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Determinants of MSME Employee Economic Value: Human Resource Accounting and Human Capital Investment through Human Capital

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) rely on effective management of human resources to generate greater employee economic value. Human resource accounting and human capital investment provide mechanisms for recognizing, developing, and utilizing employee capabilities, while human capital explains how these practices translate into economic value. This study examines the effects of human resource accounting and human capital investment on employee economic value, with human capital as a mediator. An explanatory quantitative design was applied to 300 MSME employees selected through stratified purposive sampling. Data were collected using structured five-point Likert-scale questionnaires and analyzed using Structural Equation Modeling based on Partial Least Squares with SmartPLS 4.0. The findings show that human resource accounting positively affects human capital and employee economic value, while human capital investment positively affects human capital but does not directly affect employee economic value. Human capital positively affects employee economic value and mediates both relationships. Mediation is weak for human resource accounting and indirect-only with inconsistent effects for human capital investment, highlighting human capital's role in translating investment into sustainable economic value. These findings imply that MSMEs should prioritize human capital development to maximize the economic value generated from human resource practices and investments.

Keywords

Employee Economic Value, Human Capital, Human Capital Investment, Human Resource Accounting.

1. Introduction

National economic development has positioned Micro, Small, and Medium Enterprises (MSMEs) as a strategic sector that contributes substantially to employment generation, value creation, and business growth in Indonesia (Ramadani et al., 2025). However, the sustainability and competitiveness of MSMEs depend not only on physical and financial resources but also on their capacity to manage human resources as strategic organizational assets (Sheehan, 2014; Simarmata, 2020). The economic value generated by employees is particularly important because it reflects their contribution to productivity, operational efficiency, innovation, and business growth, especially in the digital era and amid increasingly intense market competition (Wongsansukcharoen & Thaweepaiboonwong, 2023). This condition highlights the need for accounting and human resource management approaches that extend beyond administrative functions toward the systematic identification, measurement, and development of employee value.

Human resource accounting is an accounting approach that seeks to identify, measure, and disclose the value of human resources in terms of their associated costs and economic benefits to the organization (Maharani, 2023; Cutinho, 2024). Within the MSME context, however, the adoption of human resource accounting remains relatively limited because of restricted accounting literacy and the perception that human resources are difficult to recognize and measure as organizational assets (Sugiarta & Putri, 2023). In parallel, human capital investment, which includes training, education, skill development, and the enhancement of work experience, can strengthen employee competencies and productivity and consequently increase employee economic value (Chen et al., 2021). Nevertheless, investing in human resources does not necessarily generate optimal economic outcomes when organizations cannot translate these investments into tangible employee competencies and productive capabilities (Agbodo-Otinpong, 2024).

Previous empirical studies by Kusumastuti (2021) have reported inconsistent findings regarding these relationships. Several studies indicate that human resource accounting contributes positively to organizational performance and employee value. In contrast, other evidence by Sundari et al. (2024) suggests that human resource accounting may have limited or insignificant effects when its application is confined to administrative documentation or receives limited recognition from organizational decision-makers. Similar inconsistency can be observed in research on human capital investment. While several studies by Bai (2024) and Istiqomah and Kasmari (2025) report that investment in employee development positively influences employee performance and economic value, while Fadilah et al. (2023) identifies relatively weak effects when training and development programs are not sufficiently aligned with organizational requirements. Moreover, much of the existing literature focuses on the direct effects of human resource accounting and human capital investment on organizational or employee performance, with comparatively limited attention to human capital as a competency-based mechanism through which human resource practices and investments are translated into tangible organizational value (Aman-Ullah et al., 2022; Leontes & Hoole, 2024).

These conditions reveal a research gap concerning both the mechanisms and the extent to which human resource accounting and human capital investment contribute to employee economic value through the development of human capital (Salvi et al., 2022). In particular, it remains important to determine whether human resource accounting and human capital investment can influence employee economic value directly or whether their effects depend on improvements in employee knowledge, skills, competencies, and capabilities that function as an intervening mechanism. The novelty of this study lies in integrating human resource accounting

and human capital investment within a single framework to examine their effects on employee economic value while incorporating human capital as a mediating mechanism in the MSME context, which remains relatively underexplored in previous research.

Based on this research gap, this study aims to analyze the direct and indirect effects of human resource accounting and human capital investment on employee economic value through the mediating role of human capital. Specifically, the study examines whether human resource accounting and human capital investment contribute to employee economic value directly and whether these effects are transmitted through the development of human capital. By addressing both direct and mediated relationships, the study seeks to provide a more comprehensive explanation of how human resource-related accounting practices and investments can generate economic value at the organizational level. This study is expected to contribute to the development of human resource accounting and human capital theory by providing empirical evidence on the mechanisms through which human resource reporting and investment contribute to employee economic value.

2. Literature Review and Hypothesis Development

2.1. The Effect of Human Resources Accounting

From the perspective of the Resource-Based View by Barney (1991), human resources are valuable internal resources that can support organizational value creation when they are effectively developed and utilized. Human Resource Accounting (HRA) is an accounting system designed to identify, measure, and report the economic value of employees as organizational assets (Kusumastuti, 2021). HRA conceptualizes human resource costs, including recruitment, training, compensation, and development, as investments expected to generate future economic benefits (Sugiarta & Putri, 2023). Sundari et al. (2024) state that HRA provides quantitative information on employee contributions to productivity and supports strategic investment decision-making for stakeholders, while recent research by Cutinho (2024) emphasizes its role in evaluating employee economic contributions. These functions position HRA as a relevant managerial instrument for recognizing, measuring, and utilizing human resources. The implementation of HRA is expected to strengthen employee capabilities while also improving the economic contribution generated by employees within organizations.

The relationship between human resource accounting and human capital is based on the view that systematic recognition and measurement of human resources can strengthen organizational attention to employee capabilities. Sugiarta and Putri (2023) and Sundari et al. (2024) argue that, through clear cost and value information, management can identify areas requiring competency development and improve alignment between human resource management and organizational needs. Kusumastuti (2021) argues that human resource accounting may also contribute directly to employee economic value because information about human resource contributions can support workforce placement, utilization, and resource allocation. Therefore, human resource accounting is expected to strengthen both outcomes.

H1: Human resources accounting has a positive effect on human capital.

H2: Human resources accounting has a positive effect on employee economic value.

2.2. The Effect of Human Capital Investment

Human Capital Investment (HCI) refers to organizational efforts to improve employees' knowledge, skills, and overall quality through training, education, and career development (Hamadamin & Atan, 2019). Investment in human capital is regarded as an important means of generating improvements in productivity,

creativity, innovation, and organizational capabilities (Chen et al., 2021). Empirical evidence by Bai (2024) indicates that human capital investment is associated with stronger organizational performance and employee effectiveness, while recent research by Istiqomah and Kasmari (2025) further confirms its relevance to employee performance and development. Human capital investment represents a strategic commitment through which organizations develop workforce capabilities and strengthen the productive potential embedded in employees. Within this framework, investment is expected to contribute to stronger human capital and greater employee economic value.

The effect of human capital investment on human capital can be explained by how training, education, and skill development provide employees with new knowledge and strengthen specific competencies (Chen et al., 2021; Bai, 2024). Planned investment therefore becomes a fundamental input in forming high-quality human capital. Human capital investment is also expected to increase employees' economic value because improved competencies may boost productivity, innovation, and efficiency in their contributions. Istiqomah and Kasmari (2025) found that employees who receive appropriate development opportunities are expected to perform tasks more effectively and generate greater economic returns for the organization. However, these benefits depend on the successful implementation and application of acquired capabilities.

H3: Human capital investment has a positive effect on human capital.

H4: Human capital investment has a positive effect on employee economic value.

2.3. The Effect of Human Capital on Employee Economic Value

Barney (1991) argues that human capital is a strategic internal resource that can support value creation and competitive advantage. It represents the aggregate of knowledge, skills, experience, creativity, health, and capabilities embedded within employees that can be mobilized to generate value for an organization (Simarmata, 2020; Braunerhjelm & Lappi, 2023). Human capital is therefore not simply an attribute possessed by employees but a productive resource that can be developed, utilized, and translated into organizational outcomes. Its contribution depends on the extent to which employee capabilities are effectively applied within organizational activities and transformed into productive contributions.

Employee economic value refers to the financial and non-financial contributions generated by employees through labor productivity, operational efficiency, innovation, and profit optimization (Palupi et al., 2021; Kiran et al., 2022; Yakusheva et al., 2024). Within SMEs, such value is critical because returns on human capital investment and labor efficiency influence business sustainability and growth (Agbodo-Otinpong, 2024). Empirical research by Leontes and Hoole (2024) and Istiqomah and Kasmari (2025) further shows that human capital contributes to employee performance, work effectiveness, digital innovation, and organizational performance. Accordingly, stronger human capital characteristics are expected to increase the economic contribution employees generate by enabling them to apply their competencies effectively in daily organizational activities.

H5: Human capital has a positive effect on employee economic value.

2.4. The Effect of Human Capital as a Mediator

Human capital can act as a mediating mechanism that explains how human resource accounting and human capital investment translate into employee economic value. Hamadamin and Atan (2019) argue that human resource accounting provides information for recognizing and measuring the value of employees, but such

information does not automatically become economic value unless it is reflected in actual employee capabilities. Through structured recognition and management of human resources, HRA can help identify competency development needs and support employee growth, thereby connecting human resource practices with performance outcomes (Leontes & Hoole, 2024). Thus, human capital provides a competency-based pathway through which human resource accounting can influence employee economic value (Ionel et al., 2010; Awaluddin et al., 2026). This mechanism suggests that the value identified and reported through HRA becomes more meaningful when it is reflected in stronger employee knowledge, skills, and capabilities.

A similar mechanism applies to human capital investment. Expenditures on training, education, and career development are expected to improve employee knowledge and skills, but their economic contribution depends on whether these investments translate into stronger human capital (Istiqomah & Kasmari, 2025). Aman-Ullah et al. (2022) argue that human capital therefore serves as a practical and developmental bridge between investment and economic value because improved competencies enable employees to apply acquired knowledge and skills more effectively. This mediating role helps explain why human resource investments may not immediately produce economic returns when capability development is not sufficiently realized (David, 2000). Accordingly, human capital is expected to mediate the effects of both human resource accounting and human capital investment on employee economic value.

H6: Human capital mediates the effect of human resources accounting on employee economic value.

H7: Human capital mediates the effect of human capital investment on employee economic value.

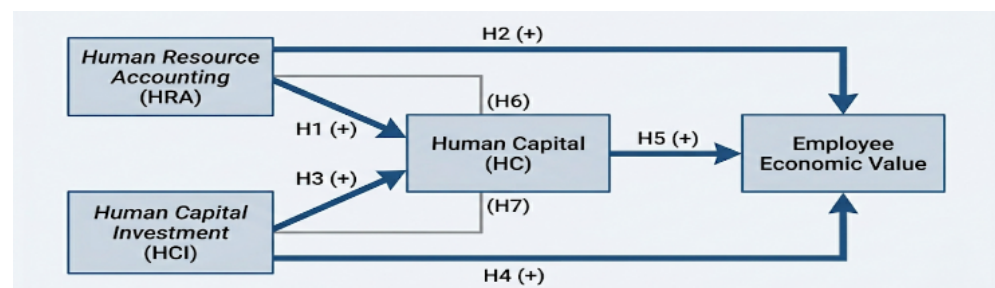


Figure 1. Conceptual Framework

Figure 1 presents the conceptual framework of the study, illustrating the proposed relationships among human resource accounting, human capital investment, human capital, and employee economic value. Human resource accounting is hypothesized to positively affect human capital and employee economic value, while human capital investment is expected to positively influence both variables. Human capital is also proposed to positively affect employee economic value and mediate the effects of human resource accounting and human capital investment on employee economic value. Thus, the framework examines both direct and indirect relationships among the variables.

3. Methods

This study employs an explanatory quantitative research design to examine the causal relationships between human resource accounting and human capital investment and the economic value of MSME employees, with human capital as a

mediating variable. The explanatory design was selected because the study focuses on theory-based hypothesis testing through structural modeling. The analysis uses Structural Equation Modeling based on Partial Least Squares (SEM-PLS), which is appropriate for examining latent constructs with multiple indicators. The research was conducted among MSMEs in Makassar City, South Sulawesi Province, registered with the Department of Cooperatives and SMMEs of Makassar City.

The population comprised 31,848 registered MSME business units. However, the primary unit of analysis was MSME employees rather than business owners because the study focuses on evaluating employees' economic value as human resources. Respondents were required to be permanent employees of registered MSMEs, have a minimum tenure of one year, and voluntarily participate in the study. A total of 300 respondents were selected using stratified purposive sampling by Polas (2025) and Memon et al. (2025), with stratification based on the 15 sub-districts of Makassar City to represent the geographical distribution of MSMEs. Twenty MSMEs were selected from each sub-district, with one eligible employee recruited from each MSME. The sample size of 300 also satisfies the 10-times rule for SEM-PLS, which recommends a minimum sample size of ten times the maximum number of indicators associated with a latent variable (Hair et al., 2019).

Primary data were collected through structured questionnaires distributed both directly and online using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire consisted of four variables with five indicators each. Human resource accounting was measured using five indicators covering human resource cost recording, employee training and development records, employee contribution valuation, integration of employee competence and performance information into decision-making, and human resource asset reporting, based on Sugiarta and Putri (2023) and Cutinho (2024). Human capital investment comprised five indicators related to training, career development, job-aligned training, educational or professional certification support, and competency development facilities (Chen et al., 2021; Bai, 2024). Human capital included five indicators covering knowledge, work skills, learning ability, adaptability, and experience-based work quality improvement. Employee economic value consisted of five indicators measuring productivity, revenue contribution, cost efficiency, competitive advantage, and intellectual capital (Hamadamin & Atan, 2019; Braunerhjelm & Lappi, 2023). A pilot test with 30 respondents assessed initial item clarity and reliability.

Data were analyzed using SmartPLS 4.0 through a two-stage approach (Guenther et al., 2023). The measurement model was assessed using factor loadings, Average Variance Extracted (AVE), Cronbach's Alpha, and Composite Reliability to establish convergent validity, and construct reliability (Hair et al., 2019). The structural model was evaluated using R^2 , f^2 , and bootstrapping with 5,000 subsamples to test path significance (Guenther et al., 2023). Mediation was assessed using the Variance Accounted For (VAF) approach to determine the nature of the mediating effect.

4. Results

The convergent validity in this study was evaluated using two parameters: factor loadings and the AVE. The measurement indicators within the research model were assessed based on their factor loading values; an indicator is deemed valid if its factor loading exceeds 0.7, whereas any indicator with a value below 0.7 must be eliminated from the model (Edeh et al., 2023).

Table 1. Measurement Model Evaluation

Variable	Item	Outer Loading	Cronbach's Alpha	rho_a	rho_c	AVE	Result
Human Resource Accounting (X1)	X1.1	0.709	0.764	0.768	0.842	0.517	Valid
	X1.2	0.746					
	X1.4	0.804					
Human Capital Investment (X2)	X2.2	0.900	0.829	0.845	0.892	0.641	Valid
	X2.3	0.910					
	X2.4	0.872					
	X2.5	0.829					
Human Capital (Z)	Z1.1	0.799	0.797	0.805	0.860	0.553	Valid
	Z1.2	0.766					
	Z1.3	0.810					
Employee Economic Value (Y)	Y1.2	0.880	0.859	0.903	0.898	0.644	Valid
	Y1.3	0.851					
	Y1.4	0.806					
	Y1.5	0.885					

Table 1 presents the factor loading analysis for Model 2, which indicates that 14 out of the 20 initial indicators used in this study are valid. The human resource accounting variable contains 2 invalid indicators. The human capital investment variable has 1 invalid indicator, and the employee economic value variable also has 1 invalid indicator. The human capital variable contains 2 invalid indicators. These invalid indicators were excluded from the model, and the data were subsequently reprocessed.

The convergent validity of the constructs is further supported by the AVE, which ranges from 0.517 to 0.644. Human resource accounting has an AVE of 0.517, human capital investment has 0.641, human capital has 0.553, and employee economic value has 0.644. Since all AVE values exceed the minimum threshold of 0.50, each construct demonstrates adequate convergent validity. Regarding construct reliability, Cronbach's Alpha values range from 0.764 to 0.859, while Composite Reliability (rho_c) ranges from 0.842 to 0.898. In addition, rho_a values range from 0.768 to 0.903. These values exceed the commonly accepted threshold of 0.70, demonstrating that all constructs have satisfactory internal consistency and reliability. The measurement model indicates that all retained indicators and constructs are valid and reliable, allowing the analysis to proceed to the structural model evaluation.

Table 2. Coefficient of Determination

Endogenous Variable	R-square	R-square Adjusted
Human Capital	0.716	0.714
Employee Economic Value	0.535	0.531

Table 2 shows that the R^2 value for human capital is 0.716, indicating that human resource accounting and human capital investment explain 71.6% of the variance in human capital. This indicates a substantial explanatory power of the model. Meanwhile, employee economic value has an R^2 value of 0.535, indicating that 53.5% of its variance is explained by human resource accounting, human capital investment, and human capital. This value indicates a moderate explanatory power.

Table 3. Effect Size (f^2)

Relationship	f^2	Result
Human Capital → Employee Economic Value	0.031	Small
Human Capital Investment → Human Capital	1.741	Large
Human Capital Investment → Employee Economic Value	0.010	Small
Human Resource Accounting → Human Capital	0.157	Moderate
Human Resource Accounting → Employee Economic Value	0.704	Large

Table 3 presents the effect size (f^2) of each exogenous variable on the endogenous constructs. The results indicate that human resource accounting has a large effect on employee economic value, with an f^2 value of 0.704, indicating a substantial contribution to employee economic value. Its effect on human capital is 0.157, classified as moderate, indicating a meaningful contribution to the formation of human capital formation. Human capital investment demonstrates a large effect on human capital, with an f^2 value of 1.741, indicating a substantial contribution to human capital. However, its effect on employee economic value is small, with an f^2 value of 0.010. Meanwhile, human capital has a small effect on employee economic value, with an f^2 value of 0.031. These results indicate that human resource accounting has the strongest effect on employee economic value, while human capital investment has the strongest effect on human capital.

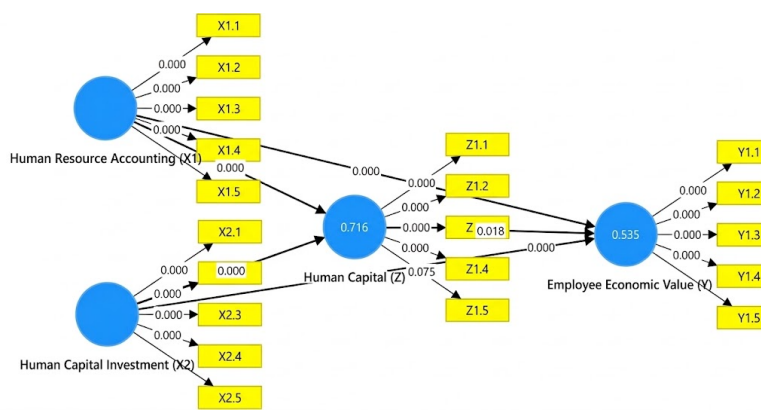


Figure 2. SEM PLS Output

Table 4. Hypothesis Testing Results

Hypothesis	Path Coefficient	t-statistic	p-value	Result
Human Resource Accounting → Human Capital	0.224	5.901	0.000	Supported
Human Resource Accounting → Employee Economic Value	0.652	12.639	0.000	Supported
Human Capital Investment → Human Capital	0.745	19.533	0.000	Supported
Human Capital Investment → Employee Economic Value	-0.117	1.780	0.075	Rejected
Human Capital → Employee Economic Value	0.227	2.361	0.018	Supported
Human Resource Accounting → Human Capital → Employee Economic Value	0.051	2.165	0.030	Supported
Human Capital Investment → Human Capital → Employee Economic Value	0.169	2.339	0.019	Supported

Figure 2 and Table 4 present the results of the hypothesis testing using the path coefficient, t-statistic, and p-value. The results indicate that human resource accounting has a positive and significant effect on human capital, with a path coefficient of 0.224, t-statistic of 5.901, and p-value of 0.000. This finding indicates that improvements in human resource accounting are associated with higher human capital. Furthermore, human resource accounting has a positive and significant effect on employee economic value, with a path coefficient of 0.652, t-statistic of 12.639,

and p-value of 0.000, indicating that human resource accounting contributes substantially to employee economic value.

Human capital investment also has a positive and significant effect on human capital, with a path coefficient of 0.745, t-statistic of 19.533, and p-value of 0.000. However, its direct effect on employee economic value is negative and statistically insignificant, with a path coefficient of -0.117 , t-statistic of 1.780, and p-value of 0.075. Therefore, the hypothesis proposing a direct effect of human capital investment on employee economic value is not supported. Meanwhile, human capital has a positive and significant effect on employee economic value, with a path coefficient of 0.227, t-statistic of 2.361, and p-value of 0.018, confirming the importance of human capital in increasing employee economic value.

The mediation results further show that human capital significantly mediates the relationship between human resource accounting and employee economic value, with an indirect path coefficient of 0.051, t-statistic of 2.165, and p-value of 0.030. Similarly, human capital significantly mediates the relationship between human capital investment and employee economic value, with an indirect path coefficient of 0.169, t-statistic of 2.339, and p-value of 0.019. Thus, both indirect effects are statistically significant, although the nature and strength of the mediation should be interpreted further based on the direct effects and VAF results.

Table 5. Variance Accounted For (VAF) Test Results

Hypothesis	Direct Effect	Indirect Effect	Total Effect	VAF Value	Mediation Typology
Human Resource Accounting → Human Capital → Employee Economic Value	0.652	0.051	0.703	7.25%	Significant but weak mediation
Human Capital Investment → Human Capital → Employee Economic Value	-0.117	0.169	0.052	325.00%	Indirect-only mediation with inconsistent effects

Table 5 shows that for hypothesis 6, the VAF value is 7.25%. According to Hair et al. (2019), a VAF value below 20% indicates a weak mediation effect. This result suggests that human capital contributes only marginally to the relationship between human resource accounting and employee economic value. The majority of the effect occurs through the direct pathway, as indicated by the direct path coefficient of 0.652. Therefore, human resource accounting contributes primarily to employee economic value through its direct influence, while the indirect contribution through human capital is relatively limited.

For hypothesis 7, the VAF value is 325.00%. This unusually high value occurs because the direct effect of human capital investment on employee economic value is negative and statistically non-significant ($\beta = -0.117$, $p = 0.075$), whereas the indirect effect through human capital is positive and statistically significant ($\beta = 0.169$, $p = 0.019$). Because the direct effect is non-significant while the indirect effect is significant, the relationship can be interpreted as full mediation (indirect-only mediation). The VAF value exceeding 100% should not be interpreted literally as a percentage of the total effect, but rather as a consequence of the opposing signs of the direct and indirect effects. This finding indicates that human capital is the primary mechanism through which human capital investment contributes to employee economic value. In other words, investments in training, education, career development, and competency enhancement are more likely to generate economic

value when they are successfully transformed into employees' knowledge, skills, experience, and capabilities.

5. Discussion

The findings indicate that human resource accounting has a positive and significant effect on human capital, suggesting that improved human resource accounting practices are associated with stronger employee knowledge, skills, and capabilities. Furthermore, human resource accounting has a positive and significant effect on employee economic value, indicating that the recognition, measurement, and management of human resources can contribute substantially to the economic contribution of employees. These findings are consistent with Kusumastuti (2021) and Sugiarta and Putri (2023), who emphasize the relevance of human resource accounting in recognizing, managing, and utilizing human resources to support organizational performance. The finding concerning employee economic value is also consistent with Cutinho (2024), who highlights the role of human resource accounting in evaluating employee contributions and supporting organizational value creation.

Human capital investment also has a positive and significant effect on human capital, indicating that investment in employee development contributes to the formation of knowledge, skills, and capabilities. This finding supports Bai (2024) and Istiqomah and Kasmari (2025), who demonstrate the importance of investment and development activities in strengthening human capital. However, human capital investment does not have a significant direct effect on employee economic value. This finding suggests that investment in employees does not necessarily generate immediate economic returns. Human resource development expenditures may require an appropriate process of implementation, absorption, and application before they translate into measurable economic outcomes. Sheehan (2014) and Agbodo-Otinpong (2024) similarly emphasize that the returns from human resource investment depend on how investments are managed and translated into productive organizational outcomes. Thus, investment in employees should be evaluated not only by immediate financial returns but also by its capacity to develop employee capabilities.

Meanwhile, human capital has a positive and significant effect on employee economic value. This finding confirms the importance of employee knowledge, expertise, experience, and capabilities in generating economic value. From the perspective of the Resource-Based View by Barney (1991), human capital represents an important internal resource that can support value creation when its capabilities are effectively developed and utilized. Employees with stronger competencies are better positioned to contribute to operational efficiency, innovation, productivity, and sustainable organizational value. This finding is consistent with Aman-Ullah et al. (2022), who demonstrate the contribution of human capital to organizational performance, and Palupi et al. (2021), who emphasize the importance of human resource quality in supporting MSME development.

The mediation analysis further demonstrates that human capital plays a weak mediating role in the relationship between human resource accounting and employee economic value. This indicates that most of the contribution of human resource accounting to employee economic value operates through its direct pathway, particularly through improvements in internal recognition, human resource management, and organizational governance. The contribution transmitted through the development of employee capabilities remains relatively limited. This finding suggests that although human resource accounting can support the development of human capital, its primary contribution to employees' economic value comes through direct managerial and organizational mechanisms. This result is consistent with Kiran et al. (2022), who emphasize the importance of appropriate human resource

management mechanisms in translating workforce-related practices into organizational performance.

In contrast, human capital functions as a full mediator in the relationship between human capital investment and employee economic value. This finding indicates that human capital investment does not generate economic value directly but contributes economically by developing and strengthening of employee capabilities. The mediation pattern indicates indirect-only mediation with inconsistent effects, as the direct and indirect pathways operate in different directions. This finding helps explain why investment in employee development may not immediately generate economic value. Training, education, and other forms of development expenditure can create economic benefits only when the knowledge and skills acquired are effectively absorbed and applied by employees in their work. This result supports Hamadamin and Atan (2019) and Chen et al. (2021), who emphasize that human resource development practices contribute to organizational outcomes of developing employee capabilities and intellectual capital. Therefore, human capital represents the essential mechanism through which human capital investment can ultimately be transformed into employee economic value.

6. Conclusion

The findings demonstrate that human resource accounting contributes positively to both human capital and employee economic value, indicating that recognition and management of human resources can strengthen employee capabilities while supporting their economic contribution. Human capital investment significantly enhances human capital, but its direct relationship with employee economic value is not significant, suggesting that investment alone does not immediately create economic returns. Human capital positively contributes to employee economic value, confirming the importance of employee knowledge, skills, experience, and capabilities in generating value. The mediation results further show that human capital provides a weak mediating pathway between human resource accounting and employee economic value, whereas its mediation of the relationship between human capital investment and employee economic value is indirect-only with inconsistent effects. These findings emphasize that employee development becomes economically meaningful when investments are successfully converted into competencies.

This study extends human resource accounting and human capital perspectives by integrating accounting practices, investment, and capability development within a framework for explaining employee economic value. MSMEs should strengthen systems for recognizing contributions and ensure that training and development investments are aligned with organizational needs and applied at work. Nevertheless, this study is limited by its cross-sectional design, focus on MSMEs in Makassar City, reliance on self-reported questionnaire data, and use of employees as the sole respondent group. Future research should consider longitudinal designs, broader settings, multiple respondent groups, and contextual variables to better explain how human resource practices and investments translate into employee economic value.

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