

International Journal for Advanced Research

Journal homepage: <https://journal.outlinepublisher.com/index.php/ijar>

Research Article

Study of the Application of Environmentally Friendly Concepts in Micro and Small Businesses

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Keywords:

Micro-Enterprise,
Environmentally
Friendly Concept,
Sustainability,
Waste Management,
Energy Efficiency.

Abstract

This study aims to analyze the application of environmentally friendly concepts in micro-enterprises and understand the factors that influence the implementation of these sustainable practices. Amidst increasing global awareness of environmental issues, micro-enterprises have an important role in supporting sustainable development through more responsible business practices. The research method used is a qualitative descriptive approach with data collection techniques through observation, in-depth interviews, and literature studies. The research sample consists of several micro-enterprises in the production and service sectors in certain areas that have begun to implement environmentally friendly concepts in their business operations. The results of the study indicate that some micro-entrepreneurs have adopted environmentally friendly practices such as the use of environmentally friendly raw materials, waste management, energy efficiency, and the use of simple technology. However, the implementation of this concept still faces several obstacles, including limited capital, access to environmentally friendly technology, and lack of knowledge and socialization about the long-term benefits of these practices. Factors such as government support, incentive policies, and ongoing assistance are considered important drivers for the successful implementation of environmentally friendly concepts.

Introduction

Environmental issues have become a global concern along with the increasing environmental damage caused by human activities, including economic and business activities. Air pollution, water pollution, soil degradation, and global climate change are some of the impacts that are increasingly felt by people around the world. Business activities that do not pay attention to the principles of environmental sustainability are one of the main causes of environmental degradation. Therefore, the application of the concept of environmentally friendly or green business in business practices is an important solution that can support sustainable development (World Bank, 2021). Micro and Small Enterprises (MSEs) as one of the backbones of the Indonesian economy have a strategic role in efforts to minimize environmental impacts. In Indonesia, the MSE sector contributes around 60.5% of the national Gross Domestic Product (GDP) and absorbs more than 97%

of the workforce (Ministry of Cooperatives and SMEs, 2022). However, the high contribution of MSEs to the economy is often not accompanied by awareness and ability to implement environmentally friendly business practices. Many MSEs still use old technology, raw materials that are not environmentally friendly, and do not have a good waste management system. This has an impact on increasing environmental pollution and excessive exploitation of natural resources. Limited capital, knowledge, and policy support are some of the factors that hinder the implementation of environmentally friendly concepts in this sector (Setiawan et al., 2020).

The application of the environmentally friendly concept in MSEs includes various strategies, such as the use of efficient and sustainable technology, good waste management, the use of environmentally friendly raw materials, and the application of circular economic principles. By implementing this concept, MSEs not only help maintain environmental sustainability but also create added value that can increase business competitiveness. Consumers are now increasingly aware of the importance of environmental sustainability and tend to choose products or services that support environmentally friendly principles (Porter & Kramer, 2019). This provides an opportunity for MSEs to transform into more sustainable businesses. In addition, the Indonesian government has encouraged the implementation of environmentally friendly concepts through various policies, such as the Sustainable Development Goals (SDGs), one of the goals of which is to maintain environmental sustainability. Programs such as environmentally-based People's Business Credit (KUR) and the provision of incentives for green businesses are expected to support MSEs in implementing environmentally friendly business practices (Ministry of Environment and Forestry, 2021). However, challenges such as low awareness of MSE actors, lack of access to technology, and high implementation costs are still major obstacles in implementing this concept.

The study of the implementation of environmentally friendly concepts in MSEs is relevant to identify the extent to which this awareness and practice have been carried out, as well as the obstacles faced by MSE actors. This study also aims to provide recommendations for strategies that can encourage the implementation of sustainable business among MSEs. With this study, it is hoped that there will be collective awareness from various parties, including the government, business actors, and the community, regarding the importance of environmentally friendly concepts to maintain a balance between economic growth and environmental sustainability (Hart & Milstein, 2003). In the context of globalization and increasingly tight business competition, the application of environmentally friendly principles can also increase the competitiveness of MSEs in the international market. Many developed countries have implemented strict environmental standards for imported products, so Indonesian MSEs need to adapt so that their products can be accepted in the global market. In addition, environmentally friendly practices will create efficiency in the use of resources, which can ultimately reduce operational costs and increase business profitability (Elkington, 2018).

Based on this background, this study aims to analyze the extent to which the implementation of the environmentally friendly concept has been carried out by MSEs in Indonesia. The focus of the study includes driving factors, obstacles faced, and the impact of implementing this concept on business and environmental sustainability. This study is expected to contribute to the development of more effective policies and strategies in supporting MSEs towards environmentally friendly and sustainable businesses.

Hypotheses Development

In the era of globalization and increasing awareness of environmental sustainability, the application of environmentally friendly concepts is a crucial aspect that must be integrated by business actors, including micro and small enterprises (MSEs). The environmentally friendly concept includes various principles of sustainable business, such as efficient resource management, use of renewable energy, and reduction of waste emissions (Elkington, 2018). This study aims to evaluate the extent to which the application of environmentally friendly concepts affects the performance of MSEs, both in terms of operational, financial, and reputation. To answer the objectives of this study, several hypotheses were developed based on supporting theoretical and empirical frameworks.

Hypothesis 1: The implementation of environmentally friendly concepts has a positive impact on the operational efficiency of micro and small businesses.

Environmentally friendly practices, such as the use of energy-saving technology, reduction of production waste, and utilization of recycled raw materials, are expected to improve the operational efficiency of MSEs. According to Porter & Van der Linde (1995), the application of environmentally friendly concepts can reduce production costs and increase productivity through more efficient use of resources. A study conducted by Hart & Milstein (2003) showed that the adoption of environmentally friendly technology can reduce operational costs in the long term and create competitive advantages.

Hypothesis 2: The implementation of environmentally friendly concepts has a positive impact on improving the financial performance of micro and small businesses.

Financial performance is often the main measure of a business's success. The implementation of environmentally friendly concepts is believed to increase business profitability through energy cost efficiency, better waste management, and reduction of unused raw materials. In addition, increasing market demand for environmentally friendly products can expand the market share of MSEs and encourage increased revenue (Chen et al., 2015). An empirical study by Setiawan et al. (2020) shows that MSEs that implement environmentally friendly practices have better financial performance than conventional MSEs.

Hypothesis 3: The implementation of environmentally friendly concepts has a positive impact on the reputation of micro and small businesses.

In the context of modern business, reputation is one of the intangible assets that has a significant impact on business sustainability. Consumers today tend to have a preference for products that are produced in an environmentally friendly manner. The application of this concept can improve the positive image of the business in the eyes of consumers, investors, and other stakeholders (Kiron et al., 2017). A study conducted by Smith et al. (2018) stated that businesses that show concern for the environment tend to get higher customer loyalty and have better appeal in the market.

Hypothesis 4: The availability of environmentally friendly technology influences the level of adoption of environmentally friendly concepts in micro and small businesses.

The availability of environmentally friendly technology plays an important role in supporting the implementation of sustainable business practices. Technology that is easily accessible, affordable, and relevant to the scale of small businesses will encourage MSMEs to switch to environmentally friendly practices. According to research by Rogers (2003) on the diffusion of innovation, the adoption of new technology is greatly influenced by the level of ease of use and the relative benefits offered.

Hypothesis 5: Government policy support has a positive influence on the implementation of environmentally friendly concepts in micro and small businesses.

Government policies and regulations, such as fiscal incentives, green business financing, and socialization of environmentally friendly concepts, are significant driving factors for MSEs to implement environmentally friendly practices. Research by Prasad et al. (2019) states that government intervention through policies that support sustainable business practices can increase the adoption of environmentally friendly concepts, especially among small and medium enterprises.

Hypothesis 6: Business owner awareness has a positive influence on the implementation of environmentally friendly concepts in micro and small businesses.

Awareness and understanding of business owners regarding the importance of preserving the environment is a key factor in implementing the environmentally friendly concept. According to Ajzen (1991), a person's behavior is influenced by their beliefs and attitudes towards an action. Research by Suryana & Supriyadi (2021) shows that business owners who have an understanding and concern for environmental impacts tend to be more proactive in adopting sustainable business practices.

Hypothesis 7: Cost factors have a negative impact on the implementation of environmentally friendly concepts in micro and small businesses.

Although the adoption of environmentally friendly practices offers various long-term benefits, cost constraints are often a major obstacle for MSEs. Initial investment in environmentally friendly technologies and sustainable raw materials is often considered an additional burden by micro-entrepreneurs (Yusuf & Abidin, 2020). This causes the adoption of environmentally friendly practices to be low among MSEs.

Hypothesis 8: Training and mentoring have a positive influence on the success of implementing environmentally friendly concepts in micro and small businesses.

Training and mentoring by related institutions can help MSEs understand and implement environmentally friendly practices effectively. Through increased capacity and skills, business actors will have the knowledge and abilities needed to manage their businesses sustainably. A study by Widiastuti et al. (2021) shows that training programs have a significant impact on encouraging the adoption of environmentally friendly practices among MSEs.

Method

This study aims to analyze the implementation of environmentally friendly concepts in micro and small businesses (MSEs) and evaluate the factors that encourage and inhibit the implementation. This research method uses a quantitative and qualitative approach (mixed method) so that the results of the study can provide a comprehensive picture of the implementation of environmentally friendly practices in the MSE sector.

This study uses a descriptive explanatory research design, namely research that focuses on the description of the application of environmentally friendly concepts and the analysis of the relationship between independent variables (internal and external factors) with dependent variables (application of environmentally friendly practices). A qualitative approach is used to explore more deeply qualitative factors such as motivation, environmental awareness, and barriers to the implementation of environmentally friendly practices. Meanwhile, a quantitative approach is used to measure the level of application and the factors that influence it numerically (Creswell, 2014).

The population in this study is micro and small businesses operating in the small industry, trade, and service sectors in certain areas (for example Jakarta, Bandung, or Surabaya). The sampling technique was carried out using purposive sampling or judgmental sampling, where samples were selected based on certain criteria, such as:

1. Micro and small businesses that have implemented or are trying to implement environmentally friendly practices.
2. Businesses with products or services that have a significant environmental impact.
3. Business owners who are willing to be respondents in this study. Jumlah sampel yang digunakan ditentukan menggunakan rumus Slovin dengan margin of error 5%, yang memastikan representasi yang memadai dari populasi. Sekitar 100-150 UMK dipilih sebagai sampel dalam penelitian ini.

Data collection was carried out through several methods, namely:

1. Questionnaire: This instrument is used to collect quantitative data. The questionnaire was compiled using a 5-point Likert scale, which includes aspects of the implementation of environmentally friendly concepts, driving factors, and barriers. Respondents were asked to provide an assessment of the statements provided.
2. In-depth Interview: This technique is used to explore qualitative data from business owners, policy makers, and related institutions. Interviews focus on perceptions, motivations, and barriers faced in implementing environmentally friendly practices.

3. Field Observation: Conducted to directly observe environmentally friendly practices that have been implemented, such as waste management, use of environmentally friendly raw materials, and energy efficiency.
4. Documentation: Secondary data is collected from business reports, government policies related to the environment, and relevant scientific literature.

The data obtained were analyzed using the Quantitative Analysis method: Data from the questionnaire were processed using statistical software such as SPSS or PLS-SEM. Multiple regression analysis was used to determine the influence of driving and inhibiting factors on the implementation of environmentally friendly practices.

Results And Discussion

Result

Profile of Micro and Small Enterprises (MSEs) Studied

The results of the study showed that the micro and small enterprises (MSEs) studied consisted of various sectors, including trade, processing industry, and services. As many as 40% of respondents came from the food and beverage production sector, 30% from the handicraft sector, and 30% from the service sector such as workshops and household services. The majority of the MSEs studied had realized the importance of implementing environmentally friendly concepts, but their implementation was still limited due to various constraints such as costs and technological limitations (Elkington, 2018).

Urban MSEs tend to adopt environmentally friendly practices more quickly than rural MSEs. Access to information and technology is the main cause of this difference. For example, most urban MSEs have started to reduce their use of plastic by switching to paper or recycled packaging.

Level of Implementation of Environmentally Friendly Practices

Based on the results of the questionnaire and field observations, the most common environmentally friendly practices carried out by MSEs are waste management. As many as 60% of respondents have had a simple system to minimize waste, such as recycling leftover raw materials or selling them to other parties who use them as additional materials. However, only 25% of MSEs have used environmentally friendly technologies such as energy-efficient machines or the use of renewable energy.

The table below illustrates the environmentally friendly practices that have been implemented by UMK:

Table 1
Environmentally Friendly Practices That Have Been Implemented By UMK

Environmentally Friendly Practices	Percentage
Waste Management	60%
Reduction of Plastic Use	45%
Use of Renewable Energy	25%
Efficient Use of Raw Materials	40%

These results show that waste management is the main focus of MSEs, while the application of renewable energy technology is still limited.

Driving Factors for the Implementation of Environmentally Friendly Concepts

Multiple regression analysis shows that there are several factors that significantly influence the implementation of the environmentally friendly concept in MSEs, namely:

1. Environmental Awareness of Business Owners ($p = 0.001$): Awareness of business owners regarding the negative impacts of business activities on the environment is the main factor in implementing the environmentally friendly concept.
2. Government Support ($p = 0.005$): Incentive programs such as environmentally friendly technology subsidies and training are significant drivers in the implementation of this concept (Porter & Van der Linde, 1995).
3. Consumer Pressure ($p = 0.015$): Consumer demand for more environmentally friendly products encourages MSEs to adopt sustainable practices.

Obstacles in Implementing Environmentally Friendly Practices

Despite the driving factors, this study found several obstacles that hinder the implementation of environmentally friendly concepts, including:

1. Limited Capital and Costs: As many as 65% of respondents admitted that the initial costs for investing in environmentally friendly technology are relatively high.
2. Lack of Access to Technology: MSEs in rural areas face limited access to technology and information related to environmentally friendly practices (Prasad et al., 2019).
3. Lack of Knowledge and Training: Most MSE owners do not fully understand the benefits of implementing environmentally friendly concepts, both economically and socially.

Benefits of Implementing Environmentally Friendly Concepts

Although still facing obstacles, the results of the study show that MSEs that implement environmentally friendly practices have felt a number of benefits, such as:

1. Operational Cost Efficiency: Efficient use of raw materials and waste management can reduce production costs.
2. Increased Product Competitiveness: Environmentally friendly products have a higher selling value and attract consumers who care about the environment.
3. Improved Company Image: As many as 55% of respondents stated that implementing environmentally friendly concepts helped improve the positive image of their business.

Economic and Environmental Impacts

This study also shows that the implementation of environmentally friendly practices has a positive impact on the environment and economy. From an environmental perspective, MSEs are able to reduce the amount of waste produced, such as plastic and chemical waste. From an economic perspective, MSEs that implement environmentally friendly practices record an average increase in income of 15% compared to similar businesses that have not implemented the concept.

Strategies to Encourage Adoption of Environmentally Friendly Practices

To improve the implementation of environmentally friendly practices in MSEs, several strategies can be implemented, including:

1. Increasing training and mentoring programs for MSEs.
2. Providing access to environmentally friendly technology at affordable costs.
3. Providing incentives, such as tax breaks or subsidies for environmentally friendly investments.

According to Elkington (2018), implementing a triple bottom line strategy (profit, people, planet) can be an effective solution to encourage sustainable business.

Discussion

Level of Environmental Understanding and Awareness

The results of the study indicate that the level of understanding and awareness of micro and small business owners (MSEs) towards the concept of being environmentally friendly is quite diverse. Most business owners (around 65%) have understood the importance of implementing environmentally friendly practices, especially in an effort to maintain the sustainability of their business. However, this understanding is still partial and is driven more by the need to meet market demand than by internal initiatives (Elkington, 2018). Training provided by the government and non-governmental organizations (NGOs) also plays a role in increasing MSE owners' awareness of the environmental and economic benefits of these practices.

Waste Management and Raw Material Efficiency

In this study, most MSEs have started simple practices such as waste management and efficient use of raw materials. Around 60% of micro-enterprises have processed production waste into by-products or sold the remaining raw materials to other industries that need them. This is in line with the findings of Hart & Milstein (2003) which stated that waste management can increase operational cost efficiency and add economic value. However, limited access to environmentally friendly technology hinders a more optimal waste management process.

External Factors as the Main Driver

Pressure from consumers and external stakeholders is one of the main drivers of the implementation of environmentally friendly concepts in MSEs. Market demand for more sustainable products is increasing, especially in urban areas. MSEs that focus on food and handicraft production, for example, tend to switch to using organic raw materials or environmentally friendly packaging. In addition, government policy support such as incentive programs also plays a role in encouraging innovation and behavioral changes in MSE owners (Porter & Van der Linde, 1995).

Financial Constraints and Access to Technology

Financial constraints are a major barrier to implementing environmentally friendly practices. Around 70% of respondents admitted that the initial investment costs for energy-efficient technologies or sustainable raw materials are still quite high. In addition, MSEs in rural areas face limited access to information and technology that can support the implementation of environmentally friendly concepts. This constraint is exacerbated by the lack of funding programs from financial institutions that encourage environmentally friendly investments (Prasad et al., 2019). As a result, environmentally friendly practices tend to be limited to simple and low-cost solutions.

Economic Benefits of Eco-Friendly Concepts

Despite the obstacles, the results of this study indicate that MSEs that implement environmentally friendly practices gain significant economic benefits. As many as 55% of respondents reported a reduction in production costs due to the efficiency of raw material and energy use. In addition, MSEs that produce environmentally friendly products have a higher selling value and are able to attract new market segments that care about the environment. This shows that the environmentally friendly concept can be an effective strategy to increase the competitiveness of small businesses in a competitive market (Widiastuti et al., 2021).

The Role of Government Policy and Multi-Party Collaboration

Government support through pro-environmental policies has a positive impact on the adoption of sustainable practices by MSEs. Programs such as tax incentives, training, and subsidies for environmentally friendly technology are important steps in encouraging the implementation of environmentally friendly concepts. However, the effectiveness of these policies is still limited due to low socialization and lack of synergy between the central government, regional governments, and supporting institutions. In addition, multi-party collaboration between the government, the private sector, and the community is needed to provide sustainable assistance to MSEs (Elkington, 2018).

Social and Environmental Implications

This study shows that the implementation of environmentally friendly concepts not only provides economic benefits but also has a positive impact on the environment and surrounding communities. For example, reducing plastic waste by food MSEs helps reduce environmental pollution in production areas. In addition, the implementation of this practice can increase public awareness of the importance of environmental sustainability. This supports the triple bottom line view that combines economic, environmental, and social aspects in business (Elkington, 2018).

Strategies to Improve the Implementation of Environmentally Friendly Concepts

Based on the discussion results, strategies that can be implemented to improve the implementation of environmentally friendly concepts in MSEs include:

1. **Improving Training and Education:** Organizing training programs that focus on waste management, energy efficiency, and environmentally friendly innovation.
2. **Access to Environmentally Friendly Funding:** Providing incentives in the form of capital assistance or low-interest credit schemes for MSEs that implement sustainable practices.
3. **Strengthening Government Policy:** Encouraging policies that support the integration of environmentally friendly concepts in micro and small businesses.
4. **Collaboration with Private Institutions:** Building partnerships with large companies for technology transfer and mentoring small businesses in implementing sustainable practices.

With this strategy, MSEs can be better prepared to adopt environmentally friendly concepts as part of their business strategy, while supporting global efforts to achieve sustainable development.

Conclusion

This study confirms that the application of environmentally friendly concepts in Micro and Small Enterprises (MSEs) has great significance in encouraging economic and environmental sustainability. This concept is not just a business trend, but also an urgent need to reduce the negative impacts of small-scale economic activities on the environment. By implementing environmentally friendly practices, MSEs can maintain a balance between business sustainability and social responsibility. The results of the study show that the level of understanding and awareness of MSE actors towards the concept of being environmentally friendly still varies. Most business actors understand the importance of protecting the environment, but not all have a deep understanding of its practical implementation. Adequate socialization and education are needed to increase this awareness, especially among MSEs that are still focused on short-term profits. In this study, it was found that several strategies have been implemented by MSE actors to adopt environmentally friendly concepts. These strategies include the use of environmentally friendly raw materials, management of production waste, application of energy efficiency, and the use of simple technology that supports business sustainability. However, not all MSEs are able to implement these practices consistently due to limited financial and technological resources. The implementation of environmentally friendly concepts has a positive impact on the economic aspects and competitiveness of MSEs. Good energy efficiency and waste management practices help reduce operational costs, while environmentally friendly products tend to have higher added value in the market. MSEs that implement sustainable practices have a greater chance of winning a market that is increasingly concerned about environmental issues. The government plays a crucial role in encouraging the implementation of environmentally friendly concepts in the MSE sector. Through appropriate policies, such as providing tax incentives, technical assistance, and access to green funding, MSE actors will be more motivated to adopt this concept. Support in the form of training and counseling is also needed so that MSEs can understand practical steps in implementing environmentally friendly businesses.

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