

Human Identity Factors in Human Capital Investment in Driving Financial Performance, Case Study of the Islamic Hospitality Industry in Indonesia

Lina Damayanti, Diah Rusminingsih
STIE Jaya Negara Tamansiswa Malang, Indonesia

Abstract : This study aims to examine the effect of human identity on the success of human capital investment in encouraging the financial performance of the Islamic hotel industry. We use a combination of qualitative content analysis research methods by analyzing more than 150 annual reports from all Islamic hotels in Indonesia that are listed on the Indonesia Stock Exchange, magazines, scientific articles and books from 2000 to 2020. To triangulate the results of the analysis content carried out, we using the quantitative method Vector Error Correction Model to triangulate the qualitative conclusions that we use by analyzing the results of the aggregate estimation of human capital investment responses and impulses in all Islamic hotels listed on the Indonesian stock exchange with financial records of Islamic hotel performance from 2000 to 2019. We find that there are psychological driving factors of self-identification of human resources on the success of human capital investment in driving the financial performance of business organizations in the Islamic hotel industry in Indonesia.

Keywords: Human Resources, Investment, Syariah Hospitality

JEL Classification : C40,G0,O10

1 INTRODUCTION

The corona pandemic outbreak is endemic globally, including in Indonesia. The coronavirus pandemic is pressing the tourism industry, especially the hotel industry. The Islamic hotel industry is no exception (Brands & Gavin, 2020; Kaushal & Srivastava, (2020).

As a result of the Coronavirus outbreak in 2020, the hotel industry in Indonesia, including sharia hotels, relies on

domestic tourists in the Republic of Indonesia's territory.

The majority of Indonesia's population is Muslim, which is good news for the sharia hotel industry in Indonesia. Islamic hotels that identify themselves as Muslim-friendly hotels must have an internal organisation that adapts to this identification (Shen et al., 2020; Ananta et al., 2015).

In theory, in human capital theory, employee self-identification associated with the organization they work for encourages attitudes and behaviours that reflect the organization's positive things (Doppelt, 2019; Brown, 2020).

This study examines the effect of Islamic hotel employees' self-identification factors on the success of human capital investment to encourage the financial performance of Islamic hotels.

2 LITERATURE REVIEW

Investments in human capital are not always in the form of investments in training and education. However, work equipment, work safety and employee health insurance are included in human capital investment. This is because human capital has five essential elements integrated into humans, namely knowledge, skills, health, innovation and creativity. These five elements need to be supported by work equipment, organizational structural capital and work protection, including social security and health (Psacharopoulos, 2015; Konara & Wei, 2019).

In human capital investment does not only pay attention to human capital contained in each individual but also social capital that supports each individual in completing his work. Social capital is a working relationship and personal relationship in a group of individuals to support each other and assist in solving work and problems at hand.

The human capital theory explains human potential both physically and outwardly in making contributions that can be valued economically. The concept of human capital is a combination of psychological and economic ideas. In giving the best gift to the organisation in the form of performance, human capital with the elements in it can be developed and improved through training and education mechanisms as well as equipment and technology support in improving individual performance in the organisation (Sankaran et al., 2020; Binhong, 2015).

Human resources in the form of knowledge and skills inherent in individuals so that physical and psychological health factors need to be considered. Because physical and mental health affects individual performance in making the best contribution to the organisation (Jones &

Spender, 2012; Marve, 2020).

Psychological factors have a significant share of individual performance in the workplace. This includes the self-identification factor. When individuals identify themselves as part of the organisation they work for, they will be motivated to make the best contribution to the organisation (Iqbal et al., 2020; Ones & Anderson, 2017).

Hotel Islam identifies itself as a Muslim friendly hotel and adheres to Islamic principles in conducting its business. This, of course, affects employee psychology. Employee psychology significantly influences human capital investment's success to boost organisational financial performance (Stephenson, 2014; Salleh et al., 2019).

3 RESEARCH OBJECTIVE AND METHODOLOGY

In this study, we used content analysis, a research method to identify patterns in the literature that can be trusted. In analysing content, we use hundreds of annual reports from all sharia hotels listed on the Indonesia Stock Exchange and from trusted media and literature studies from books and scientific journals from 2000 to 2020. This is done to analyse the contents of an association systematically. Text, whether written, spoken, or visual collected during the study period. This study combines qualitative content analysis from a collection of written, oral and visual texts to conclude with quantitative content analysis using secondary data collected during the study period which is estimated using the Vector Error Correction Model to see the relationship between human capital investment and financial performance. In the hospitality industry in Indonesia.

4 RESULTS AND DISCUSSION

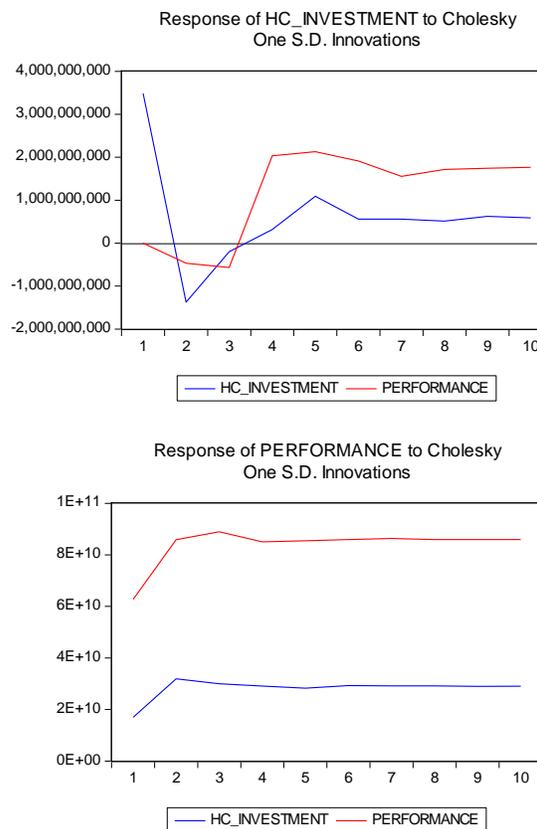
From the research results of 150 annual reports from all Islamic hotels listed on the Indonesian stock exchange, scientific magazines, books and previous research on human capital, we conclude that employee self-identification affects the urge to release potential or human resources to develop the organisation. However, this does not have a direct effect on employee performance in the organisation. What directly affects financial performance from a human capital point of view is the person's human capital.

Human identity has a role as the most significant influence on employee behaviour and self-image, reflecting action and support for the organisation as much as human capital. Human capital investment only increases human capital without directly affecting human identity when human capital is raised through human capital investment. Human capital affects employee performance, which impacts organizational financial performance.

The success of investing in human capital to boost financial performance depends on the human identity of the employees who receive the human capital investment.

To anticipate that human capital has an impact on organisational financial performance, triangulation is carried out using quantitative methods using a vector error correction model which is presented in the following graphic form:

Figure 1. Response Impulse Factor



From the VECM estimation results presented in graphical form, it can be seen that there are behavioural data between human capital investment and financial performance that influence each other with patterned flows where patterned flows are influenced by other factors outside of human capital investment. However, employees' psychological encouragement makes the best contribution to the organisation in the amount of capital they have. When money is raised, it directly impacts the organization's financial performance in the same direction. So that an employee's performance results do not represent one hundred per cent of the value of human capital. To improve performance, it is necessary to encourage the development of employee identity related to the organization to encourage social capital and structural capital.

5 CONCLUSION

There are other factors besides the skills and knowledge of employees in improving organizational performance. This factor comes from the psychological impact of employees who are willing to give their potential, in this case the human capital owned by the organization. Where one of the psychological factors that can affect the willingness of employees to contribute to the organization is human identity.

REFERENCES

- Ananta,A., Arifin, S,Hasbullah,EN, M., Handayani,N.B, Pramono,A.(2015).Demography of Indonesia's Ethnicity. Singapore : Institute of Southeast Asian Studies
- Binhong,S.(2015).China under Xi Jinping: Its Economic Challenges and Foreign Policy Initiatives.Leiden : Sosial Science Academic Press
- Brands,H, Gavin,FJ.(2020).COVID-19 and World Order: The Future of Conflict, Competition, and Cooperation.Baltimore : Johns Hopkins University Press
- Brown,P, Lauder,H, Cheung,S,Yi.(2020).The Death of Human Capital?. Oxford : Oxford University Press
- Doppelt,R.(2019).Skill flows: A theory of human capital and unemployment.Review of Economic Dynamics.Volume 31, January 2019, Pages 84-122. DOI :<https://doi.org/10.1016/j.red.2018.12.004>
- Iqbal,Q, Ahmad,N.H, Nasim,A, Khan,S.A.R.(2020).A moderated-mediation analysis of psychological empowerment: Sustainable leadership and sustainable performance,Journal of Cleaner Production.Volume 262, 20 July 2020, 121429.DOI :<https://doi.org/10.1016/j.jclepro.2020.121429>
- Jones,A.B, Spender,J.C. (2012).The Oxford Handbook of Human Capital. Oxford : Oxford University Press
- Kaushal,V,,Srivastava,S.(2020).Hospitality and tourism industry amid COVID-19 pandemic: Perspectives on challenges and learnings from India.International Journal of Hospitality Management.Volume 92, January 2021, 102707. DOI :<https://doi.org/10.1016/j.ijhm.2020.102707>
- Konara,P,Wei,Y.(2019).The complementarity of human capital and language capital in foreign direct investmentInternational Business ReviewVolume 28, Issue 2, April 2019, Pages 391-404. DOI :<https://doi.org/10.1016/j.ibusrev.2018.10.009>
- Marvel,M.R., Wolfe,M.T, Kuratko,D.E(2020).Escaping the knowledge corridor: How founder human capital and founder coachability impacts product innovation in new ventures,Journal of Business Venturing,Volume 35, Issue 6, November 2020, 106060. DOI :<https://doi.org/10.1016/j.jbusvent.2020.106060>
- Ones,D.S, Anderson,N.(2017).The SAGE Handbook of Industrial, Work & Organizational Psycholog. New York : SAGE
- Psacharopoulos,G. (2015).Economics of Education: Research and Studies.Amsterdam : Elsevier
- Salleh,NZ.M.D, Hamid,A.B.A, Hashim,N.H.(2019).Positioning Islamic Hotel Tourism: A New Perspective.Singapore : Patridge
- Sankaran,A.K.A., Kumar,S, Das,M.(2020).An endogenous growth approach on the role of energy, human capital, finance and technology in explaining manufacturing value-added: A multi-country analysis.Heliyon.Volume 6, Issue 7, July 2020, e04308.DOI :<https://doi.org/10.1016/j.heliyon.2020.e04308>
- Shen,M,,Purwono,U, French,DC.(2020).Romance, religion, and problem behavior in Indonesian Muslim adolescents. Journal of Adolescence.Volume 81, June 2020, Pages 87-95. DOI : <https://doi.org/10.1016/j.jadolescence.2020.04.001>
- Stephenson,M.L.(2014).Deciphering 'Islamic hospitality': Developments, challenges and opportunities. Tourism Management.Volume 40, February 2014, Pages 155-164. DOI :<https://doi.org/10.1016/j.tourman.2013.05.002>