

# Human Capital And SME Performance: In Collaboration With Catur Paramitha-Based Entrepreneurship Orientation Value

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## ABSTRAK

This study examines the moderating effect of entrepreneurial orientation values based on Catur Paramitha on the relationship between human capital and the performance of small and medium enterprises (SMEs) in Bali. This research is motivated by inconsistencies in empirical findings regarding the influence of human capital on SME performance, highlighting the need for integrating local perspectives into the research model. The respondents of this study consist of 300 formal-sector SMEs registered with the Department of Cooperatives and SMEs of Bali Province. Primary data, including both quantitative and qualitative types, were analyzed using a structural model approach with Partial Least Square (PLS). The findings reveal that human capital significantly positively affects SME performance. Furthermore, entrepreneurial orientation values based on Catur Paramitha (encompassing the values of Maitri, Karuna, Mudita, and Upeksha) serve as a moderating variable that strengthens the relationship between human capital and SME performance. These findings not only reinforce the Resource-Based View (RBV) theory but also provide practical contributions. Implementing Catur Paramitha values can assist SMEs in becoming more humanistic, ethical, and collaborative organizations. By integrating these local values, Bali SMEs are expected to sustainably enhance their performance while preserving the uniqueness of their cultural heritage. This study also underscores the importance of local wisdom as a guiding principle for SMEs to operate ethically and with dignity, creating a competitive advantage in the global marketplace.

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## 1. INTRODUCTION

Resilience in confronting threats and challenges constitutes a significant indicator of Small and Medium Enterprises (SMEs) performance. Notwithstanding their growth, SMEs continue encountering obstacles such as limited access to capital, business legality issues, human resource quality, and market expansion challenges. The advancement of SMEs in Indonesia is beset by challenges regarding human resources (HR), transformations in business practices that emphasize operational efficiency, and the imperative to consider the social and environmental ramifications of the production process amid the digital era and the 4.0 Industrial Revolution. (Hakim, 2018). Competence among SMEs remains a critical concern that necessitates stakeholder engagement, as it significantly influences their competitive performance. Various factors contribute to the resilience of SMEs' existence and growth, including dimensions of entrepreneurship, innovation, and human resource competence. (Anggadwita & Mustafid, 2014; Setyawan et al., 2015). Human capital emerges as a pivotal determinant of SMEs' success in executing their business operations. It encompasses the diverse array of valuable skills and knowledge individuals acquire over time (Ruzzier et al., 2007). Activities within the SME sector leverage their human capital (knowledge, skills, and values), as numerous facets of human capital can be harnessed to advance the organization's interests. Grounded in the Resource-Based View (RBV) theory, human capital serves as the nucleus of the assembly of all resources and capabilities, with the competitiveness and performance of the enterprise being contingent upon its human capital profile; thus, human capital assumes a critical role in shaping the overall performance of the firm (Indrawati et al., 2024; Kato et al., 2015; Khan & Quaddus, 2018; Sukoco & Prameswari, 2017).

Unger et al. (2011) conducted a meta-analytical study that integrated the results of 3 decades of research on the influence of human capital in entrepreneurial activities. His research found a significant relationship between human capital and success, one of which is company performance, but the relationship is weak. For this reason, Unger suggested including moderation variables that can strengthen and see the influence of human capital on an entrepreneur's success.

Some studies also analyzed the impact of human capital on SME performance, but the results differed from other theories and empirical research. Research conducted by [Suyanto and Pratono \(2014\)](#); [Santa et al. \(2022\)](#) obtained different results. It was concluded that human capital negatively influences the performance of companies in developing countries. [Rambe et al. \(2021\)](#) and [Rompho \(2017\)](#) Their research found that there was no significant relationship between corporate human capital and business performance. The results of these unsustainable empirical studies show that the relationship between human capital and SME performance may be more complex than the universal linear relationship, so there is a research gap that must be immediately found to overcome different impacts, one of which is examining other variables that are analyzed as intermediate variables (moderation) in the relationship between human capital and firm performance (SMEs).

SMEs that are competitive and high-performing are those that can create and apply strong values that inspire confidence in business success. Values shape the "face" of an organization, relating to the principles, standards, and/or qualities considered valuable or desirable by an individual or a group of people ([Tuulik et al., 2016](#)). One of the value creations for organizational excellence is the entrepreneurial orientation value. This value is a new concept and research novelty, developed by integrating on the personal value concept from [Rokeach \(1973\)](#) into the values of Catur Paramitha ([Rahyuda et al., 2018, 2019](#)) and entrepreneurial orientation ([Lumpkin & Dess, 1996](#)). The integration of Catur Paramitha (Maitri, Karuna, Mudita, and Upeksha) and entrepreneurial orientation provides an essential moral and ethical foundation for running a business. Each principle of Catur Paramitha strengthens the dimensions of entrepreneurial orientation, such as innovation, risk-taking, proactivity, healthy competition, and sustainability. Maitri helps create positive relationships and focuses on adding value for customers, Karuna fosters social and environmental awareness that underpins sustainability and social responsibility, Mudita encourages collaboration and healthy competition, enriching the business ecosystem, and Upeksha helps SMEs face uncertainty calmly and make wise decisions. By adopting these values, SMEs can develop their businesses not only by focusing on financial profit but also by considering social well-being, environmental sustainability, and harmonious relationships with customers and business partners. Therefore, Catur Paramitha provides a deep ethical foundation and supports the sustainability of entrepreneurial orientation, both in facing competitive challenges and in creating a positive impact on society and the environment.

The value of entrepreneurial orientation refers to an organization's belief in the formation of specific behaviors based on principles or standards believed by the organization's members, who are capable of identifying and exploiting opportunities. This enables the organization to continually strive to be the first in innovation among its competitors, adopt a risk-taking attitude, and be proactive in response to changes that occur. The concept of entrepreneurial value based on *Catur Paramitha* is a *border* for SMEs in Bali, mainly to act by the teachings of truth so that business actors do not justify all ways to win the competition (compete healthily) and help SMEs develop their businesses well ([Astuti et al., 2018](#); [Rahyuda et al., 2018, 2019](#)). Applying Catur Paramitha as an entrepreneurial value can improve the performance and competitiveness of SMEs and establish harmonious and mutually beneficial relationships with customers, partners, and competitors. The entrepreneurial value based on *Catur Paramitha* also helps SMEs develop internal resources based on local cultural values, so this value is an ethical concept and an innovative and sustainable business strategy ([Dewi and Romayanti, 2020](#); [Gunawan et al., 2023](#)). This concept also makes SMEs in Bali different from other SMEs ([Armanu et al., 2023](#); [Indrawati et al., 2024](#)).

The resource-based view theory emphasizes that the company's excellence and performance rest on the company's resources ([Barney, 1991](#); [Barney et al., 2001](#)). In other words, valuable and scarce organizational resources are closely related to the performance of companies, even in the SME sector ([Mubarik et al., 2020a](#); [Tjahjadi et al., 2022](#)). Moreover, it develops from the value that the company can create for its customers beyond the costs sacrificed to create that value. The company's resources can include all assets, capabilities, organizational processes, company attributes, information, knowledge, and others that the company controls. This allows the company to formulate and implement strategies to improve efficiency and effectiveness. SMEs urgently need human capital to compete in an increasingly resilient business environment ([Agyabeng-Mensah & Tang, 2021](#); [Chabbouh & Boujelbene, 2020](#)). All business capabilities, business orientation, perception of risk, and knowledge management possessed by the organization as a component of human capital significantly contribute to SMEs' business performance later. Studies from several researchers ([Aman-Ullah et al., 2022](#); [Brixiová et al., 2020](#)) also concluded that the critical elements of human capital, consisting of knowledge, skills, and experience, impact the business performance of SMEs, which is shown by better management of their SME strategies. This means that human capital has a positive influence on improving the performance of SMEs ([Ardito et al., 2021](#); [Haseeb et al., 2019](#); [Iqbal et al., 2023](#); [Jayabalan et al., 2020](#); [Mubarik et al., 2020b](#)). Therefore, the following hypothesis was formulated:

H1: The higher the level of human capital of the organization, the better the performance of SMEs

SMEs that have confidence and trust will be able to direct the SMEs to be more innovative in developing their organizations, be more daring to take risks, and always be proactive in adapting to change. The formation of entrepreneurial orientation values is a challenging thing to support organizational performance. In Hinduism (the

teachings of most Balinese people), there are noble values in ethics and morality. Hinduism teaches the rules of good and noble behaviour, action, and behaviour, one of which is *Catur Paramitha* (Anggreni & Putra, 2021; Mahendra & Setyaningsih, 2021; Violinda et al., 2022). The variable entrepreneurial orientation value is an elaboration and integration of the concept of *personal values* developed by Rokeach (1973), the concept of local Balinese wisdom values, namely *Catur Paramitha*, and the concept of entrepreneurial orientation developed by Lumpkin and Dess (1996). The personal values has two dimensions of values: instrumental values that guide action and behaviours towards achieving a specific end (e.g: ambition, honesty, responsibility) and terminal values represent the long-term goals of organization and guide strategic direction for achieving success. *Catur Paramitha* will form instrumental orientation value, consists of values such as Maitri (loving kindness), Karuna (compassion), Mudita (sympathetic joy), and Upeksha (equanimity). The ethical and moral principles embedded in *Catur Paramitha* function as instrumental values that influence the decision-making process, relationships, and operational behavior of SMEs, ensuring that business practices are rooted in local wisdom and humanistic values. The entrepreneurial orientation will form terminal orientation value, refers to the strategies and actions of an organization, such as innovation, risk-taking, and proactivity. These actions represent the terminal values of an entrepreneur—i.e., the ultimate goals and achievements of the organization, such as growth, market leadership, and innovation and also guide the pursuit of goals such as financial success, business expansion, and industry recognition.

Companies with a high value of entrepreneurial orientation will have good performance in a business environment full of turbulence and competition due to the company's ability to constantly innovate, be proactive in seeing opportunities, dare to take risks, have high aggressiveness, and be independent (Irwin et al., 2018; Kraus et al., 2011; Pratono & Mahmood, 2015; Tang et al., 2017; Zehir et al., 2015). If a company has values that all parties uphold, then the company will have the ability and confidence to be competitive, which is manifested in the form of performance (Konak & Demir, 2018). The same thing was expressed by Fallatah (2018) who concluded that companies that create high knowledge value will also have high financial performance. The creation of shared values will have a significant influence on the performance of service companies (Ode et al., 2018) as well as the values of local wisdom, which, in this case, is *Catur Paramitha*. This is the basis for improving business activities and organizational performance and is the key to business success (Rahyuda et al., 2018, 2019). Therefore, the following hypothesis was formulated:

H2: The *Catur Paramitha*-based entrepreneurial orientation value strengthens (positive moderation) the influence of human capital on the performance of SMEs.

The theoretical model of the study is described in Figure 2.

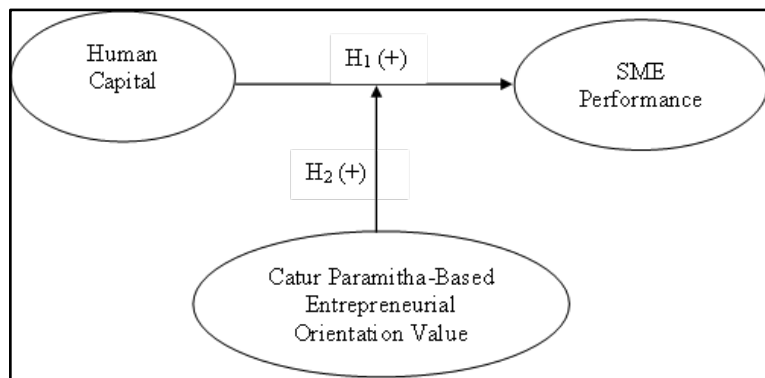


Figure 1. The Theoretical Model of The Effect of Human Capital on SME Performance

In addressing the identified research deficiency about the impact of human capital on performance, with particular emphasis on the intermediary variable, the significance of *Catur Paramitha* based-entrepreneurial orientation value will be examined as a moderating variable. Drawing upon the exposition and critique of the phenomena, as well as the discrepancies observed in the findings of prior empirical research endeavours, this study aspires to scrutinize and evaluate the function of entrepreneurial orientation value as a variable that moderates the effect of human capital on the performance of small and medium-sized enterprises (SMEs).

## 2. METHOD

The research was conducted on SMEs in Bali, Indonesia because SMEs are a mainstay sector for the Bali economy and are very closely related to the values of local wisdom that act as a border in business activities (Gunawan et al., 2023; Irjayanti & Lord, 2024; Suartini, 2021). Most SMEs are in trade, agriculture, non-agricultural, and service sectors. The population of this study consists of formal SMEs registered with the Cooperative and SME Office of Bali Province, totaling 107,665 units. Given the sizable and unevenly distributed

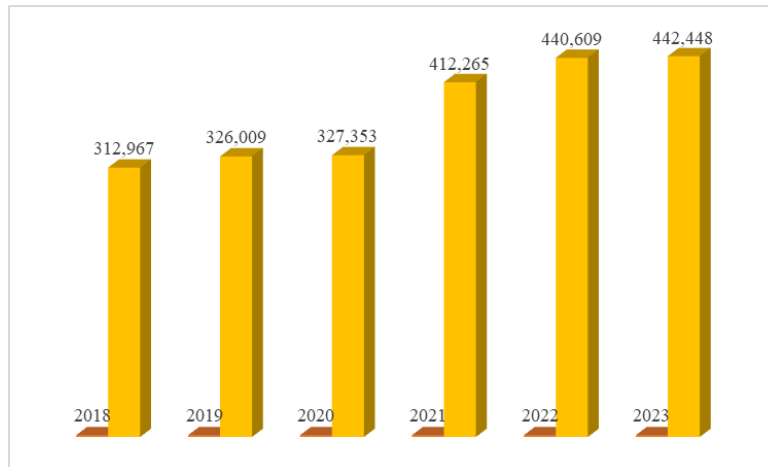
population across various regencies and cities in Bali, the sampling process employs multistage cluster sampling. Researchers initially selected regencies/cities with a balanced distribution of SMEs across different business sectors, namely Denpasar, Tabanan, Buleleng, and Gianyar. Subsequently, researchers randomly selected one of these four regions to serve as the representative population, resulting in the selection of Denpasar City with a population of 16,619 SMEs. This number was used as the basis for determining the sample size using the Issac and Michael method, yielding a sample of 300 SMEs (with a 10% significance level and a standard deviation value of 0.5). The respondents of this study are owners or managers who can represent SMEs so that representative information is obtained. Data were collected from primary sources by conducting interviews and distributing questionnaires to randomly selected research respondents.

The variables in the study include dependent variables, namely SME performance measured from four indicators: customer/marketing aspects, finance, internal business processes, and learning and growth. The four indicators are the result of synthesis from several empirical studies (Cicea et al., 2019; Nastasia & Mironeasa, 2016; Sintaasih et al., 2011; Soemohadiwidjojo, 2018). Furthermore, the independent variable used is human capital, measured by four indicators: business ability, business orientation, perception of risk, and management know-how. The indicator is also the result of the synthesis of several studies (Folloni & Vittadini, 2010; Khan & Quaddus, 2018; Ruzzier et al., 2007). The last is the Catur Paramitha-based entrepreneurial orientation value as a moderation variable consisting of two value dimensions: instrumental and terminal value. The value of instrumental orientation is implied in the values of *Catur Paramitha*, which include *maitri* (representing attention, politeness, and friendship), *karuna* (symbolizing affection), *mudita* (meaning obedience, sympathy, joy, happiness), and *upeksa* (symbolizing sincerity, being able to distinguish between good and bad, and tolerance) (Rahyuda et al., 2018, 2019; Rustini, 2020; Suartini, 2021) and terminal orientation values include being proactive, innovative, risk-taking, autonomy, and competitive aggressiveness (Dess & Lumpkin, 2005; Linares & Fernandez, 2018; Lumpkin & Dess, 1996; Semrau et al., 2016).

The data measurement of these variables was used on a Likert scale with assessment intervals ranging from a score of 1 (strongly disagree) to a score of 5 (strongly agree) (Sekaran & Bougie, 2016). Thirty respondents were tested using research instruments in the form of questionnaires to clarify instructions and statements, and of course, there were minor adjustments in the wording of the research instruments. The data analysis used in this study is a moderation analysis with the *Partial Least Square* (PLS) approach by examining the influence of the interaction between independent variables and moderation variables. In addition, to determine the validity and reliability of construction variables, as recommended by (Hair et al., 2017), we assessed measurement models, hypotheses, relationships between variables, and structural models. SEM-PLS is suitable because the purpose of the research is to validate the research model.

### 3. RESULT AND DISCUSSION

Data from the Bali Provincial Cooperatives and SMEs Office over the past five years shows dynamic conditions. The number of SMEs in Bali has increased significantly; where in 2023, there are around 442,448 SMEs, with 107,665 (24.31%) in the formal sector and 335,192 (75.69%) in the informal sector, compared to 326,009 units in 2019. This data compares conditions during COVID-19 (2019) and post-Covid, and growth reflects an overall 5-year increase of 31.86%, as shown in Figure 2. Most SMEs in Bali are engaged in the trade sector, comprising 264,650 units (58.76%). Other sectors include the agricultural industry, with as many as 70,702 units (15.97%); the non-agricultural industry, with as many as 63,740 units (14.39%); and the miscellaneous services sector, with 43,756 units (9.88%). SMEs have proven to be a resilient sector, especially during the COVID-19 pandemic, and have significantly contributed to economic growth and job creation in Bali. On average, the entrepreneurship ratio of Bali Province reaches 7.73%, which means that around 7.73% or around 345,000 people of the total population of Bali are entrepreneurs (Cooperatives and SMEs Office of Bali Province, 2023). This figure shows that the number of entrepreneurs in Bali Province is relatively high and can show good economic growth.



**Figure 2.** Number of SMEs in Bali Province

The data were tested using PLS, and the outer model analysis was carried out to test the validity and reliability of the research construct. The validity indicator is seen from convergent validity, with the loading factor value of each indicator  $\geq 0.7$ . The reliability of the construct is seen from the composite reliability (CR) value and the Average Variance Extracted (AVE) value, as well as the Cronbach's Alpha (CA) value of each construct. Constructs are said to have high reliability if the values of CR and CA  $\geq 0.70$  and AVE  $\geq 0.50$ . For discriminant validity, the square root of the Average Variance Extracted ( $\sqrt{AVE}$ ) of a latent variable should be greater than its correlations with all other latent variables. This indicates that the indicators of the variable have good discriminant validity (Hair et al., 2021). The results of the outer model test are presented in the following Table 1.

**Table 1.** Outer Model Measurement

Variable	Indicator	Loading	CA	CR	AVE	$\sqrt{AVE}$	Correlations		
							HC	EOV	SP
Human Capital (HC)			0.833	0.888	0.665	0.815	1.000		
	HC1	0.749							
	HC2	0.710							
	HC3	0.793							
	HC4	0.763							
Catur Paramitha Based- Entrepreneurial Orientation Value (EOV)			0.912	0.927	0.586	0.765	0.761	1.000	
	EOV1	0.764							
	EOV2	0.725							
	EOV3	0.756							
	EOV4	0.778							
	EOV5	0.789							
	EOV6	0.781							
	EOV7	0.783							
	EOV8	0.783							
	EOV9	0.730							
SME Performance (SP)			0.749	0.840	0.569	0.754	0.692	0.666	1.000
	SP1	0.800							
	SP2	0.818							
	SP3	0.832							
	SP4	0.814							

Rsquare = 0,442

Measurement model evaluation examines the validity and reliability of indicators that measure the construct or latent variable. The three latent variables, namely human capital, Catur Paramitha-based on entrepreneurial orientation value, and SME Performance, are measurement models with reflective indicators, so the evaluation of the measurement model is carried out by examining the convergent and discriminant validity of indicators and composite reliability.

a) Convergent Validity

Convergent validity measures the validity of the indicator as a construction measure, which can be seen from the outer loading with a limit value of 0.7. Based on Table 1, each indicator of the three variables has a loading factor value above 0.7, indicating that each indicator validates human capital, Catur Paramitha-based on entrepreneurial orientation value, and SME performance.

b) Discriminant validity

The discriminant validity test shows that the value of  $\sqrt{AVE}$  (the square root of AVE) is greater than the correlation values between the latent variables, as presented in Table 1. This shows that the latent/construct variable can distinguish itself from other variables/constructs in the model. In other words, the model has reasonably good discriminant validity, which means that the constructs have a fairly low attachment to other constructs and can explain the phenomenon being measured uniquely.

c) Composite reliability

Composite reliability tests the reliability value between the indicator blocks of the constructs that form them. Table 1 shows the composite reliability (CR) and Cronbach's alpha (CA) values of human capital, the Catur Paramitha-based on entrepreneurial orientation value, and SMEs' performance, which have met the number above 0.70, so it can be concluded that the reliable indicator block measures variables.

Based on the results of the indicators' convergent and discriminant validity evaluation and the composite reliability for the indicator blocks, it can be concluded that the indicators are valid and reliable gauges of latent variables.

Before testing the hypothesis, it is also necessary to look at the predictive relevance model ( $Q^2$ ), which measures how well the model generates the observed value (Hair et al., 2017), where the magnitude of  $Q^2$  has a value with a range of  $0 < Q^2 < 1$ , the closer the value of 1 means the better the model. The calculations are as follows:

$$Q^2 = 1 - (1 - Rn^2)$$

$$Q^2 = 1 - (1 - 0,442)$$

$$Q^2 = 0,442$$

The results of the  $Q^2$  calculation obtained a value of 0.442. The closer it is to 1, the exogenous latent variable as an explanatory variable (human capital) can predict the endogenous variable, namely SME performance or, in other words, proving that this model is considered to have good predictive relevance.

The significance of the estimated parameters provides very useful information about the relationship between the research variables. The results of the hypothesis test are as follows:

**Table 2. Structural Estimate of the Variable's Effect**

	Original Sample (O)	T Statistics ( O/STDEV )	p- values	Results
Human Capital → SME Performance	0.249	3.449	0.001	Significant H1 accepted
Entrepreneurial Orientation Value → SME Performance	0.504	0.491	0.000	Significant H2
Moderating Effect (HC*EOV)→SME Performance	0.090	2.049	0.041	Significant accepted

Based on Table 2, it can be concluded that the impact of human capital on SME performance demonstrates significant results, as indicated by the p-value =  $0.01 < 0.05$  and the original sample (O) value of 0.249. This shows that human capital has a direct positive influence on SME performance. Thus, these values indicate that H1 in this study is accepted, meaning that human capital has a statistically significant positive effect on the performance of SMEs. The impact of entrepreneurial orientation value on SME performance shows the significant results (p-value =  $0.000 < 0.05$ ) dan the human capital interaction test results and the entrepreneurial orientation value showed that the p-value =  $0.041 < 0.05$ , and the original sample estimate value was positive. This indicates that the entrepreneurial orientation value serves as a moderating variable of a quasi-moderation type, as both the interaction variable path coefficient and the entrepreneurial orientation variable value are significant. The positive value of the path coefficient for the human capital variable and the interaction variable HC\*EOV demonstrates that the entrepreneurial orientation value strengthens the influence of human capital on SME performance. Therefore, hypothesis 2 in this study is accepted.

Based on hypothesis which states that human capital has a significant and positive effect on SME performance, it means that the higher the level of human capital, the better the performance will be. This indicates that SMEs with high abilities, expertise, and capabilities, extensive knowledge, and qualified business experience will find it easier to perform well. The variable value of entrepreneurial orientation can strengthen the influence of human capital on the performance of SMEs because by having a high entrepreneurial orientation value, SMEs can be more effective and efficient in utilizing their human resources, such as knowledge, skills, experience, and networks, to create innovative products or services, meet market needs, and overcome competitive challenges.

These findings are helpful for research and practice. The study's contribution to research on the influence of human capital – the SMEs performance in economic conditions that can change very quickly is noteworthy. This shows that the influence of human capital on company performance varies depending on the moderating role of the entrepreneurial orientation value of SMEs in Indonesia, especially in Bali. The research findings, as previously described, can strengthen and confirm the theory of the resource-based view of the firm, especially in the formation of intangible resources, namely human capital, as a determinant of SME performance (Barney, 1991). According to this view, valuable, scarce, and difficult-to-replicate intangible resources are sources of organizational excellence to create unique organizational beliefs and characteristics that can be relied upon to achieve the best possible performance. This study proves that human capital is a necessary foundation or determinant of creating optimal SME performance. The hypothesis test results prove that human capital has a significant positive effect on the performance of SMEs. This result indicates that the high level of organizational human capital allows the process of achieving SME performance to be carried out well. The findings of this study can be interpreted that SMEs in Bali have made reasonable efforts in improving their business capabilities and orientation, have a positive perception of risks, and carry out various techniques and strategies well to maintain, analyze, and improve organizational knowledge so that their business activities can run effectively and efficiently. With all the knowledge, abilities, skills, and capacities SMEs possess, it has been proven that they can improve their performance in various aspects, namely customers, finances, internal business processes, and learning and growth. Most of the research results show a positive linear influence between the level of human capital and the performance of SMEs (Ardito et al., 2021; Felício et al., 2014; Jayabalan et al., 2020; Meflinda et al., 2018; Mubarik et al., 2020a; Muda et al., 2016; Tjahjadi et al., 2022; Zainol et al., 2018).

One thing that is no less important in this study is that the Catur Paramitha-based entrepreneurial orientation value is a variable that will later be able to strengthen the concept of entrepreneurial orientation based on local wisdom values that will support and strengthen the contribution of human capital in influencing the performance of SMEs. The results of the hypothesis test prove that the value of entrepreneurial orientation plays a moderation variable that strengthens the influence of human capital on the performance of SMEs. The creation and application of good entrepreneurial orientation values will support and strengthen human capital in influencing the performance of SMEs (Fang et al., 2022; Irwin et al., 2018; Pratono & Mahmood, 2015; Rahyuda et al., 2018, 2019; Semrau et al., 2016; Tang et al., 2017; Zehir et al., 2015). The results of this research add to the study and further explore the theory based on the view of resources (RBV) (Barney, 1991), Catur Paramitha-based entrepreneurial orientation value is defined as the ability of different organizations and valuable resources to identify, assess, and apply new opportunities in a way that is not easy to imitate. This value gives SMEs unique organizational characteristics that distinguish them from other SMEs. This value is also used as a standard to direct behavior/actions and decision-making methods in a situation. The formation of behavior is based on the nature of Maitri, which represents a sense of care, politeness, and compassion; karuna reflects the nature of compassion and self-control; mudita reflects obedience, joy, and confidence; and upeksa is related to a sense of tolerance, ambitiousness, and imagination. These local wisdom values are instrumental values that can form entrepreneurial attitudes or patterns reflected in terminal values. Terminal value reflects the entrepreneurial characteristics SMEs in Bali can show, including a proactive attitude, initiative, risk-taking courage, autonomy, and aggressiveness toward competitors. This value will strengthen the influence of human capital on the performance of SMEs (Astuti et al., 2018; Dewi & Romayanti, 2020; Indrawati et al., 2024). Business capabilities, knowledge, expertise, and experience, as components of human capital supported by the creation and application of good entrepreneurial orientation values, can create a conducive, harmonious, and collaborative organizational climate to encourage innovation and creativity in developing products or services that meet market needs. Innovation and creativity are among the strategies to improve the performance of SMEs.

Based on the analysis, the results also showed that the Catur Paramitha-based entrepreneurial orientation value has a positive effect on the performance of SMEs, resulting in the value of entrepreneurial orientation being a quasi-moderation variable. However, Catur Paramitha-based entrepreneurial orientation value does not function purely as a moderator because it does not simply affect the relationship strength. It also aligns with the foundational values and ethics that guide the operational and strategic behavior of SMEs. This deeper connection to values suggests that it impacts the performance indirectly by influencing the way human capital is utilized, rather than merely strengthening or weakening the existing relationship between the two variables. Therefore, it can be seen as quasi-moderation, where it does not meet the strictest definition of moderation but still plays a crucial role in

how human capital influences SME performance. In summary, Catur Paramitha-based entrepreneurial orientation value as a quasi-moderation variable enriches the research model by adding complexity to the understanding of how personal and cultural values can influence business outcomes. It encourages researchers to rethink the traditional role of moderation in research models and explore how values-based variables can modify the interaction between other key factors.

The research results can make a practical contribution to human capital and Catur Paramitha-based entrepreneurial orientation value as an essential capability of the organization to achieve SME performance. It is time for SMEs to immediately develop policies and mechanisms to encourage the development and improvement of organizational human capital, reflected in business capabilities, business orientation, perception of risks, and management know-how. The high level of human capital SMEs will make it easier for SMEs to realize ideas for business network development and market share expansion, increase sales growth, streamline internal business processes, and reinvest from investors. The value of entrepreneurial orientation also contributes to the achievement of SME performance. This can be realized by applying local wisdom values because it is undeniable that SMEs' business activities involve values, ethics, morals, and norms applied in making decisions. The value of *Catur Paramitha* as one of local wisdom can help SMEs become more humanist organizations and prioritize partnerships or friendship-based cooperation.

#### 4. CONCLUSION

Integrating the Resource-Based View (RBV) theory, the Catur Paramitha value concept, Personal Value Theory, and Entrepreneurial Orientation has led to the development of a measurement tool for entrepreneurial orientation based on local wisdom values. This approach emphasizes the importance of tangible resources, such as human capital, and intangible assets, such as cultural and ethical values, in driving the performance of SMEs. This study shows a significant positive influence of human capital on the performance of SMEs and underscores the importance of human resources—skills, knowledge, and experience—in enhancing the operational and strategic effectiveness of SMEs to get a good performance. When human capital is nurtured and aligned with local wisdom values, it supports day-to-day business operations and contributes to improved decision-making, innovation, and adaptability. The study's results also showed a positive moderation of the Catur Paramitha-based entrepreneurial orientation value between the influence of human capital and SME performance. Positive moderation indicates that the value of entrepreneurial orientation strengthens human capital's influence on SMEs' performance. Business capabilities, knowledge, expertise, and experience as components of human capital supported by the creation and application of good entrepreneurial orientation values can create a conducive, harmonious, and collaborative organizational climate to encourage innovation and creativity in developing products or services that meet market needs. Innovation and creativity are one of the strategies to improve the performance of SMEs.

This research still has limitations, especially related to time and variable measurement. Future researchers can add a comparative analysis of the performance conditions of SMEs based on the time cycle, namely before COVID-19, during COVID-19, and after COVID-19, so that research results that contribute more to nature can be obtained. The research area can also be expanded so that more varied studies can be carried out by applying different local wisdom values in several regions. Future research may also be able to apply this research framework to other sectors besides SMEs. In addition, the analysis results found that the entrepreneurship orientation value has a quasi-moderation role, which indicates that other variables can moderate the influence of independent variables on SME performance. This could be an opportunity for future research, analyzing other variables that support and can fully moderate (pure moderation) the influence of independent variables on SME performance and the entrepreneurial orientation value.

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