

## Human Capital and Structural Capital as Drivers of *Maqasid Sharia* Performance in Women-Led Halal Businesses

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### Abstract

Women-led businesses are playing an increasingly vital role in the growth of the halal industry, which continues to expand as demand for Shariah-compliant products and services rises. As these enterprises grow, measuring their performance through *Maqasid Sharia* provides a more meaningful assessment than traditional financial indicators. Guided by the Resource-Based Theory (RBT), this study explores how human capital and structural capital shape *Maqasid Sharia* performance in women-led halal SMEs. Survey data were collected from 101 women entrepreneurs operating in various halal sectors, and the relationships were examined using PLS-SEM. The findings show that human capital significantly enhances *Maqasid Sharia* performance, suggesting that the skills, knowledge, and ethical awareness of women entrepreneurs act as strategic resources that support the realisation of Shariah objectives. However, structural capital does not show a significant effect, indicating that systems and procedures alone may not be sufficient without strong human capabilities driving their implementation. These results extend RBT by demonstrating that, in the context of halal SMEs, human capital remains the most influential resource for achieving Shariah-based outcomes. The study highlights the need for capacity-building programs that strengthen women's competencies and halal literacy while encouraging policymakers to prioritise human-centred development strategies.

### ARTICLE INFORMATION

Received: 01 Dec 2025

Revised: 17 Dec 2025

Accepted: 31 Dec 2026

Published: 06 Jan 2026

**Keywords:** *Maqasid Sharia Performance, Human Capital, Structural Capital, Women-Led SMEs, Halal Industry, Resource-Based Theory*

## INTRODUCTION

The rapid expansion of the global halal industry has positioned Halal SMEs as a strategic driver of economic and social development, particularly in Muslim-majority countries such as Indonesia (State of the Global Islamic Economy Report, 2025). As outlined in the Indonesia Halal Industry Master Plan 2023–2029, SMEs represent the backbone of the national halal value chain, contributing significantly to economic growth, employment, and the development of halal-certified products and services (Komite Nasional Ekonomi dan Keuangan Syariah, 2024). A growing share of these enterprises is managed or owned by women, reflecting the increasing economic participation of women in the halal sector and their critical role in supporting community welfare and family livelihoods.

Although women represent nearly 64 percent of SME owners, many remain concentrated in micro and informal sectors and face barriers such as limited access to finance, technology, networks, and decision-making spaces (Asian Venture Philanthropy Network, 2024). These challenges are reinforced by the glass ceiling, despite evidence showing that female leadership enhances sustainability, ethical practices, and long-term business resilience (Dewi et al., 2023; Folorunso et

al., 2023; Joseph, 2024). Scholars also note that gender diversity contributes to stronger social responsibility and inclusive outcomes (Estrada, 2022; Graafland, 2020). In the halal sector, these insights underscore the importance of understanding how women-led SMEs utilise strategic resources to achieve competitiveness aligned with Islamic ethical values.

Given that halal business operations are required to comply with broader Shariah-based principles, there is an urgent need to evaluate SME performance using indicators that integrate both economic and Shariah-based objectives (Nurul Innayah et al., 2024). *Maqasid Sharia*, a framework rooted in the higher objectives of Islamic law, offers a comprehensive and holistic approach to measuring performance that balances economic goals with ethical and social outcomes (Azmin Shompa et al., 2025; 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).

At the same time, SMEs increasingly rely on intangible resources, particularly intellectual capital, to remain competitive in dynamic and resource-constrained environments (Khalique et al., 2015; Tjahjadi et al., 2022). Intellectual capital has been widely recognised as a foundational asset that drives innovation, efficiency, and organisational sustainability (Aljuboori et al., 2022; Kim & Tran, 2023). Human capital reflects the knowledge, skills, and values embedded in SME owners and employees (Kim & Tran, 2023).

For women-led enterprises, human capital plays a crucial role because women entrepreneurs often assume multiple roles within their businesses (Shaaban, 2022; Shinbrot et al., 2019). Beyond acting as owners, they frequently function simultaneously as managers, financial decision-makers, marketers, and operational supervisors, particularly in small and resource-constrained firms (Aripin & Zuhriyah, 2025). In many cases, these business responsibilities are also balanced with family and community roles, requiring high levels of adaptability, ethical awareness, and managerial capability (Graafland, 2020). These multiple roles shape how women deploy their skills and knowledge in business operations (Estrada, 2022). While structural capital captures organisational systems, processes, routines, technology, and codified knowledge that support efficient and ethical business operations (Khan & Wan Yusoff, 2023). Previous studies emphasise that human and structural capital significantly strengthen SMEs' ability to adapt, innovate, and improve performance, especially in knowledge-intensive and value-based business sectors (Khalique et al., 2020; Khalique & Pablos, 2015; Muda et al., 2020).

Despite its growing relevance, empirical research examining the effects of human capital and structural capital on firm performance within the halal industry remains limited. Existing studies on intellectual capital have largely focused on conventional sectors or non-halal SMEs (Beltramino et al., 2022; Khan & Wan Yusoff, 2023; Kim & Tran, 2023), with relatively few empirical investigations dedicated to halal-oriented businesses, particularly in emerging economies (Khalique & Shaari, 2022; Siregar et al., 2025). Earlier studies on *Maqasid Sharia* performance have predominantly focused on Islamic banks or financial institutions, relying heavily on secondary data and financial indicators, with little exploration in the SME and halal business sectors (Aisyah et al., 2021; Antonio et al., 2020; Mukhibad et al., 2020). This presents a critical gap, considering that halal SMEs operate under unique conditions where Islamic ethical compliance, product integrity, and community welfare are essential to their legitimacy and sustainability (Nurul Innayah et al., 2024).

Human capital is important for halal industry SMEs, where business owners and employees must possess not only technical and managerial skills (Ahuja & Chan, 2021; Alkhatib & Valeri, 2024), but also a deep understanding of Shariah principles, halal standards, and ethical behaviour. Competency, education, and ethical awareness determine how well SMEs internalise Islamic values in their operations, thereby influencing *Maqasid Sharia* dimensions such as fairness in transactions, transparency, and the protection of stakeholders' welfare (Al Mansoori et al., 2025; Hasnat Bhatti et al., 2023). Similarly, structural capital, such as standard operating procedures, documentation systems, halal assurance

systems, and organisational learning routines (Kim & Tran, 2023), facilitates consistent implementation of Shariah-compliant practices (Jo & Raj, 2024; Pierce et al., 2023; Ruder & Woods, 2020). A strong structural foundation ensures that Islamic values are embedded not merely at the individual level but institutionalised within organisational processes (Al Zeer et al., 2024).

Given this background, this study argues that strengthening human capital and structural capital is essential for enhancing *Maqasid Sharia* performance in halal industry SMEs. While conventional SME literature highlights the role of intellectual capital in improving productivity, innovation, and financial outcomes (Beltramino et al., 2022; Truong & Nguyen, 2023), empirical literature examining how intellectual capital shapes Islamic value-based performance remains limited. Therefore, investigating these relationships provides novel theoretical insights and practical implications for the development of the halal SME sector. This study draws on primary survey data collected from 101 women-led SMEs operating in Banyumas Regency, Central Java, Indonesia, an economically dynamic region where SMEs constitute a major driver of local development and the halal economic ecosystem (Dinas Komunikasi dan Informatika Kabupaten Banyumas, 2023). Banyumas is recognised for its growing entrepreneurial landscape (Central Java Central Statistics Agency (BPS), 2023), with SMEs spanning halal value-chain sectors, including halal food and beverages, pharmaceuticals and cosmetics, Muslim fashion, halal tourism, and creative economy activities (National Islamic Finance Committee, 2023), making it a relevant setting for exploring how intellectual capital supports Islamic-based performance.

This study aims to fill these gaps by examining the influence of human capital and structural capital on the performance of *Maqasid Sharia* among women-led halal SMEs. By integrating the intellectual capital perspective with Islamic performance measurement, this research contributes to a more comprehensive understanding of how SMEs can maintain both competitiveness and Shariah compliance. The findings are expected to offer meaningful implications for scholars, policymakers, and SME practitioners by highlighting the strategic importance of intangible resources in promoting ethical and fair, and welfare-driven business performance.

## LITERATURE REVIEW

### Resource-Based Theory

In small firms where physical assets are limited, intangible resources, especially knowledge and capabilities embedded in people and systems, are important to build strategy and performance (Alkhatab & Valeri, 2024). Under the Resource-Based Theory (RBT), firms achieve superior performance when they possess valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). In women-led SMEs, intangible assets become even more critical because women entrepreneurs often face limited access to formal financing, technology, and institutional support compared to their male counterparts (Asian Venture Philanthropy Network, 2024; Mari et al., 2024). As a result, they tend to rely more heavily on internal capabilities such as knowledge, ethical values, and organisational routines as primary competitive resources (Dewi et al., 2023; Folorunso et al., 2023).

In halal SMEs, human capital and structural capital serve as strategic intangible resources that guide the embedding of Islamic values in day-to-day business activities. Human capital offers the foundational capability to understand halal requirements and translate them into ethical practice, which supports the *Maqasid Sharia* dimensions of individual development, fairness, and public welfare (Abalala et al., 2021; Mabkhot & Kumar Piaralal, 2023). Structural capital complements this by institutionalising knowledge into standard operating procedures, routines, halal assurance systems, and internal governance structures that ensure the continuity of Shariah-aligned practices (Al Zeer et al., 2024).

For women-led halal SMEs, these resources are particularly important. Women entrepreneurs often compensate for structural barriers, such as limited networks or market access, by leveraging strong human capital (skills, ethics, values) and well-developed internal systems that enhance legitimacy and trust within the community

(Estrada, 2022; Graafland, 2020). From an RBT perspective, human and structural capital therefore act as VRIN resources that strengthen internal capabilities, enabling women-led halal SMEs to translate Islamic principles into consistent organisational practices, which in turn enhances *Maqasid Sharia* performance.

### ***Maqasid Sharia* Performance**

The *Maqasid Sharia* framework offers a holistic foundation for performance measurement within halal industry SMEs by integrating Islamic ethical principles with business outcomes (Okumuş, 2024). As a comprehensive framework, *Maqasid Sharia* emphasises education (tahdhib al-fard), fairness (iqamat al-‘adl), and public welfare (jalb al-maslahah) (Zahrah, 1997), allows performance to be assessed beyond financial outcomes, aligning business operations with societal well-being and long-term sustainability (Shompa et al., 2025; Hamidi & Worthington, 2023; Zain et al., 2024).

Building on Zahrah (1997), this study develops a *Maqasid Sharia*-based performance measurement model for SMEs in the halal industry. Educating individuals emphasises the development of moral character and spiritual awareness through worship and ethical conduct (Nurhadi, 2019; Zahrah, 1997), enabling halal SMEs to build knowledgeable and responsible workforces capable of maintaining halal standards and driving continuous improvement. Establishing fairness requires justice and honesty in all social and economic interactions, ensuring transparency, ethical transactions, and equitable stakeholder treatment that strengthen trust and organisational stability (Ishak, 2019; Wani, 2018). Promoting public welfare further reinforces Islam's emphasis on collective well-being, encouraging halal SMEs to adopt practices that safeguard consumer interests, enhance product integrity, and support societal development (Ishak, 2019; Nisa et al., 2025). Together, these dimensions provide a holistic performance orientation for halal businesses, ensuring that operations align with Islamic principles while fostering long-term sustainability and community impact.

Previous research has widely applied Abu Zahrah's framework to Islamic banking (Aisyah et al., 2021; Antonio et al., 2020), demonstrating its relevance in assessing *Sharia*-aligned outcomes. However, its application to SMEs remains limited, despite the sector's need for values-based performance tools. By embedding *Maqasid Sharia* into performance evaluation, the proposed model provides a structured and context-appropriate framework that supports SME sustainability, ethical compliance, and competitive advantage within the halal industry.

### **Human Capital and *Maqasid Sharia* Performance**

Resource-Based Theory (RBT) explains that organisational performance is shaped by the unique bundle of resources and capabilities a firm possesses (Barney, 1991). Among these resources, human capital represents one of the most critical intangible assets in SMEs (Dinku et al., 2024; Khan & Wan Yusoff, 2023). In halal business settings, human capital extends beyond technical competence to include an understanding of Shariah principles, halal requirements, and ethical conduct (Abalala et al., 2021).

In women-led SMEs, human capital takes on heightened strategic significance. Studies consistently show that women bring unique leadership styles grounded in relational strength, empathy, community orientation, and ethical awareness (Estrada, 2022; Joseph, 2024). These attributes align naturally with Islamic ethical norms and the *Maqasid* objectives of justice and social welfare. Women entrepreneurs in emerging markets such as Indonesia often rely on education, interpersonal networks, and value-driven leadership to promote responsible, ethical, and sustainable business practices despite facing structural constraints such as limited financing and restricted access to networks (Dewi et al., 2023). Their capacity to cultivate trust, uphold fairness, and prioritise community benefit strengthens their role as strategic human capital assets within their organisations.

From a Resource-Based Theory (RBT) perspective, these capabilities constitute valuable, difficult-to-imitate human capital that enables SMEs to embed Islamic values into their operations (Mabkhot & Kumar Piaralal,

2023). Well-developed human capital, therefore, enhances a firm's ability to uphold the three dimensions of *Maqasid Sharia* through ethical decision-making, responsible transactions, and socially beneficial activities (Asad et al., 2021; Batmomolin et al., 2024). Based on RBT's, human capital is expected to strengthen the level of *Maqasid Sharia* performance in halal SMEs.

H1: Human capital has a positive effect on *Maqasid Sharia* performance.

## **Structural Capital and *Maqasid Sharia* Performance**

RBT also emphasises organisational systems, structures, and routines as strategic resources that can deliver sustained performance advantages (Kim & Tran, 2023). Structural capital embodies the firm's accumulated knowledge in codified and institutionalised forms. For halal SMEs, structural capital plays a crucial role in ensuring that Shariah-aligned practices are consistently applied across operations (Al Zeer et al., 2024). When structural capital is strong, compliance with halal standards is not dependent solely on individual employees' knowledge. It is embedded in organisational routines that promote transparency, fairness, traceability, and accountability (Jo & Raj, 2024; Pierce et al., 2023; Ruder & Woods, 2020) as core elements of *Maqasid Sharia* performance.

From an RBT perspective, structural capital is valuable because it embeds knowledge, routines, and governance mechanisms into the organisation in ways that are difficult for competitors to imitate (Barney, 1991). In halal SMEs, these systems ensure that Shariah-compliant practices are consistent (Al Zeer et al., 2024). This stability reduces reliance on individual expertise and transforms Islamic values into repeatable organisational capabilities (Machado & Davim, 2021). When structural capital is strong, business is better equipped to maintain fairness in transactions, protect stakeholder welfare, and uphold transparency and accountability (Jo & Raj, 2024; Pierce et al., 2023; Ruder & Woods, 2020). Thus, structural capital strengthens the firm's ability to operationalise Islamic ethical principles in daily operations, resulting in more ethical, equitable, and socially beneficial outcomes.

H2: Structural capital has a positive effect on *Maqasid Sharia* performance.

## **METHODOLOGY**

### **Sampling Design**

This study applied a criterion-based convenience sampling approach, focusing on SMEs operating within the halal industry in Banyumas Regency, Central Java. Since a comprehensive and up-to-date directory of halal SMEs was not available, participants were selected based on their accessibility and relevance to the study's objectives. The selection criteria required SMEs to have a minimum of five employees, consistent with the classification of small and medium enterprises in Indonesian Law No. 20/2008. Eligible businesses were those engaged in key halal value-chain sectors, including halal food and beverages, pharmaceuticals and cosmetics, Muslim fashion, halal tourism, and creative economy activities (National Islamic Finance Committee, 2023).

Data were collected using a structured, closed-ended questionnaire designed to capture respondents' perceptions of variables (Sekaran & Bougie, 2016). The questionnaire was targeted at business owners or managers, as they are directly involved in strategic and operational decision-making. To enhance response rates and accommodate respondents' preferences, the questionnaires were disseminated using a mixed-mode approach, combining face-to-face administration and online distribution (Le et al., 2018). Face-to-face data collection was conducted during visits to business locations, while online questionnaires were distributed via digital communication platforms to improve flexibility and efficiency in data gathering.

To determine the minimum required sample size, an a priori power analysis was conducted using the F-test for multiple regression (fixed model,  $R^2$  deviation from zero) in GPower software. Following Cohen's conventions and considering the practical resource constraints, this study adopts a medium effect size assumption ( $f^2 = 0.15$ ), resulting in a minimum required sample size of  $N = 90$ . If the intention is to detect smaller effects, a larger number of respondents would be necessary, as recommended by the GPower calculation (Hair et al., 2019). Most respondents held ownership or managerial positions, ensuring alignment with the study's focus on strategic decision-making. Given the exploratory nature of the research, a cross-sectional design was employed to gather diverse insights within a single time frame.

### *Variable Measurement*

All constructs in this study were measured using established scales adapted from prior research (see Appendix). Human Capital was assessed through four dimensions, which are competencies, attitudes, intellectual alertness, and soft skills, based on Bontis (1998) and Muda et al. (2020). Structural Capital was captured through organisational culture, processes and procedures, and information systems using the same foundational references. *Maqasid Sharia* Performance was measured using the adaptation of the three-dimensional framework of Zahrah (1997) and conventional performance measurement (Gold et al., 2001; Wang et al., 2014). All items were rated on a five-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly agree").

### *Justification for Using PLS-SEM*

Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed to test the proposed research model. PLS-SEM is well-suited for explaining complex relationships among latent constructs and is particularly useful when dealing with exploratory models, non-normal data, and smaller sample sizes (Hair et al., 2019). The analytical process followed the standard two-step approach recommended in SEM literature. First, the measurement model (outer model) was evaluated to determine reliability, internal consistency, convergent validity, and discriminant validity (Henseler et al., 2015; Sarstedt et al., 2014). Second, the structural model (inner model) was assessed to examine path coefficients and test the study hypotheses (Sarstedt et al., 2014). The choice of PLS-SEM is further justified because it enables both prediction and theory development (Nitzl et al., 2016), is widely applied in business and social science research (Chin & Saunders, 2009), and accommodates flexible measurement scales and data distribution assumptions (Vinzi et al., 2010).

## RESULTS AND DISCUSSIONS

### **Business Profile**

The demographic profile section aims to describe the characteristics of the study's respondents. Table 1 presents the demographic characteristics of the participating businesses and their owners. In terms of business longevity, the sample is relatively balanced, with the largest proportion operating for more than ten years (28.7%), followed by businesses operating for 2–4 years (26.7%) and 5–7 years (26.7%). Only a small share (4%) represents newly established firms that have been operating for less than two years. These figures suggest that the majority of respondents have substantial operational experience, which may influence their strategic and managerial decisions.

Regarding workforce size, the data indicate that almost all participating firms fall into the small enterprise category, with 95 percent employing between 5 and 19 full-time workers. Only 5% employ between 20 and 99 employees, indicating minimal representation from medium-sized enterprises. This distribution confirms that the sample is dominated by micro and small enterprises, which aligns with the broader MSME landscape in Indonesia.

Annual sales data further reinforce this pattern, with 85% of businesses categorised as small (sales between >Rp300 million and 2.5 billion). The remaining respondents are distributed across higher sales

categories, including 4 percent with sales between Rp 500 million and Rp 1 billion, and 6 percent with sales between Rp 1 billion and Rp 2.5 billion. Only a small number (5%) fall into the medium-size revenue classification (>Rp2.5 billion), reflecting limited representation from larger MSMEs.

The age distribution of business owners shows a diverse yet concentrated demographic profile. The largest segments are those aged 20–29 years (29.7%) and 40–49 years (28.7%), indicating representation from both younger entrepreneurs and more experienced business operators. Respondents aged 30–39 years account for 24.8%, while those aged 50–59 years (13.9%) and above 60 years (3%) constitute smaller portions of the sample.

Finally, the sample reflects a broad range of business sectors. The majority operate in the food and beverages sector (52.5%), highlighting its dominance among MSMEs. Other sectors include textiles and clothing (14.9%), pharmacy and cosmetics (8.9%), restaurants (7.9%), spa/massage services (4%), and several niche industries such as travel agencies, craft, media and advertisements, and financial institutions (each 1–3%). This diversity indicates that the sample encompasses a wide range of economic activities, providing a more comprehensive perspective of MSME behaviour across sectors.

Table 1. Business Profile

Respondent's Business Profile	Frequency	%
<b>Length of Business</b>		
· Less than 2 years	4	4.00%
· 2-4 years	27	26.70%
· 5-7 years	27	26.70%
· 8-10 years	14	13.90%
· More than 10 years	29	28.70%
<b>Number of Full-Time Employees</b>		
· Small (between 5-19 employees)	96	95%
· Medium (between 20-99 employees)	5	5%
<b>Annual Sales</b>		
· Small (between >Rp 300 million – 2,5 billion)	86	85%
· Small (between >Rp 500 million – 1 billion)	4	4%
· Small (between >Rp 1 billion – 2,5 billion)	6	6%
· Medium (between >Rp 2,5 billion – 50 billion)	3	3%
· Medium (> Rp 50 billion)	2	2%
<b>Respondent's Age</b>		
· 20 – 29 years old	30	29.70%
· 30 – 39 years old	25	24.80%
· 40 – 49 years old	29	28.70%
· 50 – 59 years old	14	13.90%
· > 60 years old	3	3.00%
<b>Type of Business</b>		
· Cafe	1	1.00%
· Restaurant	8	7.90%
· Food and Beverages	53	52.50%
· Spa, sauna, massage	4	4.00%
· Travel Agent	1	1.00%
· Fishery	1	1.00%

· Pharmacy and Cosmetics	9	8.90%
· Media and Ads	3	3.00%
· Textile and Clothing	15	14.90%
· Craft	3	3.00%
· Financial Institutions	3	3.00%
<b>Total</b>	<b>101</b>	<b>100%</b>

## Measurement Model

PLS analysis involves two main stages. The first stage assesses the measurement model, focusing on the relationships between indicators and their respective constructs. The second stage evaluates the structural model by analysing how well the independent variables explain the outcomes and by examining the strength and significance of the path coefficients.

The study employed a measurement model with reflective variables, analysing (1) the individual item reliability through outer loadings, (2) the reliability and internal consistency of the scale using Cronbach's alpha and composite reliability, (3) convergent validity, and (4) discriminant validity.

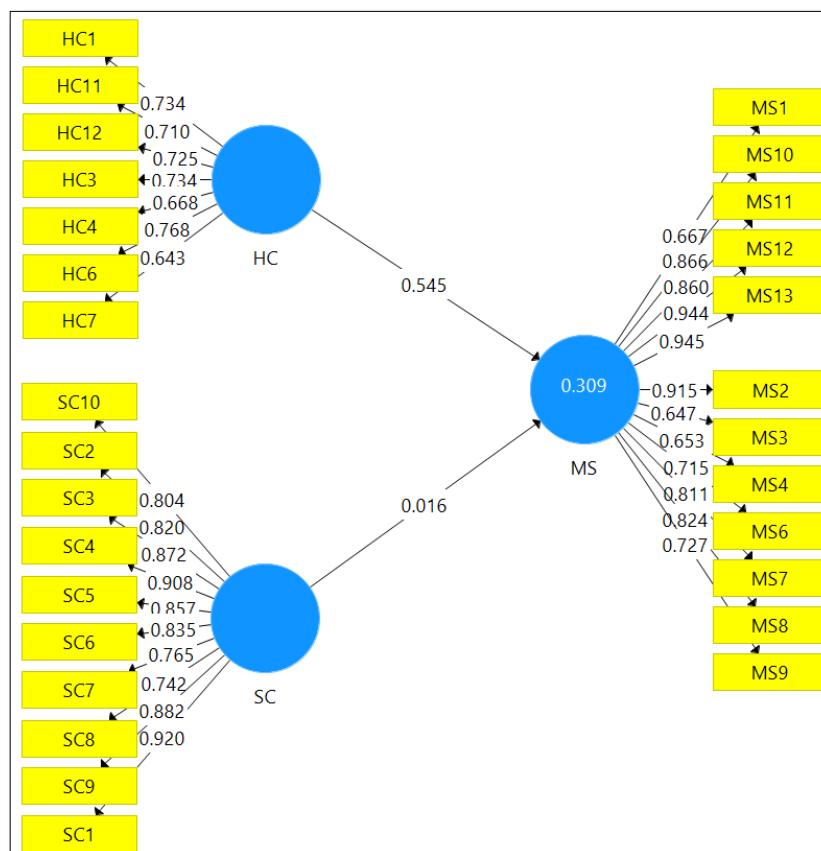


Figure 1. The Result of the Measurement Model

### Individual Reliability

To assess the relationships and individual reliability of each item, we referred to the standard recommended by Hair et al. (2019), which suggests that a standardised factor loading should exceed 0.6 to be considered acceptable. In our final results, the outer loadings ranged from 0.643 to 0.945, indicating that items met the reliability threshold

(see Appendix). These results affirm that each item is reliable in capturing the underlying construct, as the loadings reflect a strong association between the indicators and their respective latent variables (see Appendix).

### *Reliability of the Constructs*

Instrument reliability refers to the extent to which a measurement tool yields consistent and stable results. In this study, reliability testing was conducted to determine whether the set of items consistently represented the underlying constructs (Hair et al., 2022; Hair et al., 2019). As an initial step, Cronbach's alpha was employed to assess internal consistency. According to Sekaran & Bougie (2016), values above 0.60 or 0.70 are considered acceptable, with values approaching 0.90 indicating a high level of reliability. The results in this study ranged from 0.844 to 0.955, demonstrating strong internal consistency across constructs.

Subsequently, composite reliability (CR) was calculated to further confirm the reliability of each construct in measuring its intended concept. The CR values ranged from 0.878 to 0.960, exceeding the recommended threshold of 0.70 as suggested by Hair et al. (2014) and Henseler et al. (2015), thus confirming the robustness of the measurement model (see Appendix).

### *Convergent and Discriminant Validity*

To assess the discriminant validity of the reflective constructs in the model, two established approaches were employed. First, the Fornell–Larcker criterion was applied by examining the square root of the Average Variance Extracted (AVE) for each construct (Table 2). In accordance with the threshold recommended by Hair et al. (2011), an AVE value of 0.50 or higher indicates acceptable convergent validity. In this study, AVE values ranged from 0.508 to 0.709, thereby meeting the minimum criterion (see Appendix).

However, recent studies have highlighted limitations associated with the Fornell–Larcker approach. Henseler et al. (2015) and Franke & Sarstedt (2019) argue that while the method remains commonly used, it lacks the sensitivity required to detect discriminant validity issues, particularly in models with heterogeneous loading patterns or complex structures. As such, it may not always provide a comprehensive assessment of discriminant validity.

To address this concern, a second test was conducted using the Heterotrait–Monotrait Ratio of Correlations (HTMT), which is considered a more robust and reliable method for evaluating discriminant validity (Henseler et al., 2015). In well-specified models, HTMT values should not exceed 0.90, as higher values suggest a lack of discriminant validity between constructs (Henseler et al., 2015; Nitzl et al., 2016). The results of our HTMT analysis revealed that all values were  $\leq 0.900$ , indicating no issues with discriminant validity (see Table 3).

Table 2. Fornell-Lacker Result

	HC	MS	SC
HC	0.713		
MS		0.805	
SC	0.680	0.387	0.842

Table 3. HTMT Result

	HC	MS
HC		
MS	0.510	
SC	0.721	0.365

## Structural Model

The statistical technique based on the variance of the structural equations was used to validate the hypotheses of our research; the authors used SmartPLS Professional software (version 3.2.6) (Henseler et al., 2015). To evaluate the structural model, it is necessary to analyse the behaviour of the hypothesis results (path coefficient and significance).

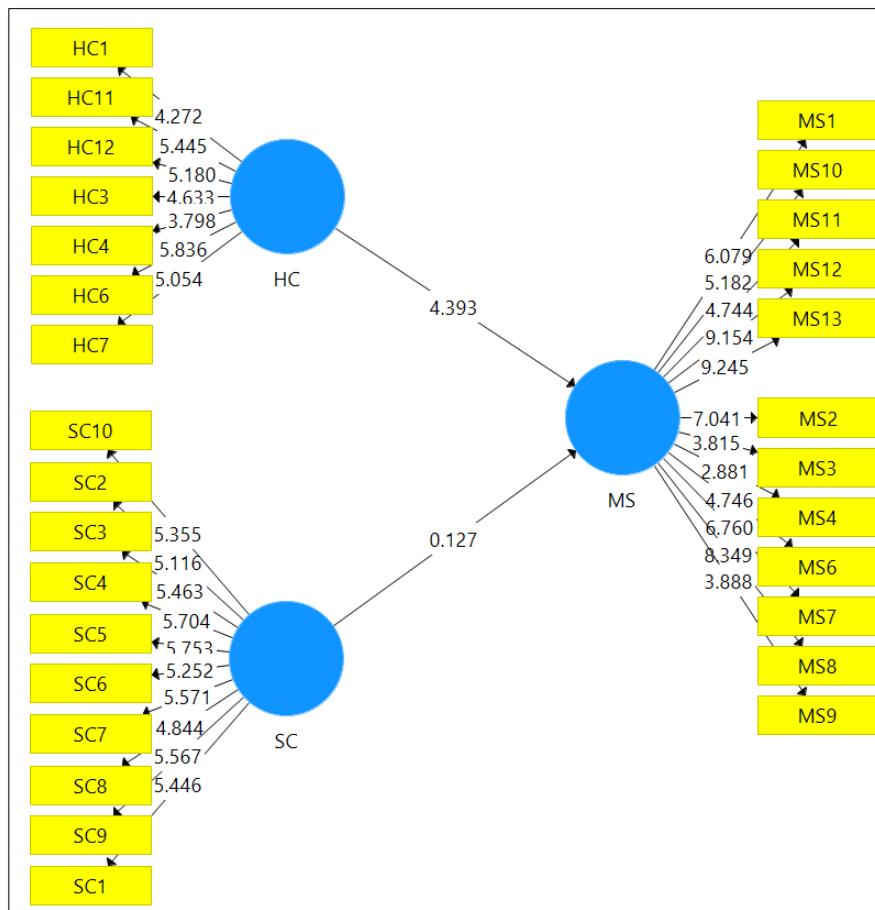


Figure 2. The Result of the Structural Model

## Relevance and Predictive Quality of The Model

To evaluate the quality, relevance, and overall fit of the proposed model, several key statistical indicators were assessed. The adjusted  $R^2$  value of the model is 0.679 (67.9%), indicating a substantial explanatory power in accordance with Chin (1998). The Stone-Geisser's  $Q^2$  value is greater than zero ( $Q^2 > 0$ ), further confirming the predictive relevance of the model (Chin, 1998). Additionally, the  $Q^2$  value for the independent variables is 0.321, which supports the model's predictive capability. Finally, these results indicate that the theoretical model demonstrates acceptable quality, satisfactory predictive relevance, and alignment with the underlying theoretical framework. To further assess the substantive impact of each exogenous construct on the endogenous variable, Cohen's (1988)  $f^2$  effect size criterion was applied. Cohen classifies  $f^2$  values of 0.02, 0.15, and 0.35 as indicating small, medium, and large effects, respectively. In the present model, the  $f^2$  value for HC (0.231) falls within the medium effect range, suggesting that HC contributes meaningfully to explaining the variance in Innovation. Conversely, the  $f^2$  value for SC (0.000) indicates very small effect, implying that SC does not provide an observable increase in the explained variance of the dependent variable. These results demonstrate that HC serves as a more influential predictor of Innovation compared to SC, aligning with the study's hypothesis results.

Table 4. Relevance And Predictive Quality of the Model

Dependent Variable	R <sup>2</sup> Adjusted	Q <sup>2</sup>
Innovation	0,295	0,137

Table 5. F Square Results

	MS
HC	0.231
SC	0.000

## Evaluation of Path Coefficients and Significance

Table 6 shows the results of the estimation using the PLS. The study found empirical support for hypotheses H1, H2, H3, and H4. If we analyse the path coefficient (original sample) values, we can see that all the hypotheses show a positive sign, which means they go in the same direction as the one proposed. Then, when analysing the p-values, it is observed that the hypotheses H2, H3, and H4 show a significant level at 5%, while hypothesis H1 show a significant level at 10%. Our results indicate that human capital, structural capital, relational capital, and spiritual capital have a significant and positive effect on Islamic innovation. In addition to the above, an analysis of the confidence intervals was performed to validate the significance of the path coefficients (hypotheses), as shown in Table 6.

Table 6. Evaluation Of Path Coefficients and Significance

Hypothesis	Path Coefficient	T Statistics	Significance	Remarks
HC -> MS	0.545	4.393	0.000	Supported
SC -> MS	0.016	0.127	0.899	Not Supported

## DISCUSSION

The results of this study offer several important insights into how intellectual capital contributes to *Maqasid Sharia* performance among women-led halal SMEs. Human capital was found to have significant positive effects on *Maqasid Sharia* performance, underscoring the central role of intangible resources in shaping Shariah-oriented organisational outcomes. These findings align strongly with the Resource-Based Theory (RBT), which emphasises that firms achieve superior performance when they possess and mobilise unique bundles of valuable, rare, inimitable, and non-substitutable (VRIN) resources.

### Human Capital and *Maqasid Sharia* Performance

The results show that human capital has a significant positive effect on *Maqasid Sharia* performance in women-led halal SMEs. This result supports the argument of the Resource-based Theory (RBT), which posits that knowledge, skills, and values embedded in individuals form the backbone of organisational success (Al-Khatib, 2022; Beltramo et al., 2022; Lo et al., 2020). In business settings governed by Islamic ethical norms, human capital must integrate not only technical proficiency but also Shariah understanding, moral commitment, and cultural as spiritual sensitivity (Dariah et al., 2025). This blended form of knowledge is essential for ensuring that business decisions and practices align with the higher objectives of Islamic law, which consist of promoting moral refinement (tahdīb al-fard), fairness (iqāmat al-‘adl), and public benefit (jalb al-maṣlahah). SMEs whose leaders possess these attributes are better prepared to translate Islamic principles into consistent operational behaviours.

The finding also highlights the distinctive contributions of women entrepreneurs. Previous research shows that women frequently adopt leadership approaches that emphasise relational harmony, inclusiveness, ethical awareness, and community care, which resonate closely with Shariah-oriented values (Pierli et al., 2022; Shaaban, 2022). In many Indonesian communities, women play influential cultural and social roles, allowing them to reinforce ethical norms within their business activities while also shaping the behaviour of employees and

stakeholders (Joseph, 2024). These qualities make women an important source of strategic human capital in halal SMEs, particularly because their personal values often extend into organisational conduct.

Overall, the results confirm that human capital, especially that embodied in women leaders, functions as a strategic and value-laden resource that directly enhances *Maqasid Sharia* performance. Women's ethical orientation, relational competencies, and community-driven leadership amplify the impact of human capital in shaping Shariah-compliant and welfare-oriented business outcomes. This empirical evidence supports the theoretical view that human capital is a key mechanism through which halal SMEs embed and operationalise Islamic values in their daily operations.

### **Structural Capital and *Maqasid Sharia* Performance**

The findings indicate that structural capital does not significantly influence *Maqasid Sharia* performance in women-led halal SMEs. Structural capital is generally understood to enhance consistency, efficiency, and organisational learning (Bontis, 1998; Kim & Tran, 2023). However, many SMEs operate with lean structures, limited digitisation, and informal routines due to constraints in financial resources, managerial support, and access to formal training systems (Brush et al., 2018; Mari et al., 2024). As such, their structural capital is often less developed and may not be sufficiently institutionalised to shape organisational behaviour in a systematic way (Ekayani et al., 2023). Therefore, critical operational decisions tend to rely more on the owner's personal judgment and ethical orientation than on codified systems or procedures (Abubakar et al., 2019), which in turn fails to exert a measurable impact on *Maqasid Sharia* performance.

Although systems designed to support halal traceability, transparency, and accountability theoretically enhance Shariah compliance, their effectiveness depends heavily on the extent to which they are mature, consistently applied, and embedded within organisational routines (Al Zeer et al., 2024; Pierce et al., 2023). In SMEs, such structural mechanisms remain limited, fragmented, or informal, reducing their ability to institutionalise values across operations (Beltramino et al., 2020), especially Islamic values. From an RBT perspective, the structural capital possessed by these firms may not yet meet the criteria of a VRIN resource, as it may be valuable in principle but not sufficiently advanced or unique to produce sustained ethical or welfare-driven performance advantages. Consequently, the non-significant relationship highlights that, at this stage of development, *Maqasid Sharia* performance in women-led halal SMEs is still primarily driven by the human and ethical capacity of their leaders rather than by formalised organisational structures (Molthar & Indarti, 2021).

## **CONCLUSION**

This study found that human capital plays an important role in enhancing *Maqasid Sharia* performance among women-led halal SMEs. The knowledge, skills, and ethical awareness of women entrepreneurs emerge as essential drivers of Shariah-compliant business practices, reinforcing the importance of human-centred strategies within the halal industry. Although structural capital did not show a direct effect, it remains a valuable supporting resource once human capabilities are in place. The study provides insight into how Islamic values can be integrated into business performance, offering a meaningful foundation for future research in this growing field.

### **Study Implications**

This study provides several important contributions to theory, practice, and policy. Theoretically, the findings extend the Resource-Based Theory (RBT) by demonstrating that human capital is a strategic resource that influences *Maqasid Sharia* performance in women-led halal SMEs. The significant effect of human capital underscores the importance of the competencies, ethical awareness, and Shariah literacy of women entrepreneurs in translating Islamic objectives into business practices. Meanwhile, the non-significant effect of structural capital offers further insight by suggesting that organisational systems and routines may not create meaningful performance advantages unless they are supported by strong human capabilities. This result enriches the role of

RBT within the context of the halal industry, where values, ethics, and human-driven decision-making hold greater weight.

Practically, the study highlights the importance of investing in human capital development among women entrepreneurs. Enhancing skills, halal literacy, and ethical understanding can directly contribute to better Shariah-based performance outcomes. Although structural capital alone did not predict *Maqasid Sharia* performance, it remains an important complementary resource. Organisational procedures, documentation, and standardised routines can still support the long-term institutionalisation of Shariah-compliant practices once human capabilities are adequately strengthened.

The results highlight the need for more targeted and inclusive support for women in the halal industry. Policymakers and industry regulators can use these findings to design capacity-building initiatives that not only strengthen entrepreneurial skills but also deepen knowledge of halal requirements and *Maqasid Sharia* principles. Creating supportive ecosystems through training programs, mentorship, and collaboration with halal authorities can empower women entrepreneurs to contribute more effectively to sustainable and ethical growth in the halal sector.

## Practical Recommendations

This study provides several practical recommendations. Women entrepreneurs would benefit from continuous training focused on Shariah-compliant business management, halal certification processes, ethical leadership, and strategic decision-making. Strengthening halal literacy is essential, and this can be achieved through workshops, online learning modules, and partnerships with universities or halal development agencies. Although structural capital did not have a direct impact, SMEs should still strive to develop simple yet effective systems to support consistent practices. These systems become more meaningful when integrated with strong human competencies. Partnerships with SME support institutions, halal authorities, and women entrepreneurship networks can further enhance access to resources, mentorship, and relevant knowledge.

## Suggestions for Future Research

This study provides several suggestions to future research. Additional dimensions of intellectual capital, such as relational capital, could be examined to provide a more comprehensive understanding of the factors influencing *Maqasid Sharia* performance. Comparative studies across different countries or regions would also be valuable, particularly in examining how cultural norms, regulatory environments, and industry maturity shape the performance of women-led halal SMEs. Qualitative or mixed-methods approaches may provide richer insights into the experiences, motivations, and challenges faced by women entrepreneurs operating in the halal sector. Furthermore, longitudinal studies could reveal how human and structural capital evolve over time and how such changes influence the attainment of Shariah-based outcomes.

**Author Contributions:** Maulida Nurul Innayah: Writing-Original draft preparation, Conceptualisation, Project administration, Software. Rohana Ngah: Writing-Original draft preparation, Supervision, Methodology, Validation. Rosintansafinas Munir: Writing-Original draft preparation, Supervision.

**Funding:** This research received no external funding.

**Acknowledgements:** The author would like to express sincere appreciation to Universitas Muhammadiyah Purwokerto (UMP) and the Ministry of Higher Education Malaysia for providing the institutional support that greatly facilitated this study. Their assistance and encouragement were essential in enabling the successful completion of this work, and the author is deeply grateful for their support.

**Conflicts of Interest:** The authors declared no conflicts of interest regarding this work.

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## APPENDIX

Measurement Model Results					
Variable Measurement		OL	$\alpha$	CR	AVE
<b>Human Capital (Independent)</b>				0.844	0.878
<i>Competencies</i>					
HC1	Employees have valuable insight.	0.734			
HC2	Employees are mastery in their job.	Omitted			
HC3	Employees are well-trained.	0.734			
<i>Attitude</i>					
HC4	Employees are eager to expand their knowledge.	0.668			
HC5	Employees are passionate.	Omitted			
HC6	Employees are collaborated effectively.	0.768			
<i>Intellectual Alertness</i>					
HC7	Employees are capable of complete task efficiently.	0.643			
HC8	Employees are able to spot risk early.	Omitted			
HC9	Employees can identify chances for improvement.	Omitted			
<i>Soft Skill</i>					
HC10	Employees communicate clearly.	Omitted			
HC11	Employees show capable leadership.	0.710			
HC12	Employees are skilled to solve problems.	0.725			
<b>Structural Capital (Independent)</b>				0.955	0.960
<i>Culture</i>					
SC1	Provides a supportive workplace.	0.920			
SC2	Top management consistently emphasises ethics.	0.820			
SC3	Core value aligns with our long-term goals.	0.872			
<i>Process and procedures</i>					
SC4	Well-structured processes.	0.908			
SC5	Apply strategy consistently.	0.857			
SC6	Impactful research and development.	0.835			
<i>Information system</i>					
SC7	Enhance systems.	0.765			
SC8	Up-to-date database.	0.742			
SC9	Update policies and procedures regularly.	0.882			
SC10	Reliable infrastructure.	0.804			
<b>Maqasid Sharia Performance (Dependent)</b>				0.950	0.956
<i>MS1</i> Employee character training budget					
MS2	Support for spiritual programs	0.915			
MS3	Fair employee profit sharing	0.647			
MS4	Annual ZISWAF payments	0.653			
MS5	Consistent annual profitability	0.715			
MS6	Continuous sales growth	0.811			
MS7	Responsibility-focused employee training	0.824			
MS8	High-quality production training	0.727			
MS9	Equitable task distribution	0.915			
MS10	Job creation from demand	0.866			
MS11	Customer gains from benefits	0.860			
MS12	Strict halal compliance	0.944			
MS13	Operational transparency efforts	0.945			
MS14	Charity-driven trust building	Omitted			

Note: OL (Outer Loading),  $\alpha$  (Cronbach Alpha), CR (Composite Reliability), AVE (Average Variance Extracted)