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HUMAN CAPITAL IN ISLAMIC BANK AND ITS EFFECT ON THE IMPROVEMENT OF HEALTHY ORGANIZATION AND EMPLOYEE PERFORMANCE

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Abstract: *Human resources have become one of strategic issues of Islamic banking in Indonesia. Islamic bank is important to have a good human capital, who has specialized knowledge and expertise related to Islamic aspects. The quality of human resource that is bad will affect the organization to grow unhealthy and also the employee performance. This research aims to test and analyze the role of human capital that affect the healthy organization and the employee performance. This research was conducted on all employees of Islamic banks in the Province of Daerah Istimewa Yogyakarta (DIY) and East Java. The reason is because nowadays, Islamic banking in Indonesia is experiencing a slowdown growth of business performance, especially market share so that it needs human capital with good quality. Sampling technique is using purposive sampling. Bank employees came from Islamic bank, government bank, and private bank. The result concludes that human capital (HC) has significant positive effect on the improvement of employee performance (EP) and healthy organization (HO). Meanwhile, healthy organization (HO) has significant positive effect on the improvement of employee performance (EP). Healthy organization mediates the relationship between human capital and employee performance.*

Keywords: *human capital (HC), healthy organization (HO), employee performance (EP)*

1. Introduction

The population of society in Indonesia whom majority is Muslim motivated the businessman of Islamic banking industry to create Islamic bank that can accommodate needs and wants of Indonesian Muslim society. As is known, Islamic banking is an institution that moves based on Islamic

principles. Islamic bank has different characteristic than other company on the principles and work orientation. The characteristic of Islamic banking system operates based on profit sharing principles and giving banking system alternatives that has mutual benefit for society and bank, accentuate justice aspects on transaction, ethical investment, put forward the value of togetherness and brotherhood on production, and avoid the speculative activities while doing the financial transaction. By providing many different products and banking

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services with varieties financial scheme, Islamic banking is being a credible alternative of banking system and can be used by the whole society of Indonesia, especially for the Muslim society. The impressive development progress of Islamic banking, which achieve the average assets growth more than 65% per year in the last five years, is hoped to play a role in supporting the national economy so that it become more significant (<http://www.bi.go.id/id/perbankan/syariah/Contents/Default.aspx>, accessed on May 11, 2017). But the problem is, the fierce competition in the Islamic banking industry nowadays is feared to have negative effect towards the Islamic banking performance. Up until now, Islamic banking is still constrained with some problems such as limited capital, source of funds, human resources (HR), and information technology that is still not reliable (<http://infobanknews.com/tantangan-perbankan-syariah-di-2016/>, accessed on December 26, 2016).

Fierce competition in the industry of Islamic banking service will have negative effect towards the performance of Islamic banking. Islamic banking up until now is still lack with some problems such as capital constraints, source of funds, human resource (HR), and not reliable information technology (IT) (<http://infobanknews.com/tantangan-perbankan-syariah-di-2016/>, accessed on December 26, 2016).

In order to develop the industry of Islamic banking so that it could be an excellent performer and has significant role in Indonesia, there has to be a strategy that is become priority for the stakeholders of Islamic banking. Innovation of financial products and Islamic banking is the main pillar to the development of Islamic banking industry. Islamic banks have to have many innovative products so that it could develop properly. This effort has to be done because lately, Islamic banks are experiencing a slow growth even a decrease in market share than conventional bank. In order to make Islamic

bank product innovation can compete properly; they have to provide competent human resource with a sufficient amount. Islamic bank management must prioritize the creation of competent and good quality human resource. In the middle of the era of digital financial as nowadays, the utilization of information technology on business process is getting wider and it becomes a must (<http://infobanknews.com/tantangan-perbankan-syariah-di-2016/>, accessed on December 26, 2016), and also the market share of Islamic banking is still widely opened in Indonesia because majority of its community is Muslim.

Tambupolon (2015) added that human resources is become one of strategic issues of Islamic banking in Indonesia. The quantity and quality of human resources is really necessary especially from IT ability to support the development of service and product for community. Other strategic issues are the understanding and public awareness is still low. The offer of 'profit sharing' has not been able to be an appeal to the customer of Islamic bank if it does not come with excellent service that satisfied the customer. Islamic bank is important to have good human capital (HC) who has specialized knowledge and expertise related to Islamic aspects. This will give long term advantage for the organization. (Becker, 1975; Kreitner and Kinicki, 2007). Education and experience are giving positive contribution for human capital and it is expected to increase productivity, entrepreneurship activity, and individual success (Honig, 1998). Carmeli (2004) added that high education level, work experience, and specific competencies can increase individual and organizational performance.

In the theory of human capital, employee has rational choice with the capital investments that he has. Employee who has good human capital will be able to choose to invest many of his time, effort and money for education, training, and experience (Becker, 1993).

Some previous research has proved that human capital can create a value to achieve the company goal. In long term, it is hoped that it could give sustainable revenue to the organization (Malhotra 2003; Bontis 2004; 2002; Bontis et al., 1999; Bontis and Fitz-enz; 2002; Noudhaug, 1998). Muafi (2010) did a strategic human capital research to the employee of public organization on Yogyakarta, Indonesia. The research result concluded that strategic human capital (level of education, work experience, and competencies) can have impact to the increase of entrepreneurial employee performance. Public organization should consider the aspects of level of education, work experience, and competencies of each individual to increase the ability of employees to innovate, brave to take risks, and have the ability to exploit their entrepreneur orientation. This strengthen the research from Schultz (1971) and Babalola, (2003) that formal education is related and much needed to increase the production capacity of the organization. In other words, educated employees generally are the population of productive employee. For the sustainability in the organization, Babalola (2003) added that (1) new generation should be given positive and relevant knowledge that is accumulated and come from the previous generation, (2) new generations should be given a learning about knowledge that should be used to develop new product, offer new process and production method, and good service delivery, and also (3) someone needs to keep motivated to develop all ideas, products, processes, and methods through creative and innovative approach.

Some other research get the findings that human capital as strategic asset of company (Bontis and Fitz-enz, 2002) can have impact to the increase of organizational performance (Jamal and Saif, 2011), also to the increase of economic activity, competitiveness, economic prosperity (Cabrita and Bontis, 2008), and financial performance (Murthy and Mouritsen, 2011; Santos-Rodrigues et al., 2011a, Santos-Rodrigues et al., 2011b;

Santos-Rodrigues et al., 2012), financial and non financial performance (et al. 2009; Munjuri et al., 2015). Human capital also can give significant impact to the increase of employee retention (Robertson et al., 1991), organizational commitment (Iles et al., 1990), improvement of employability and labor flexibility (Groot and Van Den Brink, 2000), employee innovation (Nonaka and Takeuchi, 1995), and also competitive advantage of the company (Collis and Montgomery, 1995; Noudhaug, 1998).

In other perspective, was found result that bad quality of human resources will make the organization grows unhealthy (Dive, 2004). The assets of healthy human resources is a key component in healthy organization to increase prosperity and life standards of the employee. This will impact to the well being and happiness of employee. In the developing country, there are many businessman who fail to understand the importance of health to the employee that can affect to cost efficiency and work effectivity, while all of those will clearly affect to economic growth and the improvement of life standard (Bloom and Canning, 2003). The research result of Howit (2005) concluded that if a country has population of healthy society, then it will be able to increase the performance growth in long term.

The bad quality of human resource will make the organization grows unhealthy (Dive, 2004). Up until now, there is only a few research which linking the relationship between human capital and healthy organization and healthy individual (Mouw, 2006; Marmot, 2000). Generally, people who have low education level and less income will have problem on his health (Yu and Williams, 1999; Marmot, 2000). That is why; this research wants to fill the research gap with linking the relationship between human capital, healthy organization, and employee performance of Islamic bank in the Province of Daerah Istimewa Yogyakarta (DIY) and East Java Indonesia.

2. Literature review

2.1. Human Capital and Employee Performance

Human capital theory is getting many attentions and has experienced rapid growth. Dissemination toward research result has been found with studying the influence of human capital toward the increase of either employee or organizational performance. Human capital is one of the main components from intangible assets of company. Since 1990, the focus attention of academician or practitioners toward the best practice of management of intangible assets has been increase drastically (Harrison dan Sullivan, 2000). Human capital nowadays is an intangible asset with highest mobility (Teece et al., 1997). Organization must have different strategy on the management of its human capital. (Harrison dan Sullivan, 2000; Weatherly, 2003a, 2003b).

Mayo (2000) stated that the basic driving of company value is human capital including; knowledge, idea, and innovation. The development of business time and environment which is very competitive requires company to keep increasing its human capital. Human capital in the organization requires organization to have the innovation ability and entrepreneur, uniqueness, and give different service so that it could increase individual or organizational performance (Mathis, 2003). According to Armstrong (2012), human capital covers three important components, as follows; intellectual capital, social capital, and organizational capital. Intellectual capital includes the inventory and flow of knowledge that is available for the organization. Social capital is knowledge from the relationship inside and outside the organization. Meanwhile, organizational capital is knowledge had by the organization. The role and the importance of human capital in efficiency and effectiveness of organization can be seen from three theories:

(1) human relation theory, focused to the important role of relationship between humans that affected to failure or success of the organization, (2) transaction cost economics, focused to the search of the best method on managing resource system depends on the relationship between transaction cost and market, (3) human capital theory, focused to the education level of employee as a resource of the productivity of workforce and its growth. (Carmeli, 2004).

Some researches are focused to the importance of human capital strategy on creating competitive advantage and superior performance (Becker, 1993; Carmeli, 2004). According to Weatherly (2003a, 2003b) there are two main strength are the reason that human capital measurement is become the center of attention on business environment; (1) rapid growth as the effect of globalization on the key sector such as telecommunication, transportation, and financial services, and (2) information technology that is turbulent and volatile (Sullivan and Sullivan, 2000; Bontis, 1999; Bontis et al., 2002). These two reasons make human capital as intangible assets must have an important role for the company. Researches and theoretical study has prove that there is significant relationship between human capital toward individual or company performance (Guest, et al., 2003; Preffer, 1994; Grant, 1996; Wright and McMahan, 1992; Wright, and Snell, 1991, 1999; Wright et al., 2003).

The importance of research contribution and human capital evolution theory can be seen on resources based view and human resource strategic management which can give strength that human capital must be valuable, unique, and imperfectly imitable (Carmeli, 2004). Result of some researches about human capital will always relate to individual and organizational factors on the study of organizational behavior. Human capital is important for the employee to determine how to catch their own potential and not missing time while speed up

restructuring and experiencing high turnover in the company (Carson et al., 2004). Individual who works in the organization needs education, experience, and competencies as the source of competitive advantage (Hayton, 2003; Hatch and Dyer, 2004). Becker (1975) even said that experience and education of employee is a base of human capital that can be divided generally and specifically towards organization and entrepreneur activity. Individual who gives value added on doing his duty will give sustainable revenue for the company in the future (Bontis, et al., 2002).

H1. Human Capital (HC) has significant positive effect on the improvement of Employee performance (EP).

2.2. Human Capital and Healthy Organization

A healthy organization can be defined as: [. . .] an association of people governed by a set of regulations as a function of specific purposes, in a state of complete physical, mental and social well-being, and not merely the absence of disease, but with the capacity to develop its own potential to respond positively to environmental challenges (Tarride et al., 2008; Muafi, 2016).

Edgeman (2013) added that *“Organizational robustness is not the ability to recover from such shocks, but resistance or immunity to their impact. Resilience and robustness are neither identical nor of necessity fully compatible: the set of strategies and actions maximizing resiliency may differ from the strategies and actions maximizing robustness”*.

Dive (2004) stated that there are some criteria of an organization to be categorized unhealthy, such as; wrong strategy, bad organization design, there are no link between organization strategies, corporation culture, and human resource management. On human resource management, unhealthy organization is caused by there is no transparency on the decision making

accountability (DMA). DMA is a genetic code to detect health of the organization. Brown (1971, on Dive, 2004) stated that DMA research indicates some cause of why the organization is become unhealthy; : (1) *lack of vision or unclear vision, (2) unclear priorities, (3) in ability to make quick decision, (4) duplication of work, (5) work missed, (6) lack of true delegation, (7) overstaffing, (8) slow reaction to customers and competition, (9) unclear career progression, (10) difficulty of managing rapid growth, (11) quality work not being done, (12) managers dragged down to inappropriate levels of work, (13) ineffective meeting, (14) divided loyalties, (15) under utilization of individual capacity, (16) loss of creativity, (17) loss of good people, (18) long and stressful hours of work, (19) excessive numbers of authorization steps, and (20) poor shop floor relations ‘them and us’ mentality.*

Refers to Chenoweth (2011; Muafi, 2016) there are some ways to increase healthy organization as follows; 1) *engaging employees; 2) embracing meaningful use of health benchmarks and metrics; 3) senior management participation in innovative policies; 4) supporting individuals’ financial security aspirations; 5) aligning meaningful incentives; 6) helping people get the best of their life.*

Empirical research lately have been expand traditional labour economics framework by analyze the relationship between education and wage toward health status. Result of some of the previous researches believes that there is a relationship between education and health and not only caused by the link between education and income (Grossman and Kaestner, 1997 in Marmot, 2000). Education has direct role on the determination of health status and it gives better chance to employee (Marmot, 2000). From another aspect, the result findings from Jones et al. (2014) concludes that capability of the organization has significant effect towards unhealthy organization. It also can be concludes that high human capital of the

company can increase healthy organization.

Raya and Panneerselvam (2003) stated that working has an important role to every employee in their life with many reasons. Organization must give a healthy and cozy working environment so that it could give a life balance to the employee and the organization itself. Approach for healthy organization research on organization context is closely related with people, work organization, management practices, employee wellbeing and performance (Raya and Panneerselvam, 2003).

Research from Yu and Bang (2013) strengthen the finding from IBI (2000) which concludes that a company that has healthy employee will be success on health aspects, productivity management programs, and also has close relationship to fix business outcomes, including reductions in lost time, improved employee effectiveness, lower medical trends, and ultimately and superior financial returns. According to Schwartz and Riedel (2010) there is a relationship between health status and lost productivity on employee, researchers, and benefits advisors. The research result also strengthen the previous result from IBI where company can have good health, well-being, and high employee work performance by creating a related strategy, such as; 1) assess the degree of the problem, 2) appropriately allocate resources to meet the need, and 3) evaluate outcomes associated with the application of resources that foster the health and well-being of the workforce. On the context of employee performance, Muafi (2011) explained that employee performance is still an interesting topic to be studied. The role of practitioners and academicians in management is how far the employee works with management to use the right system and performance management process correctly in order to increase organizational performance.

One method used by practitioners and academicians to increase organizational and group performance is through the

implementation of performance management system correctly. When management has manage individual performance by the achievement of organization outcomes, the assesment of company and individual performance can be made. Practitioners of human resource development will be working with management to implement performance management system that gives contribution to achieve goals. *“Human resource professionals need to consider this issue, because it may be that team members are in better position to evaluate the performance of their peers than are formal managers. Members of empowered teams typically work closely together and thus have more opportunities to observe each other’s performance”* (Muafi, 2011; 123).

- H2. Human Capital (HC) has significant positive effect on the improvement of Healthy Organization (HO).
- H3. Healthy Organization (HO) has significant positive effect on the improvement of Employee Performance (EP).
- H4. Healthy Organization (HO) mediates the relationship between Human Capital and Employee Performance (EP).

3. Research method

This research uses primary and secondary data. Primary data was conducted by the researcher directly by giving questionnaire to the employee of government and private Islamic bank. Whereas, secondary data was conducted by the researcher indirectly as a proof, note, or historical report that has been arranged in a published archive and unpublished archived that obtained directly from the company. Populations in this research are all bank employee from the government and private Islamic bank in the Province of DIY and East Java, Indonesia. The reason is because Islamic banking is experiencing a slowing growth of business performance, especially market share and the

needs of good quality of human capital. Human resources become one of the main reasons from the quantity and quality aspects (Tambupolon, 2015). Researcher also did an interview with some of the Islamic bank employee to explore further and strengthen the research result. Respondents are limited to Islamic bank employee whose religion is Muslim. The sample was conducted with purposive technique that have population characteristics and can be considered as representative of the population, with sample criteria as follows; (1) permanent employee of the company and already worked at least for a year, (2) understand the programs and products of Islamic bank. Questionnaires were given to 200 employees and the returned questionnaire are 138 (response rate 69%).

Respondents' description is analyzed based on the year of birth, age, year of work, education, and gender. The likert scale is used with the score of 7 (very strongly agree) and 1 (very strongly disagree) for human capital and healthy organization. Meanwhile, for employee performance is using the choice of scale start from 1 (at the very bottom) to 7 (at the very top). Amount of items and resource of questionnaire items

can be explained as follows:

- 1) 4 items for human capital are refer and modified from Becker, 1993; Carmeli, 2004).
- 2) 5 questionnaire items for healthy organization refer and modified from Dive (2004; Schwartz and Riedel (2010).
- 3) 10 items for individual performance refer from Muafi (2011).

The statistic technique used to analyze data is Partial Least Square (PLS), because the data in PLS do not have to distribute normally and it is also a powerful technique to analyze the latent variables in the structural equation modeling. (Muafi, 2015; Muafi, et al., 2016; Muafi, 2017; Hair et al., 1995).

4. Results

4.1. Characteristic and profile of respondents

Respondents characteristic based on year of birth, age, year of work, education, and gender can be seen on Table 1.

Table 1. Respondents Characteristic of the Research

Respondents Characteristic		Frequency	Percentage (%)
Year of Birth	1943 - 1960	2	1,4
	1961 - 1981	48	34,8
	1982 - 2001	88	63,8
Age	49 - 66 Years	5	3,6
	29 - 48 Years	47	34,1
	18 - 28 Years	86	62,3
Year of Work	1 - 3 years	74	53,6
	4 - 6 years	49	35,5
	7 - 9 years	11	8,0
	10 - 12 years	1	0,7
	> 13 years	3	2,2
Education	Senior High School	7	5,1
	Diploma/ Bachelor	128	92,8
	Master	2	1,4
	Doctoral	1	0,7
Gender	Man	54	39,1
	Woman	84	60,9
Amount		138	100

Based on Table 1 can be described that the most respondents in succession was born between the year of 1982 to 2001 (63,8%); aged 18 – 28 years old (62,3%); have been working for 1 – 3 years (53,6%); dominated by Diploma/Bachelor (92,8%); and woman (60.9%).

4.2. Description

Table 2 shows descriptive statistic and correlation of each variables in this research.

Table 2. Descriptive Statistics and Zero Order Correlation of Study Variables

Variable	Mean	SD	1	2	3
Human Capital	5,30	0,97	1,000		
Healthy Organization	4,77	0,89	0,287**	1,000	
Employee Performance	5,70	0,65	0,297**	0,496**	1,000

* = p < 0,05; one-tiled

** = p < 0,01; one-tiled

Correlation coefficient of all research variables have a high enough value and significance level under 0,05. This shows that all research variables have positive and significant relationship.

4.3. Convergent validity on the outer model

Convergent validity refers to the validity of items making up a latent with reflective

Human Capital has amount of mean of 5,30 with standard deviation of 0,97. This means that generally respondents feel that they have a good Human Capital. Then, Healthy Organization has amount of mean of 4,77 with standard deviation of 0,89; Employee Performance has amount of mean of 5,70 with standard deviation of 0,65. This means that generally respondents feel that they have high quality level while perceiving every variables.

indicators. Convergent validity is checked by composite reliability (CR) value from reflective latent. Convergent validity is made of composite reliability (CR) > 0,7. Table 3 shows that the variables of Human Capital, Healthy Organization, and Employee Performance have the value of CR > 0,7. This means that there is no measurement error on the outer model and all of the latent variables can be used to predict structural functions on the inner model.

Table 3. Composite Reliability (CR) Value

Number	Construct	Composite Reliability	Information
1.	Human Capital (HC)	0.875	Reliable
2.	Healthy Organization (HO)	0.762	Reliable
3.	Employee Performance (EP)	0.887	Reliable

4.4. Discriminant validity on the inner model

Latent check on the inner model is conducted by validating an item, it is comparing the \sqrt{AVE} of each correlation between variables that create latent variable.

If the value of \sqrt{AVE} (bold) is bigger than the correlation value, then items in the variable is valid. Table 4 shows that all research variables which is Employee Performance (EP), Human Capital (HC), and Healthy Organization (HO) have a good discriminant validity index.

Table 4. Discriminant Validity

Variable	Enterprise Performance (EP)	Human Capital (HC)	Healthy Organization (HO)
Employee Performance (EP)	0.670		
Human Capital (HC)	0.515	0.799	
Healthy Organization (HO)	0.430	0.416	0.637

4.5. Outer model evaluation

few items that have outer loading value of less than 0,5.

The result analysis of outer model test can be seen on Table 5 which shows that there are

Table 5. Analysis Result of Outer Model Test

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)	Sig.
ep1 <- EP	0.756	0.752	0.050	0.050	15.088	0.000
ep10 <- EP	0.721	0.723	0.047	0.047	15.467	0.000
ep2 <- EP	0.773	0.767	0.045	0.045	17.146	0.000
ep3 <- EP	0.588	0.570	0.095	0.095	6.200	0.000
ep4 <- EP	0.777	0.770	0.040	0.040	19.284	0.000
ep5 <- EP	0.502	0.489	0.103	0.103	4.880	0.000
ep6 <- EP	0.506	0.498	0.109	0.109	4.629	0.000
ep7 <- EP	0.780	0.767	0.049	0.049	15.861	0.000
ep8 <- EP	0.687	0.684	0.078	0.078	8.838	0.000
ep9 <- EP	0.506	0.515	0.086	0.086	5.866	0.000
hc1 <- HC	0.750	0.740	0.064	0.064	11.728	0.000
hc2 <- HC	0.828	0.822	0.047	0.047	17.762	0.000
hc3 <- HC	0.840	0.836	0.044	0.044	19.203	0.000
hc4 <- HC	0.774	0.774	0.055	0.055	14.111	0.000
ho1 <- HO	0.812	0.806	0.056	0.056	14.444	0.000
ho2 <- HO	0.469	0.448	0.149	0.149	3.140	0.002
ho3 <- HO	0.401	0.372	0.174	0.174	2.307	0.023
ho4 <- HO	0.754	0.745	0.060	0.060	12.466	0.000
ho5 <- HO	0.650	0.624	0.118	0.118	5.521	0.000

But, the significance test of outer loading shows that all items have significance value of 0,05 so it can be says that generally the questionnaire items in this research have a good outer model.

4.6. Determination coefficient of endogenous variable

Endogenous variable on the inner model (Table 6) from structural equation shows that Healthy Organization (HO) is determined by Human Capital (HC). Meanwhile, Employee Performance (EP) is determined by Human Capital (HC) and Healthy Organization (HO).

Table 6. R² Value of Endogenous Latent on Inner Model

Exogenous Variable	Endogenous Variable	R ² Value
Human Capital (HC)	Healthy Organization (HO)	0,173
Human Capital (HC) Healthy Organization (HO)	Employee Performance (EP)	0,321

Based on Table 6 can be counted total determination coefficient (Q²):

$$\begin{aligned}
 Q^2_{predictive} &= 1 - (1 - 0,173)(1 - 0,321) \\
 &= 1 - (0,827 \times 0,679) \\
 &= 1 - 0,562 \\
 &= 0,438
 \end{aligned}$$

Total determination coefficient (R²) in this research is 0,438 or is able to predict model until 43,8% meanwhile the rest of 56,2% is caused by variables outside the model.

4.7. Q² Predictive relevance

Model evaluation also can be seen from Q² predictive relevance or also known as

predictive sample reuse. The value of Q² can be seen on Table 7.

Based on Table 7 can be seen that Q² from all research variables have a bigger value of 0. This shows that the model have a good predictive relevance.

Table 7. Q² Predictive Relevance

Variable	1-SSE/SSO	R Square
EP	0.128	0.321
HC	0.394	
HO	0.055	0.173

4.8. Q² Quality indexes

PLS also can identify optimization global criteria to understand goodness of fir model (GoF).

Table 8. GoF Result

Variable	R Square	Communality
EP	0.321	0.448
HC		0.638
HO	0.173	0.406
Mean	0.247	0.497
GoF	0.351	

Based on Table 8 can be seen that GoF model value is reaching 0,351 which is less than 0,36 so that the model is belong to medium category.

4.9. Q² Predictive relevance

Partial Least Square (PLS) is used to analyze and evaluate the validity and causality between construct of model of the research. This research test four hypothesis on the inner model. The result can be seen on Figure 1.

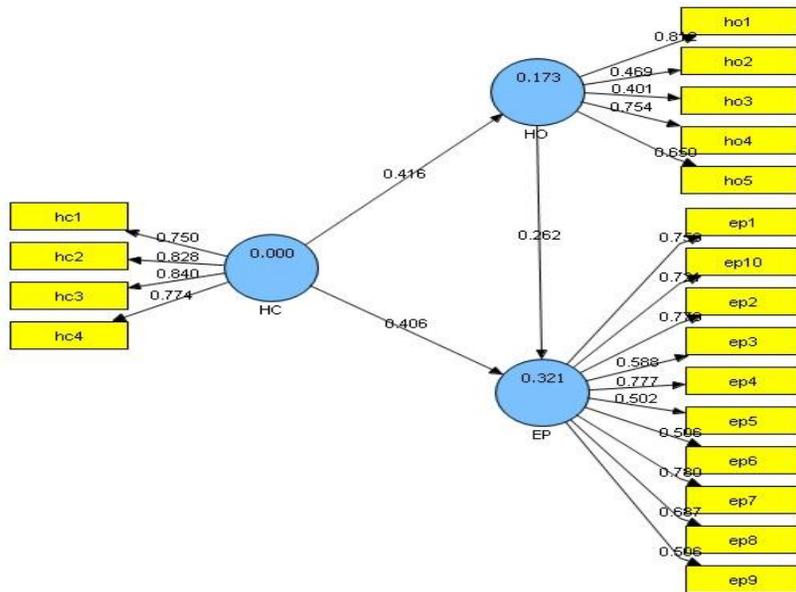


Figure 1. Structural Model (Inner Model) Between Latent Variable

Table 9. Inner model test result

Hypothesis	Path	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	T Statistics ((O/STERR))	Sig.
1	HC -> EP	0.406	0.408	0.072	5.636	0.000
2	HC -> HO	0.416	0.434	0.081	5.145	0.000
3	HO -> EP	0.262	0.285	0.101	2.578	0.011

The inner model test result as written on Table 9 shows that from three paths all of it are significant on $\alpha = 0,05$.

- 1) Human Capital (HC) has significant positive effect on the improvement of Employee performance (EP) with path coefficient of 0,406 and t statistic 5,636 with the significance level of 0,000 which is less than α (0,05). This positive coefficient shows the improvement of Human Capital (HC) will push the increase of Employee Performance (EP). This means that the first hypothesis is accepted.
- 2) Human Capital (HC) has significant positive effect on the improvement

of Healthy organization (HO) with path coefficient of 0,416 and t statistic = 5,145 with the significance level of 0,000 which is less than α (0,05). This positive coefficient shows the increase of Human Capital (HC) will push the improvement of Healthy Organization (HO). This means that the second hypothesis is accepted.

- 3) Healthy Organization (HO) has significant positive effect on the improvement of Employee performance (EP) with path coefficient of 0,262 and t statistic = 2,578 with the significance level of 0,011 which is less than α (0,05).

This positive coefficient shows the increase of Healthy Organization (HO) will push the improvement of Employee Performance (EP). This means that the third hypothesis is accepted.

4.10. Indirect effect

Indirect effect is about how big the effect of exogenous construct to endogenous construct through other endogenous

construct. Based on Table 10 can be concluded that the indirect effect of Human Capital (HC) towards Employee Performance (EP) through Healthy Organization has path coefficient of 0,109 with Z-test of 2,305 and significance of 0,021 which is less than α (0,05). This means that Healthy Organization (HO) mediates the effect of Human Capital (HC) towards Employee Performance (EP). This means that the fourth hypothesis is accepted.

Table 10. The Calculation Result of Indirect Influence on the Inner Model

Exogenous	Mediation	Endogenous	Sobel Test			Decision
			axb	Z-test	p-value	
HC	HO	EP	0.109	2.305	0.021	Mediate

5. Discussion

This research has proved that Human Capital can improve the performance of Islamic bank employee in the Province of DIY and East Java. Some researches are focused to the importance of human capital strategy on creating an excellent performance (Becker, 1993; Carmeli, 2004). This also strengthens the previous research that there is a significant relationship between human capital towards performance, either individual or organizational performance (Guest, et al., 2003; Preffer, 1994; Grant, 1996; Wright and McMahan, 1992; Wright, and Snell, 1991, 1999; Wright et al., 2003; Weatherly, 2003a, 2003b). Globalization has pushed the organization to have a good human capital. It also affects the development in information technology, which will boost the competitiveness of a country or region. The competition in the Islamic banking industry forces the company to increase their productivity in every Islamic activity. An excellent human capital will be the main pillar to be the market leader and also become the development locomotive in Islamic banking in Indonesia. The employees of Islamic banking are forced to have knowledge about Islamic aspects

between the conventional banking knowledge. They have to be able to explain about product or agreement that is related to Islam. The importance of employee who knows how about product knowledge of the organization is the main requirement so that the organization could maintain their loyal customer. Although these research respondents are mostly in Gen Y generation time. According to Robbins and Judge (2013), Gen Y generation is the newest work force (also called Netters, Millennial, or Generation Next), born between the year of 1980-2000. This generation grows while on the prosperous economy, but then they also experienced the economic slowdown. The periods of time when their bonuses and work are abundant have been past. Right now, they are worried about their job and career, but they have high hopes and they search the meaning of life in their job. They enjoy diversity and become the first generation to have technology. They run their life with the help of ATM, DVD, cellular phone, laptop and internet, oriented to money, and wanted things that can be bought with money. This generation loves team work but they also very confident, tend to focus on freedom and comfortable life.

Indonesia actually has Islamic banking market that is really potential and really big. This is because Indonesia is the biggest Muslim country in the world. There are around 85,2% or 199.959.285 man from the total of 234.693.997 man who are a Muslim (<http://www.marketing.co.id/pasar-muslim-indonesia-yang-menggiurkan/>, accessed on February 10, 2017). This big amount of Muslim population in Indonesia is give many influence toward the Islamic banking business, added with the low levels of financial inclusion in Indonesia. Another obstacles is the opening of ASEAN Economic Community (AEC), it means that Indonesia has to have the commitment to open the regional open market that is a joint initiative. This is because some investors from Japan or Australia are interested to establish an Islamic bank in Indonesia. They will prepare the human capital with more powerful and professional. Islamic banking in the Province of DIY and East Java must have strategy and policy of human capital management that has good quality and professional.

Refers to the strategy of Mandiri Bank which is successfully implemented and make Mandiri Bank success to have excellent strategy which are (<http://bankernote.com/review-human-capital-bank-mandiri-tahun-2013/>, accessed on February 10, 2017); Human Capital strategy have been adjusted to the organization strategy of Mandiri Bank, which focused on all value chain of the development of Human Capital (employee lifecycle). The stages of employee life cycle are started from organization development, capacity fulfillment, learning and development, employee relation management, rewards and performance management, until talent and succession management. On each stage of the employee life cycle, 2 things were built to believe a sustainable implementation as follows:

- 1) Build culture and leadership that support transformation, including mindset and behavior change, and increase the role of leader in the

management process of Human Capital (Culture and Leadership)

- 2) Build strategy and implementation tactics, including policy, process, employee ability, and technology support (Strategic and Tactical HC Practices)

Human Capital strategy supposed to support vision and mission of the company and consistent to the corporation strategy and business model of the company. The example of this strategy could be used as the benchmarking by other Islamic bank in Indonesia.

The research result also concludes that Human Capital has significant role on increasing Healthy Organization. Dive (2004) stated that one characteristic of unhealthy organization is because it does not have good quality of human resources. Education plays direct role in the determination of health status and provide better chance for employee (Marmoot, 2000), or healthy organization (Jones et al., 2014). Fiz-enz (2000) explained that employee as a part of resources in the company have cost almost 40% from general and administrative expenses. This is why company has to understand the return of investment from the process of human assets management as a significant capital factor on the production process.

Thus, this research concludes that healthy organization have important role in increasing employee performance, and also mediates the influence of Human Capital (HC) towards Employee Performance (EP). If the Islamic banking company in the Province of DIY and East Java managed healthy, then it will have healthy employee. Company can be successful from the health aspects, productivity management program, and can fix the business outcomes (reductions in lost times, improved employee effectiveness, lower medical trends, and ultimately, and superior financial returns (Yu and Bang, 2013; IBI, 2000; Schwartz and Riedel, 2010). Organization will have life

balance for the employee and the organization itself (Raya and Panneerselvam, 2003). It has to be fully understand that Islam religion as a way of life have taught and arranged how to placed human resource in a syirkah (company) very well and wisely, never discriminate woman and man on salary problems in the same working level, never taught about deviant behavior in work place, and have commitment to finish the work perfectly (kaffah). Islamic banking employee should have 4 character of Prophet Muhammad S.A.W. while carrying their job either as employee or company leader which are shiddiq (honest), amanah (trusted), tabligh (deliver), and fathonah (smart).

6. Conclusion

This research give conclusions as follows:

- 1) Human Capital (HC) has significant positive effect on the improvement of Employee performance (EP)
- 2) Human Capital (HC) has significant positive effect on the improvement of Healthy organization (HO)
- 3) Healthy Organization (HO) has significant positive effect on the improvement of Employee performance (EP)
- 4) Healthy organization (HO) mediates the relationship between Human Capital (HC) and Employee Performance (EP)

7. Theory and managerial contribution

This research gives theory contribution on the strengthening of construct measurement from Dive (2004; Schwartz and Riedel (2010) about healthy organization with Islamic banking as the object. It also gives theory contribution on the strengthening of Human Capital construct (Becker, 1993; Carmeli, 2004), and employee performance (Muafi, 2014). The research result also gives

contribution to theory strengthening on the causality of human capital, healthy organization, and employee performance. Also, the role of healthy organization is able to mediate the effect of human capital towards employee performance. Healthy organization is an organization that has excellent performance, either in organization or individual.

Meanwhile, managerial contribution can be done with many strategic implementation and policy from the manager, such as:

1) Efforts of the performance improvement of Islamic bank employee can be done with implementing the new vision of Islamic banking that is adjusted to the grand strategy of the Islamic banking. Bank Indonesia, as the main bank that cope every bank in Indonesia. The prospect of Islamic business is promising in Indonesia, so it demands the organization to have professional human capital, healthy organization, and excellent employee performance.

2) The new imaging program of Islamic banking can include the aspects of positioning, differentiation, and branding through the efforts of the employee performance improvement especially about product and service owned by the company, through the improvement of human capital aspect and healthy organization of its bank that can be adjusted with the strategy and policy of Bank Indonesia. Bank Indonesia nowadays have been used Islamic bank strategy through; new position of Islamic bank as a banking company that have mutual benefit for both side, differentiation aspects with competitive advantage that has varieties of product and scheme, transparent, competent in financial and ethical, information technology that always up to date and user friendly, and an adequate Islamic financial investment expert. Meanwhile, in the branding aspects, "Islamic bank is more than just a bank or beyond banking"

(<http://www.bi.go.id/id/perbankan/syariah/Contents/Default.aspx>, accessed on May.11, 2017).

3) The future challenge is to reach Islamic market segment that still widely opened with putting forward a qualified human capital especially on applying Islamic management system totally (*kaffah*) and guarantee that Islamic company can operate healthy so that it could improve its employee performance.

8. Limitations of research

Thus, what become the limitations of this research and advice for next research are:

1) Causality between human capital-healthy organization-employee performance can be integrated with other variables such as employee retention (Robertson et al., 1991), organizational commitment (Iles et al., 1990), employability and labor flexibility (Groot and Van Den Brink, 2000), employee innovation (Nonaka and Takeuchi, 1995), and also the competitive advantage of

company (Collis and Montgomery, 1995; Noudhaug, 1998).

2) Respondents answer from the questionnaire is tending to affect by the situation and condition while the research was conducted. Even though the validity and reliability has been tested, it does not close the possibility of response bias. That is why there should be done an indepth interview towards some key respondents.

3) Islamic banking industry sector is only searched in the Province of DIY and East Java in Indonesia. It also conducted using the purposive sampling technique so that it feared that it could not generalize the Islamic banking industry in Indonesia. In the future, should be done the research in the provinces in Indonesia that have the biggest employee in Islamic sector and conducted using proportional area random sampling so that it could generalize the population of Islamic banking employee in Indonesia.

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