*achievement*) than financial incentives (Osabiya, 2015).

## Spiritual Capital

Capital is an economic term that can be measured and refers to production factors that are used to create goods or services but are not involved in the process (Lucey, 2021). However, several studies reveal another form of capital that requires deep thinking, namely spiritual capital or spiritual capital (Rima, 2016). Zohar and Marshall in (Gorda et al., 2018) explained that the spiritual aspect can be seen from the side of spiritual capital which is capital that is improved by utilizing the resources that exist in one's or one's soul so that later it will give birth to the intelligence of conscience.

Spiritual is defined as the greatest meaning and purpose in one's life (Weiss 2009). Spirituality represents an abstract material so that a complete understanding is difficult to obtain. However, spirituality provides information related to the process of forming a material (Tickle & Sweeney, 2014), such as a person's spiritual state that informs the patterns of decisions he or she takes (Lucey & Lin, 2020). This moral relationship then builds a relationship between spirituality and the concept of loyalty that guides decision-making in community life (Lucey, 2021).

In terms of the many definitions of *spiritual capital*, there are those who argue that spirituality is not an easy concept to define because it contains a reality that goes beyond human words and judgments, but can be seen from accountability, supportiveness, self-focus, integrity, motivation, loyalty, ethics, culture, and the like (Rahman & Shamsuddin, 2017). People who are equipped with *spiritual capital* tend to be more patient when facing difficulties and problems (Moghadam, 2018). A spiritual business organization is a shared value and leadership effectively demonstrates these values by behavior, actions and some of these values are upheld throughout the organizational culture (Campuzano and Seteroff, 2010)

## Competence

Abilities determined by experience, training, and education are known as competencies (Istiqamah, et.al. 2024). The study of organizational security management places competence as a very vital indicator in evaluating the work performance of an employee (Wang, Liao & Yu, 2021). According to Spencer & Spencer in (Triastuti, 2019) competence is more defined as an underlying characteristic of a person that relates to the effectiveness of an individual's work in his or her work.

(Sudarmanto, 2009) said that competence is an attribute inherent in quality and superior human resources. These attributes are the qualities that are given to a person or thing, which refers to certain characteristics that are necessary to be able to carry out the job effectively. These attributes consist of knowledge, skills, and certain expertise or characteristics. So it can be interpreted that a successful entrepreneur is someone who has knowledge, skills and individual qualities that include attitudes, values, and behaviors necessary to carry out work or activities (Amanda, 2012). The combination of knowledge, skills, and behaviors, which build competencies, makes each member of the organization meet the standards needed to keep the organization competitive and productive (Alie, Riwukore & Hawaii, 2022).

## Company Performance

(Flippo, 2020) states that performance is the results that can be achieved by a person in his field of work based on criteria that have been set for a certain job and evaluated by certain people as well. Work results can concern quality, quantity, and timeliness, but performance evaluation in a company organization is key in employee development (Indrawan, 2021). According to (Mangkunegara, 2019), performance is the result achieved by an employee, both in quantity and quality, in carrying out their duties in accordance with the responsibilities given. In view (Dessler, 2017), performance is a work achievement that shows a comparison between work results and set standards. Although it is defined as work results and work performance, performance is not only about *output*, but also *about the process*.

According to (Setiawan, 2018) Performance can be interpreted as an overview of the level of achievement in the implementation of an activity or program and policy in realizing the goals, goals, missions and visions of the organization contained in the strategic plan of an organization. Employee performance according to (Sutrisno, 2011) in (Wakhyuni Emi, 2017) is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him.

According to (Bernardin and Russel, 2017), a person's performance can be measured based on five criteria, all of which are related to the output and the process of work, namely quality, quantity, *timelines*, and effectiveness.), and the impact between individuals caused during the work stage until the completion of the tasks and responsibilities given (*interpersonal impact*).

## Methodology

This type of research is a descriptive research with a quantitative approach, which is research aimed at testing theories, building facts, showing relationships between variables, providing statistical descriptions, attracting and forecasting the results with the aim of finding out the influence between one variable and another (Sugiyono, 2018). This research was conducted in Kwala Serapuh Village, Lalat Regency. The implementation time of this research starts from October 2022 to May 2024. The scope of this research is focused on training and education on the development of MSMEs in the community of Kwala Serapuh Langkat village with motivation as an intervening variable. The population in this study is 120 respondents from the community of Kwala Serapuh Langkat village. In this study, the researcher chose a random sampling technique or random sampling/probability sampling. According to (Sugiyono, 2018) *Probability sampling* is a sampling technique that provides an equal chance for each element (member) of the population to be selected as a member of the sample. The sample that will be used as the object of research in this proposal is the MSME actors of the Kwala Serapuh Langkat village community whose number has been determined based on the calculation of a formula. In this study, the researcher determined a sample of 70 respondents. This study uses primary data, by using a survey method in the data collection process, namely by distributing questionnaires to MSME business actors.

Data analysis was carried out using the Partial Least Square (PLS) method using SmartPLS software version 4. PLS is one of the methods of solving Structural Equation Modeling (SEM) which in this case is more compared to other SEM techniques. SEM has a

higher level of flexibility in research that connects theory and data, and is able to perform path analysis with latent variables, so it is often used by researchers who focus on social sciences.

### **Evaluation of the Measurement Model (Outer Model)**

Evaluation of the outer model in PLS-SEM was carried out to assess the validity and reliability of the model (Ghozali, 2021). By using valid and reliable instruments in data collection, it is hoped that the research results will be valid and reliable (Sugiyono, 2018).

Validity tests are used to measure whether research instruments (statements in questionnaires) can be used to measure what should be measured (Sugiyono, 2018). There are several stages of testing that will be carried out, namely through convergent *validity*, *average variance extracted* (AVE), and *discriminant validity*. And reliability tests are carried out to prove the accuracy, consistency and precision of the instrument in measuring constructs (Ghozali, 2021). To test reliability can be done through *composite reliability*, a variable can be said to be reliable when it has a composite reliability value  $\geq 0.7$ . (Sekaran & Bougie, 2016)

### **Structural Model Evaluation (Inner Model)**

Inner models (*inner relation*, *structural model* and *substantive theory*) describe the relationship between latent variables based on substantive theory. The structural model was evaluated using *R-square* for the dependent variable, *Stone-Geisser Q-square test for predictive elevation* and t-test as well as the significance of the structural path parameter coefficient. In assessing the model with PLS, it starts by looking at the R-square for each dependent latent variable. The interpretation is the same as the interpretation on regression.

### **Hypothesis Testing**

Hypothesis testing uses full model structural equation modeling (SEM) analysis with smartPLS. Hypothesis testing by looking at the value of Path Coefficient in the inner model test. A hypothesis is said to be accepted if the statistical T value is greater than the T of the table 1.96 ( $\alpha$  5%), which means that if the statistical T value of each hypothesis is greater than the T of the table, it can be declared accepted or proven.

## **Result and Discussion**

### **Research Results**

#### **1. Evaluation of Measurement Model (Outer Model)**

The Outer Model is a measurement model to assess the validity, parameters of the measurement model (convergent validity, validity of discrimination, composite reliability and Cronbach's alpha) as parameters of the accuracy of the prediction model.

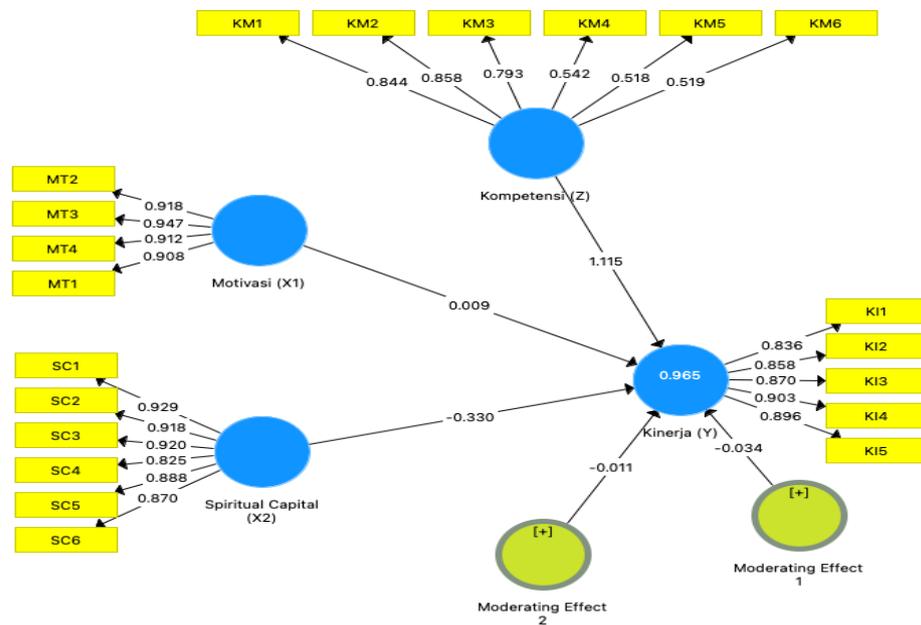


Figure 2. Outer Model

Source: Processed by Researcher, 2024

a. Validity Test

1) Convergent Validity

The convergent validity value can be seen from the correlation between the score of an item or indicator and its construction. An indicator is considered reliable if it has a correlation value above 0.7, but nevertheless at the scale development stage research, a loading factor value of 0.5 – 0.6 is still acceptable (Ghozali, 2021). The following are the outer loading values of each indicator in the research variables:

Table 1. Outer Loading Test Results

	Performance (Y)	Competence (Z)	Moderating Effect 1	Moderating Effect 2	Motivation (x1)	Spiritual Capital (x2)
KI1	0,836					
KI2	0,858					
KI3	0,87					
KI4	0,903					
KI5	0,896					
KM1		0,844				
KM2		0,858				
KM3		0,793				
KM4		0,542				
KM5		0,518				
KM6		0,519				
MT2					0,918	
MT3					0,947	
MT4					0,912	

	Performance (Y)	Competence (Z)	Moderating Effect 1	Moderating Effect 2	Motivation (x1)	Spiritual Capital (x2)
Motivation (X1) *			0,996			
Competence (Z)						
SC1						0,929
SC2						0,918
SC3						0,92
SC4						0,825
SC5						0,888
SC6						0,87
Spiritual Capital (X2) *				1.078		
Competence (Z)						
MT1						0,908

*Source: Processed by Researcher, 2024*

Based on the data presented in table 1. Above, it is known that each of the research variable indicators has an outer loading value of > 0.50. According to (Ghozali, 2021), an outer loading value between 0.5 – 0.6 is considered sufficient to meet the convergent validity requirements. The above data shows that the indicators are declared feasible or valid for research use and can be used for further analysis.

## 2) Discriminant Validity

This value is a cross loading value that is useful for finding out whether the construct has adequate discrimination, namely by comparing the loading value on the intended construct must be greater than the loading value with other constructs (Ghozali, 2021). The criterion in cross-loading is that each indicator that measures its construct must be highly correlated with its construct compared to other constructs (Ghozali, 2021). In Table 6. shows the Cross-loading values owned by each indicator as follows:

**Table 2. Cross Loading Values**

	Kinerja (Y)	Kompetensi (Z)	Moderating Effect	Moderating Effect	Motivasi (X1)	Spiritual Capital (X2)
KI1	0.836	0.844	-0.111	0.050	0.144	0.298
KI2	0.858	0.858	-0.081	0.011	0.127	0.324
KI3	0.870	0.793	-0.039	0.048	0.055	0.100
KI4	0.903	0.793	-0.107	0.066	0.100	0.172
KI5	0.896	0.823	-0.190	-0.110	0.175	0.314
KM1	0.836	0.844	-0.111	0.050	0.144	0.298
KM2	0.858	0.858	-0.081	0.011	0.127	0.324
KM3	0.870	0.793	-0.039	0.048	0.055	0.100
KM4	0.296	0.542	-0.116	-0.057	0.115	0.929
KM5	0.271	0.518	-0.178	-0.037	0.185	0.918
KM6	0.265	0.519	-0.175	-0.007	0.132	0.920
MT2	0.073	0.096	-0.054	-0.108	0.918	0.135
MT3	0.173	0.207	-0.085	-0.224	0.947	0.178
MT4	0.113	0.092	-0.003	-0.103	0.912	0.042
Motivasi (X1) *...	-0.120	-0.126	1.000	0.221	-0.059	-0.175
SC1	0.296	0.542	-0.116	-0.057	0.115	0.929
SC2	0.271	0.518	-0.178	-0.037	0.185	0.918
SC3	0.265	0.519	-0.175	-0.007	0.132	0.920
SC4	0.244	0.432	-0.168	-0.011	0.143	0.825
SC5	0.200	0.422	-0.232	-0.042	0.147	0.888
SC6	0.143	0.383	-0.043	0.061	-0.019	0.870
Spiritual Capital...	0.016	0.025	0.221	1.000	-0.162	-0.024
MT1	0.104	0.122	-0.062	-0.105	0.908	0.149

Source: Processed by Researcher, 2024

Based on Table 2. has a greater cross loading value when compared to other indicator values. From the analysis to compare the assessments, it can be concluded that each indicator has a good discriminant validity value and is in accordance with the variables. The discriminant validity test in this study was met and declared valid from the analysis.

In addition to using cross-loading values, a method that can be used to assess discriminant validity is to compare the square root value of the Average Variance Extracted (AVE) for each construct with the correlation between one construct and another construct in the model. If a model has an AVE root for each construct greater than the correlation between the construct and other constructs, then it is said that the model has good discriminant validity.

**Table 3. Discriminant Validity Test Results - Fornell Larcker**

	Performance (Y)	Competence (Z)	Moderating Effect 1	Moderating Effect 2	Motivation (x1)	Spiritual Capital (x2)
<b>Performance (Y)</b>	0,873					
<b>Competence (Z)</b>	0,943	0,696				
<b>Moderating Effect 1</b>	-0,120	-0,126	1,000			
<b>Moderating Effect 2</b>	0,016	0,025	0,221	1,000		
<b>Motivation (x1)</b>	0,137	0,154	-0,059	-0,162	0,922	
<b>Spiritual Capital (x2)</b>	0,277	0,537	-0,175	-0,024	0,142	0,892

Source: Processed by the Author, 2024

Table 3. shows that the correlation value of the association construct is higher than that of other constructs so that it can be said that the model has good discriminatory validity.

**b. Reliability Test**

1) Composite Reliability

Outer type besides measured by assessing convergent validity and Discriminant validity can also be done by looking at the reliability of the construct or latent variables measured by the composite reliability value. The construct is declared reliable if the composite reliability has a > value of 0.7, then the construct is declared reliable. The output results of SmartPLS for composite reliability values can be shown in Table 4.9:

**Table 4.** Composite Reliability

	<b>Composite Reliability</b>
<b>Performance (Y)</b>	0,941
<b>Competence (Z)</b>	0,843
<b>Moderating Effect 1</b>	1,000
<b>Moderating Effect 2</b>	1,000
<b>Motivation (x1)</b>	0,958
<b>Spiritual Capital (x2)</b>	0,959

*Source: Processed by the Author, 2024*

Based on Table 4. It can be seen that the composite reliability value  $\geq 0.7$ , which shows that all indicators have good reliability to their latent variables.

2) Average Variance Extracted (AVE)

The Average Variance Extracted (AVE) value will show the validity of each construction tested. The expected value is > 0.5 for each construction. The results of this study show that the AVE value produced is: The expected AVE value > 0.5 (Ghozali, 2021).

**Table 5.** Average Variance Extracted (AVE)

	<b>Average Variance Extracted (AVE)</b>
Performance (Y)	0,762
Competence (Z)	0,624
Moderating Effect 1	1,000
Moderating Effect 2	1,000
Motivation (x1)	0,849
Spiritual Capital (x2)	0,796

*Source: Processed by the Author, 2024*

Based on the data presentation in table 5. above, it is known that the AVE value of each variable > 0.5. Thus, it can be stated that each variable has good discriminant validity.

### 3) Cronbachs Alpha

A variable can be declared reliable or meets cronbach's alpha if it has a cronbach's alpha value > 0.6. The latent variable can be said to have good reliability if the composite reliability value is greater than 0.6. Ghozali & Latan (2015) stated that this measurement can be used to measure the good realism for a construct in SEM-PLS.

**Table 6.** Cronbach's Alpha

	<b>Cronbach's Alpha</b>
Performance (Y)	0,922
Competence (Z)	0,826
Moderating Effect 1	1,000
Moderating Effect 2	1,000
Motivation (x1)	0,943
Spiritual Capital (x2)	0,949

*Source: Processed by the Author, 2024*

Based on the data presentation in table 6 above, it can be seen that the value of Cronbach's alpha for all research variables > 0.6. These results show that each variable has met Cronbach's alpha. Thus, these results can show that each of the research variables has met the requirements, so it can be concluded that all variables have a high level of reliability.

## 2. Structural Model Evaluation (Inner Model)

The next test is the inner model (testing on the structural model). Testing the inner model or structural model is carried out to determine the relationship between the construct, significant value and R-Square. The R-Square value is used to measure the degree of diversity of changes in independent variables and bound variables.

The test method on the structural model carried out by looking at the R-Square value is a goodness of fit test. The closer the R-Square is to one, the greater the diversity in the free variables. This test has the purpose of finding out whether the hypothesis can be accepted or rejected by going through the Bootstrapping process. This bootstrapping is intended to minimize the problem of abnormalities in the research data.

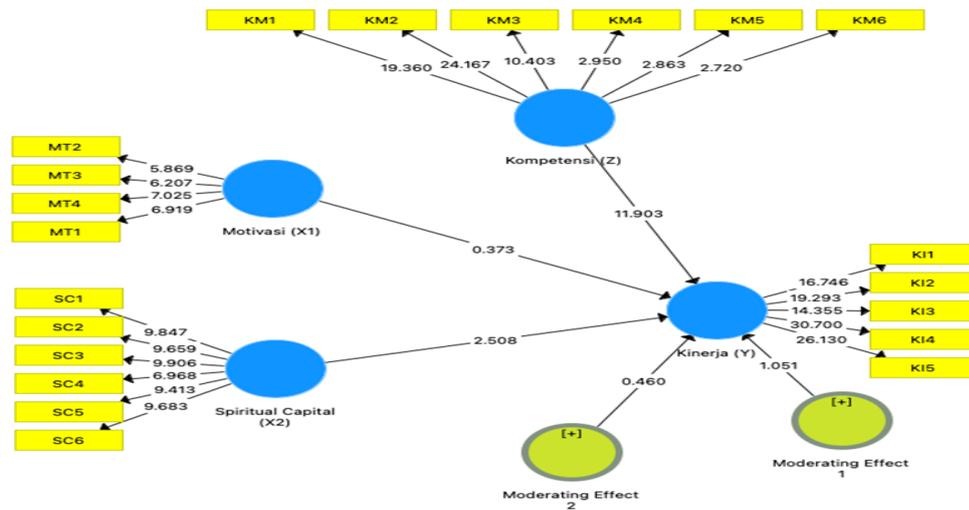


Figure 3. Inner Model

Source: Processed by the Author, 2024

**a. R Square**

R square is a value that shows how much the independent variable (exogenous) affects the dependent variable (endogenous). R squared is a number that ranges from 0 to 1 which indicates the magnitude of the combination of independent variables together affecting the value of the dependent variable. The R-squared (R<sup>2</sup>) value is used to assess how much influence a particular independent latent variable has on the dependent latent variable. There are three categories of grouping in the R square value, namely the strong category, the moderate category, and the weak category (Hair et al., 2011) (Ghazali, 2021). Hair et al stated that the R square value of 0.75 is included in the strong category, the R square value of 0.50 is included in the moderate category and the R square value of 0.25 is included in the weak category (Hair et al., 2011) in (Ghazali, 2021). The R-Square value can be seen in table 11. below:

Table 7. R Square Value

	R Square	R Square Adjusted
Performance (Y)	0,965	0,962

Based on table 7. that the Adjusted R-Square value is 0.962, meaning that the ability of the exogenous variable in explaining the Y variable is 96.2% (strong), so it is said that the MSME performance variable can be explained by the motivation and spiritual capital variables in the strong category of 96.2%, while the remaining 0.8% is explained by other variables that are not measured in this study.

**b. Hypothesis Test**

The testing of this research hypothesis was carried out with the help of SmartPLS (Partial Least Square) 3.0 software. These values can be seen from the bootstrapping results. The rules of thumb used in this study are t- statistics with a

significance level of p-value 0.05 (5%) and a positive beta coefficient. The value of testing the hypothesis of this study can be shown in Table 4.12.

**Table 8.** Path Coefficient Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV)	P Values
Competence (Z) -> Performance (Y)	1,115	1,133	0,094	11,903	0,000
Moderating Effect 1 -> Performance (Y)	-0,034	-0,029	0,033	1,051	0,294
Moderating Effect 2 -> Performance (Y)	-0,011	-0,010	0,023	0,460	0,646
Motivation (X1) -> Performance (Y)	0,153	0,006	0,023	0,373	0,011
Spiritual Capital (X2) -> Performance (Y)	-0,330	-0,325	0,132	2,508	0,012

*Source: Processed by Researcher, 2024*

From the statistical table of path coefficients above, which presents the results of a good test which is a direct test. With a significance below 5%, the hypothesis proposed:

- 1) The results of the evaluation of the structural model on the relationship between Motivation (X1) and MSME Performance (Y) produced a P- value of  $0.011 < 0.05$  which stated that it was influential, then the hypothesis was accepted, which means that motivation has an effect on MSME performance.
- 2) The results of the evaluation of the structural model on the relationship between Spiritual Capital (X2) and MSME Performance (Y) produced a P- value of  $0.012 < 0.05$  which stated that it was influential, then the hypothesis was accepted, which means that spiritual capital has an effect on the performance of MSMEs.
- 3) The results of the evaluation of the structural model on the relationship between Competency (Z) and Y (MSME Performance) produced a P-value of  $0.000 < 0.05$  which stated that it was influential, then the hypothesis was accepted, which means that competence has an effect on the performance of MSMEs.

**c. Moderated Regression Analysis**

This analysis is useful for testing the influence of moderation variables in weakening or strengthening the relationship between independent variables and dependent variables. With the decision-making criteria as follows:

- 1) If the p-value is  $>0.05$ , it is significant, meaning that the moderation variable "does not play" a role in moderating the relationship of an exogenous variable to an endogenous variable.

- 2) If the p-value is  $<0.05$ , then it is significant, meaning that the moderation variable "plays" in moderating (strengthening/weakening) the relationship of an exogenous variable to an endogenous variable.

The results of the Moderated Regression Analysis test can be explained below:

- 1) Moderating Effect 1  $\rightarrow$  Performance (Y): has a value of  $-0.034$  (negative/weakening) with a p-value of  $0.294 > 0.05$  (insignificant).

This means that competence weakens the influence of motivation on the performance of MSMEs but insignificantly. In other words, competence does not play a role in moderating the relationship between motivational variables and MSME performance.

- 2) Moderating Effect 2  $\rightarrow$  Performance (Y): has a value of  $-0.011$  (negative/weakening) with a p-value of  $0.646 > 0.05$  (insignificant).

This means that competence weakens the influence of spiritual capital on the performance of MSMEs, but insignificantly. In other words, competence does not play a role in moderating the relationship between spiritual capital variables and MSME performance.

## Discussion

### a. The Influence of Motivation on MSME Performance

One of the significant findings in this study is the significant influence of the Motivation factor (X1) on the Performance of Micro, Small, and Medium Enterprises (MSMEs) of the Community of Kwala Serapuh Village, Langkat. The evaluation of the structural model revealed that motivation plays an important role in determining the level of performance achieved by MSME actors in the village. This result confirms that the higher the motivation possessed by MSME entrepreneurs, the greater their potential to achieve better performance in running their business.

This finding underscores the importance of efforts to maintain and increase motivation among MSME actors in Kwala Serapuh Village. Motivation can come from a variety of factors, such as the desire to achieve financial success, self-fulfillment, or positive contributions to society. By understanding these motivational drivers, local governments or related institutions can design the right programs or strategies to help increase the motivation of MSME entrepreneurs. This can include training, access to funding, or other initiatives designed to support the growth and sustainability of their business.

### b. The Influence of Spiritual Capital on MSME Performance

Based on the results of the research that has been conducted, there are interesting findings about the influence of Spiritual Capital on the Performance of Micro, Small, and Medium Enterprises (MSMEs) in Kwala Serapuh Village, Langkat. From the evaluation of the structural model carried out, it was found that Spiritual Capital (X2) had a significant influence on the performance of MSMEs (Y) of the Kwala Serapuh Lalat Village Community.

In the field of entrepreneurship, spiritual capital has also been found to play an important role in entrepreneurial processes and activities (Khamimah, 2021). In a study conducted by Pakistan, (Khalique et al., 2015) found that spiritual capital plays an important role in the business performance of SMEs. With strong spiritual capital, MSME entrepreneurs in this village tend to have better motivation, enthusiasm, and resilience in running their businesses. Structural capital refers to the organization's infrastructure, systems, policies, and procedures (Amalia & Rokhayadi, 2020). Experts note that Structural Capital contributes to the company in terms of successful product innovation performance and improving organizational capabilities (Saragih, 2017).

This finding highlights the importance of considering the spiritual aspect in the development of MSMEs in Kwala Serapuh Langkat Village. Efforts to strengthen the spiritual capital of the community, such as religious activities, spiritual training, or community empowerment based on spiritual values, can have a positive impact on the performance of MSMEs in the village.

### **c. The Effect of Competence on MSME Performance**

Based on the results of the research obtained, it was found that Competency (Z) has a significant influence on the performance of MSMEs (Y) of the community of Kwala Serapuh Langkat Village. These findings indicate that the level of competence possessed by MSME actors in the village plays an important role in determining their business performance. Competence includes a set of knowledge, skills, and attitudes possessed by an individual in carrying out a certain job or task. In the context of MSMEs, the competencies possessed by business owners or managers can include managerial skills, technical skills, market mastery, and the ability to face challenges and make the right decisions.

These findings show that the higher the competence possessed by MSME actors in Kwala Serapuh Langkat Village, the better their business performance tends to be. This can be reflected in increased productivity, revenue growth, market share expansion, or other performance indicators that are relevant to the type of business being run.

Therefore, efforts to improve the competence of MSME actors through training programs, mentoring, or access to relevant resources are important to support the improvement of their business performance. With adequate competence, MSME actors will be better able to face challenges, take advantage of opportunities, and manage their businesses more effectively and efficiently.

### **d. The Effect of Capital Motivation on the Performance of MSMEs Moderated by Competence**

In an effort to improve the performance of Micro, Small, and Medium Enterprises (MSMEs) in Kwala Serapuh Village, Langkat, this study explores the role of competence in moderating the relationship between motivation and MSME performance. The findings revealed that competence did not play a significant role in moderating the relationship. This means that even though MSME actors have high motivation in

running their businesses, the level of competence they have does not directly affect the achievement of their business performance. These results show that other factors such as access to capital, marketing network, or business environment conditions may have a greater influence on the performance of MSMEs in the area compared to the level of individual competence of business actors.

#### **e. The Effect of Spiritual Capital on the Performance of MSMEs Moderated by Competence**

In the context of research conducted on the performance of MSMEs (Micro, Small and Medium Enterprises) in Kwala Serapuh Village, Langkat, it was found that the competency factor did not play a role in moderating the relationship between the spiritual capital variable and the performance of the MSMEs. These findings indicate that although spiritual capital, which is defined as a set of non-material values and principles embraced by individuals or groups, has an influence on the performance of MSMEs, the level of competence possessed by MSME actors does not affect the strength of the relationship between spiritual capital and the performance of the MSMEs.

In other words, both MSME actors who have high and low levels of competence, the influence of spiritual capital on the performance of their MSMEs has not changed significantly. This suggests that the spiritual capital factor has a fairly strong and consistent influence on the performance of MSMEs, regardless of the level of competence possessed by the MSME actors.

### **Conclusion**

Based on the results of the research that has been carried out, the following conclusions can be drawn:

1. The results of the evaluation of the structural model on the relationship between Motivation (X1) have a significant influence on the performance of MSMEs (Y) of the community of Kwala Serapuh Langkat Village.
2. The results of the evaluation of the structural model on the relationship between Spiritual Capital (X2) have a significant influence on the performance of MSMEs (Y) of the Kwala Serapuh Langkat Village Community.
3. The results of the evaluation of the structural model on the relationship between Competencies (Z) have a significant influence on Y (MSME Performance) of the Community of Kwala Serapuh Langkat Village.
4. Competence does not play a role in moderating the relationship between motivation variables and the performance of MSMEs in the Kwala Serapuh Langkat Village Community.
5. Competence does not play a role in moderating the relationship between the spiritual capital variable and the performance of MSMEs in the Kwala Serapuh Langkat Village Community.

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