Exploring The Role of Self-Compassion and Psychological Capital on the Performance of Gunungkidul Batik MSMEs in the Digital Era

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Abstract *: This investigation assesses the consequence of self-compassion on the performance of Batik micro, small, and medium enterprises (MSMEs) in Gunungkidul Regency, with psychological capital serving as an intermediary variable. The findings are intended to facilitate the development of MSME mentoring interventions that integrate both technical and psychological components, particularly to support MSMEs owners in addressing the challenges associated with digitalization. We conducted quantitative research involving 70 batik MSMEs in Gunung Kidul. By using a total sampling technique and online questionnaires, we were able to capture a comprehensive data set. These responses, measured on a Likert scale, were then analyzed through path analysis using SPSS 25 to ensure statistical precision. The study reveals a deep connection between a person's outlook and their career path output. Specifically, self-compassion was found to significantly boost psychological capital (0.619, p=0.000). In turn, this psychological strength translates into better work performance (0.326, p=0.008). Interestingly, while self-compassion directly improves performance (0.381, p=0.002), psychological capital is key and acts as a vital bridge, mediating the relationship between the two with a value of 0.202. By positioning psychological capital as a mediator, this research offers a fresh perspective on MSMEs success, a niche that remains largely unexplored. The takeaway is clear: sustainable performance isn't just built on hard skills. We recommend that policymakers and mentors prioritize the "inner game" of entrepreneurs, fostering psychological strengths and self-compassion as fundamental pillars for business excellence.*

Keywords: *Self-Compassion, Psychological Capital, Performance, MSMEs, Digitalization*

INTRODUCTION

Digital technology has revolutionized the operational framework for MSMEs in Indonesia, moving traditional marketing and transactions toward e-commerce and social media integration. For the batik sector, this evolution demands more than just technological adaptation; it requires the ability to manage the psychological pressures of rapid change. Research evangeulista et al., (2023) highlights a critical irony: while digitalization offers vast opportunities, it often leads to unequal preparedness and increased stress. Consequently, the psychological state of the entrepreneur has emerged as a decisive factor in business success within the digital ecosystem.

A similar situation can also be observed among batik MSMEs in Gunungkidul Regency. According to data from the Gunungkidul Regency Department of Industry, Cooperatives, SMEs, and Manpower in 2023, there are 10,053 business units operating in the processing industry

sector, including batik MSMEs, which contribute significantly to the local creative economy. However, the level of digital adoption is still not evenly distributed. For instance, although several batik artisans in Karangmojo sub-district already have access to smartphones and the internet, they have not fully utilized social media as a marketing tool. Some business owners reported feeling afraid of making mistakes, lacking confidence due to age or limited experience, and being concerned about their ability to respond promptly to customers. This condition highlights a mismatch between the availability of technological infrastructure and the psychological readiness of entrepreneurs to accept and use digital technology.

This disparity in readiness is a critical issue, as prior studies highlight that the achievement of digital transition is affected not only by the availability of technological resources but also by the psychological preparedness of business owners (Suprianti et al., 2024). In the batik industry, these challenges become more intricate, as entrepreneurs must balance the need to adopt digital practices with the responsibility of preserving the cultural value embedded in their products. As a consequence, the performance of batik MSMEs tends to vary. Some businesses demonstrate growth due to their ability to adapt effectively, while others remain stagnant or even discontinue their digital initiatives. This situation is often linked to low self-confidence and a fear of failure among business owners. Such variation highlights the importance of examining psychological factors as a key explanation for differences in the performance of batik MSMEs in the digital era.

One important psychological factor to consider is self-compassion, which denotes a person's capacity to respond to personal failures or obstacles in a practice of kindness and without excessive self-judgment. People with higher amounts of self-compassion generally experience more psychological stability and are better able to sustain their work motivation (Kotera et al., 2022). Additionally, previous investigations have found that self-compassion can enhance work engagement, which in turn contributes positively to performance (Joneghani et al., 2023). However, empirical evidence on this relationship remains mixed. Some findings indicate that self-compassion does not always have a straightforward effect on performance, but instead influences it indirectly through other psychological mechanisms, such as stress management or work engagement (Neff et al., 2018). These inconsistencies suggest the potential presence of a mediating variable that links self-compassion to performance.

In the field of organizational psychology, psychological capital (PsyCap), including hope and self-efficacy resilience, and optimism is widely classified as a valuable psychological mechanism that significantly contributes to performance, especially under conditions of uncertainty (Luthans et al., 2015; Winata, 2024). PsyCap is chiefly relevant in the realm of digital transformation, as individuals with greater levels of PsyCap are generally more proficient at coping with change and adapting to new demands. Earlier research has detected a positive link between self-compassion and PsyCap (Sabaitytė & Diržytė, 2016). However, other findings suggest that this relationship may be less pronounced in environments characterized by external pressure or heavy workloads (Chen & Chen, 2020). Moreover, research exploring self-compassion as an antecedent of PsyCap and its subsequent influence on performance remains relatively scarce, particularly within the context of MSMEs undergoing digital transformation.

Some studies have also reported inconsistent findings. For instance, several researchers have identified a weaker connection between self-compassion and psychological capital, particularly in contexts characterized by high work pressure or rapid environmental changes (Neff & Tóth-Király, 2022). In addition, empirical research that positions self-compassion as a predictor of psychological capital remains relatively limited, especially within the context of MSMEs undergoing digital transformation.This gap is noteworthy, as empirical evidence is still insufficient in examining how self-compassion contributes to enhancing both psychological capital and performance among batik MSME owners in the digital era, including those in Gunungkidul Regency. Therefore, this study is important for addressing this gap and providing a deeper insight into how psychological factors support MSMEs performance in the context of digitalization.The findings are foreseen to form the basis for the advancement of MSMEs corroboration and mentoring programs, emphasizing not only digital skill development but also the strengthening of entrepreneurs' psychological well-being.

LITERATURE REVIEW

Self-Compassion

Self-compassion denotes a person's ability to cope with personal setbacks, distress, or limitations with awareness and kindness toward oneself. This construct is structured into central dimensions self-kindness, common humanity, and mindfulness which collectively enable persons to cope with negative experiences in a more adaptive way (Neff et al., 2007). From the lens of positive psychology theory, self-compassion is viewed as an internal psychological strength that contributes to subjective well-being, effective emotional regulation, and overall optimal functioning (Seligman, 2011). In agreement with this, Conservation of Resources (COR) Theory explains that self-compassion acts as a resilience enhancing psychological resource, supporting individuals in maintaining their internal potentials and reducing the impact of stress and psychological strain (Hobfoll et al., 2018). Empirical evidence further supports this view, showing that people with elevated self-compassion levels tend to experience lower stress, enhanced emotional resilience, and a stronger capacity to cope constructively with failure (Neff et al., 2007).

Psychological Capital

Psychological capital denotes a favorable psychological state characterized by four primary components of: hope, self-efficacy, resilience, and optimism (Luthans et al., 2007). Rather than being a fixed personality trait, psychological capital is understood as state-like, meaning it can be cultivated and strengthened by utilizing experience, learning processes, and effective management of psychological resources. Within the framework of Positive Psychology Theory, psychological capital is viewed as an important internal resource that enhances individual potential and supports the achievement of optimal performance (Luthans & Morgan, 2017). As proposed by the Conservation of Resources Theory, psychological capital is classified as a higher-order resource that helps individuals build adaptive capacity and prevents the negative consequences associated with resource depletion (Hobfoll et al., 2018).

Earlier studies have consistently established that psychological capital is linked positively to several consequences such as well-being, job satisfaction, and work performance. These relationships have also been observed in entrepreneurial settings and among MSMEs, highlighting their relevance in supporting business sustainability and growth (Avey et al., 2011).

Work Performance

Work performance is commonly defined as a multidimensional concept encompassing both the behaviors and outcomes associated with an employee's role within an organization (Koopmans et al., 2014). This construct comprises three critical dimensions: task performance, contextual performance, and counterproductive work behavior. Task performance signifies to a worker's ability to fulfill key tasks and responsibilities in an effective manner. In contrast, contextual performance involves actions that enhance a supportive social and psychological work environment, namely cooperation, initiative, and organizational commitment. Meanwhile, counterproductive work behavior includes actions that may hinder the achievement of work objectives, either directly or indirectly. Therefore, work performance should be understood not only in terms of final outcomes but also in relation to the behavioral processes that either enhance or undermine overall work effectiveness.

Self-Compassion and *Psychological Capital*

In the context of MSMEs, performance is not only reflected in financial outcomes but also in the business owner's capability to manage operations, foster innovation, build relationships, and adapt to a dynamic business environment (Koopmans et al., 2014). In this regard, psychological capital has been recognized as an important factor that contributes to entrepreneurial performance (Pincheira et al., 2025).

H_1: Self-compassion has a beneficial impact on the psychological capital of batik MSMEs

Psychological Capital and *Work Performance*

Self-compassion allows people to regulate negative emotions in a more adaptive way and maintain psychological balance when facing challenges. From the perspective of Conservation of Resources (COR) Theory, this ability helps prevent the depletion of psychological resources while also facilitating the accumulation of new resources (Hobfoll et al., 2018). Various evidence suggests that self-compassion is favorably tied to optimism, resilience, self-efficacy, and hope, which are the

fundamental components of psychological capital (Neff, 2011). Moreover, self-compassion promotes an individual's capacity to react to stress in an adaptive manner and uncertainty, thereby contributing to the strengthening of overall psychological capital (Smeets et al., 2014).

H_2: Psychological capital has a beneficial impact on the job performance of batik MSMEs

Self-Compassion* and *Work Performance

Psychological capital equips individuals with the confidence, motivation, and resilience necessary to overcome challenges in the workplace. Those person with elevated psychological traits enhances the likelihood of being persistent, optimistic, and better at maintaining consistent performance, even under pressure or challenging circumstances. Existing work has consistently established that psychology contributes positively to both individual and organizational performance (Luthans et al., 2007). In the context of entrepreneurship and MSMEs, psychological capital has an essential role in enhancing business performance, fostering creativity, and ensuring long-term business sustainability (Avey, 2014).

H_3: Self-compassion positively influences the work performance of batik MSMEs.

Self-compassion directly contributes to individual performance by enhancing emotional regulation, motivation, and persistence. Individuals with individuals possessing elevated self-compassion tend to be less likely to become overwhelmed by failure, as they can learn from their mistakes and maintain adaptive work behaviors (Zessin et al., 2015). Previous findings from prior studies reveal that self-compassion is positively connected to work performance, productivity, and work engagement (Allen & Leary, 2010). In terms of batik MSMEs, self-compassion allows business owners to maintain consistent performance despite the pressures and challenges of the digital marketplace.

H_4: Psychological capital acts as a mediator construct linking self-compassion and work performance in batik MSMEs.

The integration of Positive Psychology Theory and Conservation of Resources (COR) Theory provides a clear explanation of this process. Self-compassion acts as an initial psychological resource that helps in the formation of psychological capital, thereby channeling the positive effects of self-compassion toward improved performance. Psychological capital, as an intermediary resource, amplifies the impact of self-compassion by enhancing individuals' hope, resilience, optimism, and self-efficacy. Empirical evidence supports this view, showing that psychological capital mediates the linkage between various positive psychological traits and performance outcomes (Avey et al., 2011). In the entrepreneurial context, psychological capital has been identified as a critical mechanism that links individual psychological characteristics to business performance (Newman et al., 2013).

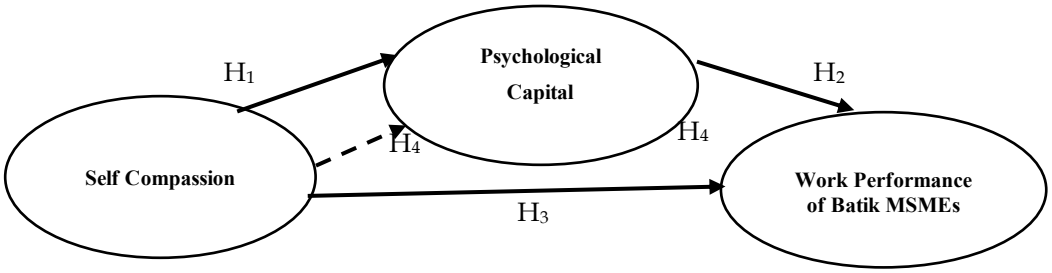

Figure 1. Research Model

RESEARCH METHODE

The current inquiry adopted a descriptive quantitative method, utilizing a survey method with a structured questionnaire (Creswell, 2009). The research sample population consisted of 70 active batik MSMEs owners in Gunungkidul Regency. As the population size is relatively small, total sampling (census) was employed, allowing for the inclusion of all 70 respondents in the sample (Etikan & Bala, 2017). The information was gathered via an online questionnaire using a Likert-typ scale to gauge respondents' perceptions and attitudes, which is a broadly recognized instrument

in quantitative research (Joshi et al., 2015). The data analysis involved path analysis, performed using SPSS version 25, to appraise both direct and indirect interrelationships among the variables.

RESULT AND DISCUSSION

This study herein included 70 respondents, owners of batik micro, small, and medium enterprises (MSMEs) in Gunungkidul Regency. The majority of respondents (60 respondents) were female (85.7%), the majority were aged 53-58 years (21.4%), the majority had junior high school education (36 respondents) (51.4%), and the most common business experience (24 respondents) was 4-6 years.

Analysis Results

Descriptive Statistical Analysis of Responden

The sample's background characteristics of respondents within this research were analyzed with data acquired from the questionnaire. Below are the details of the demographic profiles of respondents:

Table 1. Respondent Characteristics

No	Characteristics	Category	Quantity	Percentage
1.	Gender	Male	10	14.3%
		Female	60	85.7%
2.	Age	12-18	0	0%
		19-25	0	0%
		26-32	11	15.7%
		33-39	14	20%
		40-46	14	20%
		47-53	17	24.3%
		54-60	14	20%
3.	Education	SD	0	0%
		SMP	36	51.4%
		SMA/SMK	19	27.1%
		D1-D3	0	0%
		S1	15	21.4%
4.	Business Experience	<1 year	0	0%
		1-3 years	12	17.1%
		4-6 years	24	34.3%
		7-10 years	15	21.4%
		>10 years	19	27,1%

Source: Primary data processed, 2026

From Table 1, the characteristics of the informants in this study show that the majority were female (85.7%). In relation to age, most respondents fell inside the 47–53 year age range. In terms of education, the majority had completed junior high school (51.4%), and in terms of business experience, most had been running their businesses for 4–6 years.

Instrument Test

The instrument test is conducted to investigate the validity of the questionnaire for each of the variables.

Table 2. Instrument Test Result

Variable	Indicator	P- Value	Validity	Cronbach Alpha	Reliability
Self-Compassion	SC1	0.576	Valid	0.835	Reliable
	SC2	0.716	Valid		
	SC3	0.659	Valid		
	SC4	0.601	Valid		
	SC5	0.653	Valid		
	SC6	0.594	Valid		
Psycological Capital	PC1	0.717	Valid	0.849	Reliable
	PC2	0.692	Valid		
	PC3	0.582	Valid		

	PC4	0.682	Valid		
Work	WP1	0.658	Valid	0.794	Reliable
Performance	WP2	0.733	Valid		
	WP3	0.633	Valid		

Source: Primary data processed, 2026

Based on Table 2, the outcomes of the validity and reliability tests confirm that all items in the self-compassion, psychological capital, and work performance variables have an obtained r-value that is higher than the tabulated value (0.235), indicating that they are valid. Additionally, the Cronbach Alpha values across each variable are greater than 0.6, thus confirming that all variables are reliable.

Classical Assumtion Test

The classical assumption test is performed to confirm that the regression model fulfills the basic assumptions of regression analysis, the criteria for being a good model, and is suitable for hypothesis testing.

Normality Test

The normality test is designed to verify the normal distribution of the regression residuals. Based on the analysis of the histogram graph, the residual curve resembles a bell-shaped pattern, indicating a normal distribution. This is further reinforced by the P-P plot graph, which demonstrates points spread around the diagonal line. Additionally, the Kolmogorov-Smirnov test analysis indicates a probability value of 0.200 (> 0.05). The obtained results indicate that the residuals meet the assumption of normality, thereby satisfying the normality theoretical assumption of the regression model.

Multicollinearity Test

The multicollinearity test is applied to evaluate whether there is any covariation among the independent variables in the proposed regression model (Ghozali, 2018).

Table 3. Multicollinearity Test Result

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Self-Compassion (X)	.616	1.622
	Psychological Capital (M)	.616	1.622

a. Dependent Variable: Batik MSMEs Performance (Y)

Source: Primary data processed, 2026

As displayed in the table multicollinearity test, all variables show tolerance values in excess of ≥ 0.10 and VIF values ≤ 10; therefore, no multicollinearity is detected in the regression model.

Heteroscedasticity test

The purpose of the heteroscedasticity test is to identify the presence of unequal variance in the residuals of the regression model. Drawing on the analysis of the scatterplot graph, the data observations are randomly distributed around the zero axis and show no particular pattern. This reflects no evidence of heteroscedasticity in the regression model.

Autocorrelation Test

The autocorrelation test is applied to ensure that there is no linkage between the residuals in the regression model.

Table 4. Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error	Durbin-Watson
1	.637[a]	0.406	0.388	5.528	1.904

Source: Primary data processed, 2026

As illustrated in Table 4, the result of the Durbin-Watson test is 1.904. This value is compared with the Du value of 1.6715 and the 4 – DU value of 2,3265. The comparison shows that the Durbin-Watson value is within the interval of DU and 4 – DU (1.6715 < 1.904 < 2.3265). It can

be stated that the regression model is appropriate for further analysis, as no autocorrelation is detected.

Hypothesis Testing

Coefficient of Determination Test

The coefficient of determination test in this work was conducted to assess the contribution of the independent variables self-compassion and psychological capital in explaining the dependent variable, performance.The model explanatory power results, shown in Table 4.4, indicate an R-squared value of 0.406. This shows that the independent variables, self-compassion and psychological capital, explain 40.6% of the variance in the dependent variable, performance, while the rest, 59.4%, is driven by other variables excluded from the research model.

F-Test

A simultaneous test was performed to assess the appropriateness of the regression model in assessing the influence exerted by independent variables on the dependent variable.

Table 5. F-Test Result

Model		F	Sig.
1	Regression	22.884	.000[b]

b. Predictors: (Constant), Psychological Capital (M), Self-Compassion (X)

Source: Primary data processed, 2026

As displayed in Table 5, the analysis of the F-test reveals that the F value is 22.884 and the significance value is 0.000, implying that the findings reveal a value of ≤ 0.05. Therefore, the analysis shows that the model is suitable for the next phase of hypothesis testing.

Individual Parameter Significance Test (t-Test)

In this study, the individual parameter significance test (t-test) was applied to verify whether each independent variable had a relative impact upon the dependent variable. The outcomes of the t-test are as provided in the table below.

Table 6. T-Test Result

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	Std. Error	Beta	t	Sig.
1	Self-Compassion → Psychological Capital	.630	.097	.619	6.506	.000
2	Self-Compassion → Work Performance	.289	.091	.381	3.177	.002
3	Psychological Capital → Work Performance	.244	.090	.326	2.721	.008

Source: Primary data processed, 2026

Model 1: Variabel dependent = Psychological Capital (M)
Model 2: Variabel dependent = Work Performance (Y)

In line with the analysis results table 6, It is apparent that the self-compassion variable has a statistically measurable effect on psychological capital, with a t-value of 0.630 and a significance value of 0.000 (<0.05). Furthermore, psychological capital also has a relevant consequence on work performance with a coefficient of 0.244, a t-value of 2.721 and a relevance value of 0.008(<0.05). Additionally, self-compassion has a meaningful favorable impact on work performance with a coefficient of 0.289, a t-value of 3.177, and a relevance value of 0.002 (<0.05).

Regression Analysis Equation 1

Regression Analysis 1 is utilized to forecast the extent of the relevance of self-compassion on psychological capital. The findings of the regression analysis are displayed in:

Table 7. Regression Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Self-Compassion → Psychological Capital	.619[a]	.384	.375	7.487
Self-Compassion, Psychological Capital → Work Performance	.637[a]	.406	.388	5.528

Source: Primary data processed, 2026

Model 1: Variabel dependent = Psychological Capital (M)
Model 2: Variabel dependent = Work Performance (Y)

Referring to the statistical results as shown in the table 7, (R) is 0.619, and the R-square value is 0.384. This indicates that self-compassion can explain 38.4% of the changes in psychological capital. The remaining proportion of the 61.6% is clarified by external omitted variables.

Moreover, the regression equation for self-compassion is M = 14.061 + 0.630X + e, where the coefficient for self-compassion is 0.630.

The value of the regression coefficient 0.630 establishes that a one-unit rise in self-compassion yields a 0,630 rise in psychological capital. The significance analysis results yielded a t-value of 6.506 at a significance threshold of 0.000 (<0.05), which leads to the conclusion that self-compassion exerts a favorable and significant consequence for psychological capital.

Next, in the second model, an R value of 0.637 and an R Square value of 0.406 were obtained, indicating that self-compassion and psychological capital can explain 40.6% of the variation in performance, while the unexplained portion is 59.4% is captured by other variables beyond the model.

The derived regression equation is:

$$Y = 9.445 + 0.289X + 0.244M + e$$

The regression estimates reveal that for each one-unit rise in self-compassion, performance will increase by 0.289 and for every expanded psychological capital, performance will expand 0.244. The analysis results suggest that both variables have significance values <0.05; thus, it may be inferred that self-compassion and psychological capital are beneficially and significantly concomitant with batik MSME performance.

In its standardized form, the structure is expressed as written as listed below:

$$Y = 0.381X + 0.326M + e_2$$

This result indicates that self-compassion has a greater influence than psychological capital in improving batik MSMEs performance.

Path Analysis. The results of the calculation for the direct relationship, indirect relationship, and total path coefficient influence between the self-compassion, psychological capital, and performance variables are explained in the table below:

Table 8. Indirect Effects Between Variables

No	Independent Variable	Mediating Variable	Dependent Variable	Indirect Coefficient
1.	Self-Compassion	Psychological Capital	Performance	0.202

Source: Primary data processed, 2026

As reported in Table 8, the indirect impact upon self-compassion on performance with a bearing size of psychological capital is 0.202. This indicates that psychological capital operates in the capacity of mediating variable in the interrelationship and performance.

To facilitate the understanding of the hypothesis testing results, the following presents a summary of the analysis.

Table 9. Hypothesis Result

Hypothesis	Variable Relationship	Coefficient (β)	Sig.	Description

H_1	Self-Compassion → Psychological Capital	0.619	0.000	Accepted
H_2	Psychological Capital → Performance	0.326	0.008	Accepted
H_3	Self-Compassion → Performance	0.381	0.002	Accepted
H_4	Self-Compassion → Performance (mediated by Psychological Capital)	0.202 (0.619 × 0.326)	-	Accepted

Source: Primary data processed, 2026

As indicated in Table 9, it can be concluded that the higher the self-compassion, the higher the psychological capital. People with greater individuality exhibiting higher self-compassion generally often leads to a tendency to more accepting of their shortcomings and are more capable of remaining positive when facing difficulties, which leads to better psychological conditions (sabaitytė & diržytė, 2016). The findings align with previous research (Poots & Cassidy, 2020), which showed a direct interplay between self-compassion and psychological capital.

The implications of the conducted exploration indicate that MSMEs owners can increase their psychological resilience by developing self-compassion. Furthermore, psychological capital consists of efficacy, hope, optimism, and resilience, which help MSME owners to better manage emotional strain and work toward their goals more effectively. The results align with earlier studies (Ngwenya & Pelser, 2020), which emphasized that psychological capital significantly influences MSMEs performance. Similarly, research (Jia & Zhang, 2025) found that psychological capital significantly shapes job performance and government performance. Furthermore, (Kappagoda et al., 2014) demonstrated a positive link pertaining to psychological capital and job performance. The implications of the evidence suggest that improving psychological capital is essential for the optimal performance of batik MSMEs in Gunungkidul.

Subsequent testing revealed that MSMEs with self-compassion tend to be better at managing stress, are less likely to become discouraged when faced with failure, and remain focused on running their businesses, which leads to improved work performance. This study reveals that, aligned with prior inquiry joneghani et al., (2023) self-compassion has a meaningful relationship with performance among ICU nurses. Research by (Reizer, 2019) also indicates that self-compassion adds to leading in explaining performance variations. The implications of the obtained results reveal that fostering self-compassion can help MSMEs maintain emotional stability, thereby ensuring optimal performance.

Further analysis revealed that self-compassion not merely directly influences performance but exerts an indirect effect through psychological capital. Since the straightforward bearing of the association of self-compassion on performance persisted significantly even after the mediating variable was added to the model, the mediation in this study can be considered partial. Prior study has evidenced that self-compassion is strong connected with adaptive psychological states, especially resilience, optimism, and self-efficacy, which are key parameters of psychological capital (Zessin et al., 2015).

The results provided that self-compassion is positively and significantly linked to job performance in healthcare workers (Joneghani et al., 2023). Similar findings were also reported by (Muheidat, 2024) showing a notable link between self-compassion and psychological capital among university lecturers. Another report pointed to a evident linkage between self-compassion and psychological capital (Chan & Halim, 2025). Furthermore, a study by (Kappagoda et al., 2014) demonstrated a positive interaction between psychological capital and job performance. These end results point to the function of self-compassion in cultivating positive psychological states that ultimately enhance performance, with psychological capital serving as a crucial mechanism that explains how self-compassion can improve work performance in batik MSMEs owners. The implications of these findings imply that strengthening psychological capital is a key approach for maximizing the contribution of self-compassion to performance.

CONCLUSION AND RECOMMENDATIONS

This research was carried out to evaluate the extent of the contribution of self-compassion on psychological capital and work performance among batik MSMEs owners, along with scrutinizing the intervening role of psychological capital. The results in the contemporary study show that the conceptualized hypotheses were accepted. Theoretically, this research strengthens existing literature on positive organizational behavior in the MSMEs context, notably in explaining the involvement of self-compassion as an antecedent of psychological capital and its implications for performance.

Practically, this research emphasizes the importance of reinforcing the psychological aspects of MSMEs owners. Efforts to improve performance should not only focus on technical aspects but also be directed toward the development of self-compassion and psychological capital through training, business mentoring, and programs aimed at enhancing resilience, optimism, and self-efficacy. This approach is projected to enhance the stability and sustainability of MSMEs performance. Subsequent studies are advised to broaden the scope of the area and business sectors to enhance the applicability of the findings. Besides that, the use of longitudinal designs and the inclusion of other psychological variables, such as grit, adaptive coping, or entrepreneurial resilience, could be employed to enrich and strengthen the research model.

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