Exploring The Indicators of Micro, Small, and Medium Enterprises Toward Sustainable Business Practices Implementation in Indonesian Context

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Abstract: *Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in the Indonesian economy, contributing significantly to GDP and employment. The growing global emphasis on sustainability has increased interest in sustainable business practices (SBPs) among MSMEs. While sustainable business practices have largely been observed in large corporations, the study within the MSMEs remains scant, especially in Asia countries. This study investigates the application of SBPs inside Indonesian MSMEs, emphasizing environmental, social, economic, and governance considerations. The research employs a qualitative approach, involving semi-structured interviews with MSME representatives from various industries, who have been nominated for the SBM-ESG Awards 2024, showing their commitment to sustainability in conducting their business. Through the thematic analysis process, the findings reveal that MSMEs are actively engaged in various SBPs, particularly in community engagement and fair labor practices. However, there are areas for improvement, such as emission measurement and reporting. The study also highlights the importance of technology adoption for efficiency and innovation, as well as the role of certifications and voluntary reporting in enhancing governance practices. The research report adds to the understanding of SBP implementation in the Indonesian MSME environment and provides recommendations for both MSMEs and policymakers to increase sustainability in this sector.*

INTRODUCTION

In the economic structure of particular countries, Micro-Small and Medium Enterprises play a pivotal role in economic and innovation growth (Saygili, Ebru et.al). According to the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, one of the sectors for economic recovery is MSME, they are unique and dominate the economic portion as well as growing its number over the years.

In the crisis time, MSME becomes pivotal, building resilience and well-recovered. The growing global awareness of environmental problems, social injustices, and corporate governance shortcomings has created a demand for ethical and sustainable business practices. Since the 1990s, sustainability has thrived in public consciousness and achieved attention from scholars and political attention. Sustainable development issues have arisen and embedded the business model into a corporation. Especially for the company who adopt sustainable development for their long-term benefits (Martins et al., 2022)

According to UN Global Compact and Accenture in 2016, 87% of CEOs saw the SDG approach as an opportunity to rethink sustainable value creation, while 78% saw a chance for SDG to be integrated in their core business strategies. As an implication, international value standards such as Global Reporting Initiatives and UN Global Compact contribute to making general indexes to contribute to SDGs by integrating sustainability activity into the business core. Additionally, an organization like the World Business Council for Sustainable Development and the World Economic Forum deeply encourage their member to spark a positive influence in their society (Van Tulder & Van Mil, 2022). Big corporations are a step further in achieving sustainability. Today, sustainability is becoming an integral part of company business operations. On a big corporation, it is embedded in their Environmental, Social, and governance strategy

According to Nabais and Franco (2024) the company's contribution to achieving sustainable development is important while at the same time, governments globally are putting their concern in the need to improve environmental and social performance goals in the context of Micro, Small and Medium Enterprises (MSMEs) with the number of contributions they had. As has been mentioned by General Secretary Ban Ki Moon all enterprises are responsible and need to contribute toward sustainability, Etsy and Winston said the same things. According to Etsy and Winston (2006), SMEs have huge opportunities to cultivate new ways to address environmental challenges, especially climate change, and can benefit from them by nurturing a culture of innovation within the company. Currently, global business entities are facing challenges in sustainable development, thus the implementation of sustainable business practices is a phenomenon (Alam et al., 2022).

The contribution of MSMEs to social and economic development are quite high, there is some research on the sustainability implementation by MSMEs. According to Valentinov et al, 2023, there are gaps in the theoretical and field implementation of the practices. Thus, there are need for more research on sustainable business practices by MSMEs as in contextualize. Even though the existing research is more focused on large corporations, according to Hillary (2000), the MSMEs environmental collective impact would be able to exceed the impact created by a larger corporation.

Given the global pressure on sustainability, business entities should be moving forward. In the economic structure of countries, Medium, and Small enterprises already secure long prominent stances in contributing to the nation's GDP. Many barriers have been faced by MSMEs to actively engage with sustainability-related strategy and have been pointed out in some existing literature.

A research from Latin America conducted by Kasiri et al (2023) has been found out that studies in sustainability are mainly comes from Europe countries, lacking of research in Asia and Latin America. Given the size, shape, and industry capability of MSMEs that differ compared to larger corporations, there is a need of tailored indexes of MSMEs to assess the sustainability practices within their company. This research aims to develop contextualized indexes for MSMEs in examining their business processes toward the implementation of sustainable business

practices. Furthermore, the research could be used to assess further MSMEs and their contribution to societal impact while maintaining their business performance.

RESEARCH METHOD

Below is the flowchart describing the step-by-step research process conducted to explore the phenomenon that has been develop by the researcher.

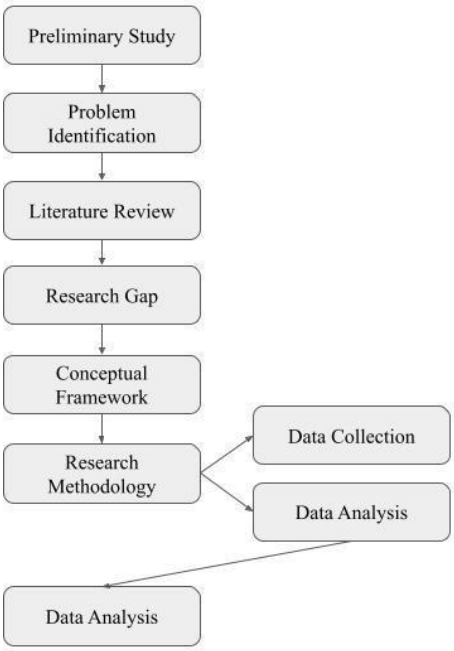


Figure 1. Flowchart

The research will be conducted in some steps, which are:

Step 1: Preliminary Study

The researcher joined the first SBM-ESG Awards as a teaching assistant and tried to identify the phenomena that might occur during that event.

Step 2: Problem Identification

The researchers articulate the specific challenges and opportunities between the business entities in implementing sustainable business practices.

Step 3: Literature Review

Researchers are conducting systematic literature reviews using relevant academic literature, journals, books, non-governmental organizations reports, company websites or reports as well as other online sources to inform the research. To identify similar phenomena in other countries, the researcher also created SOTA (State of Arts) to complement the research and build a theoretical framework based on relevant literature.

Step 4: Research Gap

After reviewing the literature, the researcher began to examine the research gap between the existing condition of sustainable business practices in specific populations of Indonesian MSMEs and the current literature view available in particular countries.

Step 5: Conceptual Framework

After conducting two previous research steps, the researcher began to define the conceptual framework. This step will help the researcher to integrate relevant theories and concepts from the

literature review into initial framework that will guide the overall research mainly on data collection and analysis.

RESULT AND DISCUSSION

When mentioning sustainable practices, there are a lot of activities related to responsible business. Based on this study, social aspects stand out compared to others. The table below are the summary of actions that have been done by seven companies as the respondents.

Table 1. A Sustainability Indicator in each MSMEs

Practices	Company							Total implementation by indicator
	1	2	3	4	5	6	7	
Comprehensive Environmental Stewardship								
Waste Management and Reduction	False	True	True	False	True	True	True	5
Responsible production	True	False	True	True	True	False	True	5
Emission calculation and measurement	False	False	True	True	True	False	False	3
Sustainable sourcing and partnership	False	False	True	True	False	True	True	4
Energy efficiency and renewable energy	False	True	True	True	True	True	False	5
Socially Responsible Business								
Community engagement and empowerment	True	True	True	True	True	True	True	7
Fair labor practices - human right	True	True	True	True	True	True	True	7
Improving the accessibility	True	True	False	True	True	False	True	5
Gender equality	False	True	True	True	True	True	True	6
Diversity and Inclusion	True	True	True	False	False	True	True	5
Establish a special sustainability team	False	False	False	True	True	False	False	2
Establish partnership	False	True	True	True	True	True	True	6
Sustainable Business Growth								
Business strategy and efficiency	False	True	False	True	True	True	True	6
Profit and Impact	True	True	False	True	True	False	True	5
Establish economic opportunity	True	False	True	True	False	True	True	5
Technology adoption	True	True	True	False	True	False	False	4
Using Certification and Assurance	True	False	False	True	True	False	False	3
Comply with Regulation	True	False	True	True	True	True	False	5

Doing Reporting	False	False	False	True	True	False	False	2
Value-Driven Strategic Plan								
The use of the "Theory of Change"	True	False	False	True	True	False	True	4
Educational Background	False	False	True	False	True	False	True	3
Religious Motivation	True	False	False	True	True	False	True	4
Data Storage	False	False	False	False	True	False	False	1
Number implementation by Company	12	11	14	18	20	11	16	**102**

*true indicates the company has implemented the practices
*false indicates the company have not implemented the practice

1. Practices of environmental nature

There are five environmental practices identified by the researcher. In total, company number three (3) already implemented all the aspects, followed by company number four (4) and five (5) with four items implemented, while companies six (6), seven (7), and one (1) consequently are implemented two (2), two (2) and one (1) item. The least significant practices that companies rarely do are emission calculation and measurement, while others are equal. Waste management and reduction are sectors where companies two (2) and three (3) are handled.

Begin with waste management and reduction, in total 5 out of 7 companies has been conducting waste management processes in their business. The activity can vary depending on the industry they are working in. The company number two (2) and three (3) share the same activity of turning low-value plastic waste into energy and waste.

“Previously, from us, we are focusing in converting plastic to waste. Generally, that is how we operate. But, we have a lot of derivative products. The first one is that we have fuel in the form of diesel, then gasoline, there is also gas products and black carbon. We converted it into products” Company two (2) “This is low value waste. There are no one want to handle and process this kind of waste, they just throw it away. That is why we process it.” company three (3) (translated by author)

While company number two (02) and three (03) has been focusing on turning waste into value, company number seven (07) gradually try to effectively use the water consumption in their production process. Despite using water as their main source to wash color their textile product, the owner educate the artisan to coloring particular color at the same time, showing the effort to reduce the water consumption. This action also has been studied by Schmidt et al (2018) by evaluation the sustainability practices of SMEs located in Southern Brazil. The study shown that SME has develop good initiatives in environmental sustainability that 81.25% of company depicted careness for environment, for which approximately 46.15% indicate practice of reducing the waste usage.

“Well, then…. In the end we colored the navy first, because we still use traditional process in coloring. So what we're saying is that when you do navy, do all the navy first so that you do not even waste all the water... Not much? Yes, for example, if one day he has to be navy, maroon, there will be a lot of that, right? That is what we're trying to do together in that direction." company 07 (translated by author)

Responsible production practices are also being keypoint on environmental area. Compare to another company, company number one (1) only having this practices based on this study.

“Well then, I think there are also another impacts that probably resulting from our

management method that prioritize the safe quality for the consumen, insyaallah with the production process that we are currently run, is safe to use" company one (01) (translated by author)

The company hold a purpose to serve the best product quality to customer, showing responsibility of company in processing the goods before hands in to customer. Moreover, the customer demand toward sustainable product are being key driver of the company in processing their production in sustainable way. Company, need to be always aware with the trend and demand so they can prepare, serve and deliver the best possible product. This finding in line with study by Jansson et al (2014), confirming the connection between market orientation and the company's commitment to sustainability action. Thus, company that highly associated with sustainability compare who less associated will capture the larger market.

The practices number three, showing the environment awareness from the company to calculate how much emission they produce while they make goods. Company number three (3), four (4), and five (5) have been implementing this practice.

"So one ton of concrete produces one ton of carbon. Well, our product is 51% low carbon from waste processing. For example, if we say one ton of ordinary concrete, our concrete is called contour, this contour is only 50% carbon, eh, so there is already a carbon reduction. Then if the plastic-based temple is even 100% waste, sis, so it really does not use any mixture at all... Well, only for raw materials, like nets, we do take some from Pangandaran, for cigarette contours, we take some from Jakarta, that actually uses regular logistics transportation, but again we calculate and we offset it." company three (03) (translated by author)

While company number three (03) voluntarily doing carbon offsetting using mangrove, company number five (5) focusing their emission calculation with Greenhouse Gasses emission accounting method. They are receiving pro bono grant and there was a consultant help them to calculate their 1, 2, and 3 scope of emission.

"For example, we have two methods, the first is we made GHG accounting or inventory. This is to find out how much carbon footprint is produced during the production process. We can design scope one, scope two, and scope three. Scope one is usually related to the use of gasoline that is used directly. Scope two is more related to the use of electricity. Well, scope three is related to what is produced by Upstream Production, such as waste, then water use, and so on. That's what we calculate, we monitor scope one to scope three every time there is something collected on a monthly basis, so we can know how much the impact is. Actually, from here we can also find out later just by comparing the output products, how much CO2 emission." company three (03) (translated by author)

This is quite unique study. Based on previous literature, carbon offsetting and GHG emission calculation, are done by large corporation. The MSMEs have done this are one step forward and showing their environmental stewardship concept. Then, the sustainable sourcing and partnership also being the implementation done by company in their businesses. One study case in Japan conducted by Tria and Ota (2024) show their willingness to offting their carbon produced by their operation using various type of carbon offset scheme. According to their report, 31.58% show their interest using renewable energy, 28.07% showed the interest in energy-saving equipment and machinery, and lastly 14.04% put their desire to offsetting the carbon emission through forest management. While in this context, company number three (03) using forest management scheme, in particular using mangrove plant to offset carbon.

In Indonesia context especially in comply with Net Zero emission target, government are put

their concern toward actively promoting carbon offsetting as a means to achieve its climate goals and has established a regulatory framework for carbon markets. The IDX has been launching their carbon exchange in September 2023, allowing parties to trade the carbon credits. Carbon offsetting are one of the mechanism for reduce the environmental effect and largerly used by big corporation. An articles written by Fairatmos, emphasise the role of MSMEs in doing the carbon offsetting, given the role of MSMEs in Indonesia as major role in contributing to national economic account for 99% businesses in Indonesia (*Why SMEs Should Start Considering Carbon Offset in Indonesia | Fairatmos*, n.d.).

The sustainable sourcing and partnership also been implementing in this study. There are four company that has been implementing this. The sustainable sourcing and partnership describe how company choose their partner in providing materials and choosing partner based on their shared vision and values.

“And currently, if the final product is building materials, we are collaborating with GBCI, the Green Building Council Indonesia, to measure, what is the net zero opportunity for our materials. “ by company three

(03) (translated by author)

Green Building Council Indonesia is non profit organization who has the mission to creating sustainable building by the concept of green building. It has mean, they want to reduce the emission of green house gases and/or electricity produce by building. GBCI always innovate to make sustainable future and contribute to low carbon emission. At the same time, company number four also implement the concept of sustainable sourcing.

"So, when running this project, for example we need to build a camp in the forest, we have to build a shelter or place to sleep in the forest. This is important to support activities that ensure the supply chain of wood we choose comes from certified sources. (Company 4) (translated by author)

Research by Schmidt et al (2023) also found that suppliers are being key consideration in sustainable sourcing. While company need to establish good relation with suppliers, company also need to ensure the contracts, encourage the suppliers to adopt sustainability practices in term of environmental protection, safety and non-use of child labor. Company number five (05) has shown their commitment in sustainable sourcing by having their code of conduct for choosing appropriate business partners.

"I also learned that (company code 06) still not have this related to, for example, our supplier's code of conduct, so I learned from that. Then our company regulations at that time were not that detailed, because there was this important thing, it turned out to be a reference for us to develop the company in terms of governance as

well."company five (05) (translated by author)

Even that sustaiability seem benefiting the nature because it has responsible process, one of the interviewe acknowladging the sustainability can cost higher. All the materials used need to be certified and the cost of certification is quite high. According to interviewee, the certification also was located in Java island where the operation are located in Kalimantan. Moreover, there are similar statement regarding the cost of sustainability, stated by interviewee from company three (3).

"The most challenging thing is that our competitors don't pay hidden costs. While we pay hidden costs." company three (03) (translated by author)

“But the funny thing is, the cost is expensive. It means the cost is higher. For example, the wood we take from the nearest source has to be cut, brought to Java, and sent back, which sometimes prolongs the process. So sometimes I think sustainability is two way, one is good

but in another way it also sometimes prolongs the process."company four (04) (translated by author)

The cost associated with sustainability sometimes can be challenge for the company. In accordance with two of the interviewees now it getting make sense that sustainable product can cost higher compare to another. In term of barriers and challenges by business to adopt sustainable practices, it has been acknowledge by previous research explained the cost burden of planning, monitoring, evaluation and communication as well as external communication. MSMEs with the limitation of financial capability and market power might fail to overcome additional cost burden (Das et al., 2019).

Moving forward to the last practice that have been identified, namely energy efficiency and renewable energy. Five out of the seven company has been implementing the practice of reducing energy and gradually shifting using new energy resources.

"The energy consumption still uses gases, fossil fuels, there is a ratio to the number of gas used, now the process is using electricity, and gradually moving to solar panels, pyrolysis to generators."(Company 03) (translated by author)

"For energy here, we use more of the solar panels. We still use electricity by PLN, but for daily operations, we use solar panels here. Well, we only use PLN when there is a large machine in use, for example, a plastic crushing machine, or a plastic melting machine, then we use PLN. But so far for fans, AC, laptops, and projectors, all of those places use solar panels."(Company 06) (translated by author)

The company number 3 and 4 stated on their impact and sustainability report on how they take a small step to intrroduce solar panel to stakeholder. Study conducted by Nabais and Franco (2023) in line with result that researcher gain from this study. Conducting their research in Portugal, they stated the installation of photovoltaic solar panel resulting in energy efficiency.

In this study, researcher also able to compare the implementation of environmental initiatives between the company. During conducting the interview, especially in term of measurement, some of the company have not establish calculation or measurement for their environmental impact nemely, waste generated, pollution emitted, water used, and other things while other are completely calculating all the energy and waste they used during the business process. This is the gap between implementation. There are two main keypoints that researcher can drive from the research.

1. According to the interview with company number seven (07), she has been know if there is a way to calculate the impact, socially or environmentally, but she have not get time to doing it. This result indicate that measure the company impact have not been prioritize of some stakeholders and given that the owner is the one who holding decision matrix in company. According to Famiola and Wulansari (2020), in Indonesia as general, societal and environmental inititives is still reflection of owners value. On the other hand, some of the businesses is clearly do not know the measurement of their resources used by the operations.
2. The company that has been develop measurement of their energy consumption and emission produce are receiving pressure from external stakeholders. In example of company number five (05), when they were asked by customer how sustainable their product is. Company begin to realize that they need to have a report of emission or product measurement. Their product have been expanded in some countries such as Japan, US, Singapore. At some point, some countries whose strictly comply with environmental issues, need to comprehensively checking the product has been fairly conducting environmental

assessment through the production process. If the producer has been complky with related regulation, the product will hand in until end customer. On the contrary, if not, ir posses green trade barrier. The real example is some of the agricultural and fishery product from Vietnam getting rejected due to EU green trade barriers (Khoi and Thuy, 2014).

Summarizing, the evidence based interviewee there are some outstanding indicator or environmental initiatives namely, waste manegement and reduction, responsible prodiction and energy efficiency and renewable energy.

2. Practices of social nature

On the social variables, seven categories of action have been implemented by seven companies identified by researcher. Social aspect place as highest in this study due to their business not only want to make the profit, but go beyond to help the surroundings. Out of seven best practices, the lowest company implementation is only five practices while considering have been implementing half of the criteria.

The first two practices namely community engagement and employment as well as fair labor practices for human right has been implemented by all the company. This shown how the company take care on their internal stakeholders consisting of employees and external stakeholders, namely community and society to be good and share the positive impact.

"….one of the first goals is to create jobs. we divide it into two, there are skilled and informal ones. but we have an office in Sampit because it is a project that mandatory required to recruit local people, so eighty percent of our formal sector is local people, only twenty that is not. For the informal sector it is also mandatory to employ local people because it is part of SDG one, poverty, there are extreme ones and national levels. Through formal ones. The extreme ones are through informal ones. So informal ones. That is what in every implementation of the activity is to involve them." company four (04) (translated by author)

In accordance with explanation from company's interviewee number one, a research conducted by Kurniawan et al (2023) show the contribution of community development in achieveing Sustainable Development Goals. In his study, reducing the number of poverty through community initiatives while there are capacity building and skills improvement, enabling community to be independent. The "bottom up" approach, starting from community ground movement with support of government is a key to achieveing sustaianble development. This articles also highlighted the imprtance of local wisdom including ecological, social and economical factors.

The second highest rank for social factors are define as fair labor practices. The example of company action within this study are depicted below.

"In (company code 04), our tech consulting all above the minimum wage, then we do not have overtime, oh now we never have overtime. Saturday and Sunday, or in other words outside of working hours, we do not bother each other, so I really need quality time. I do not want to be contacted by my clients on weekends, so I only work from 9 to 4, sometimes half past 4..." company three (03) (translated by author)

"Well, for example, if it is about fair employment practices and safe working conditions for all employees, well, usually we explain at the beginning, give meaning what they have to do, like for example, it is clear what the job is, the Job description. Job description or the reciprocity that they will get." company seven
(07) (translated by author)

The compliance toward minimum regional wages are part the fair labor practices. This study also in line with respect for human rights and those employees (Russell and Millar, 2014).

Additionally, fair labor condition also has been promoted by International Labour Organization (ILO) on their ratification document for Indonesia. On the fundamental convention C187 about Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187), it has mentioned that country to take into account about achieving progressively occupational health and safety system. Based on that some of the company have been implement in their ways.

The practices of emphasizing the safe working condition within the company, six out of seven company has been implementing this. Safe working condition are related into sustainable practices in company operating basis of producing goods or services. There are some example of safe working condition deploys by company.

"...then for the processing process, because our reactor is already safe, so the process of receiving waste from the person sending the waste until it enters the reactor does not touch humans at all, so our team is safe, so it goes into an air tight bag, then goes into the reactor and is immediately processed like that. So that is what we try to do consistently, we apply it in (company code 03)." Company three (03) (translated by author)

“So one of their requirements is to have a Women and Children Protection Policy. So every staff member who joins has to sign it. For example, they have to promise not to touch, not to tease. Or if you take a photo, you have to ask permission first. Or whatever, you have to ask permission first from the person you are taking the photo with.” company six (06) (translated by author)

On this study, researcher found out there are two typical of safe working environment define by respondents practices. The first one are related into operational activity they done and execution of standart operational procedure to maintain the health and safety of the workers. The second one are related into protection policy to granted that stakeholder are treated fairly. This case number two usually done by company who has receive grant or financial aids from other institutions and to ensure the fair and safe practice within the company.

The third practices namely, improving the accessibility has been implemented by five out of seven company. Improving accessibility in this research mean sending help to stakeholder or opening the access for underprivilege people in particular area.

“…..awareness and how they are responsible for their plastic waste. Because they are in coastal areas and access to processing facilities is also quite difficult. So they want to be empowered and want to do it independently. So yes, we will definitely be very supportive of that.” company two (02) (translated by author)

"Okay, so far this how we involved, then after that we also actually have a number of employees because we are also creating new green jobs. So, that is us too, (company code 06) too, so for example some workers (company code 06) or this year, last year, and we categorize that as new green jobs." company five (05) (translated by author)

Two of the company are emphasizing the accessibility of stakeholders. Improving accessibility in their context in providing opportunities to approach something they have not been reach before. One of the company’s founder talking anout green job. According to World Economic Forum, recently only one out of eight people are equipped with climate crisis management skills. On the contrary, LinkedIn report from 2022 to 2023 show that increasing demand of talent that able to address climate crisis are increase twice much as the grow of green skill itself. It shows that in the future, the green job will be demanding and increasing over the time. A case study in Three European countries, namely Czech Republic, Poland and Belgium shows off that green job can bridging the gap between disparities in economic sectors. Green

job are likely to provide the unemployment problem especially for young people in labour market. However, most of the green job are found in larger cities. Fulfilling the aspiration and ambition of young people, they are required to moving to another city (Sulich et al., 2018).

The fourth practices are related into gender balance within the company. This practice has been done by 85% of the total company who join this research. This practice including striving for gender balance, where company has equal portion of men and women, woman holding a strategic position within the company and recognizing the woman contribution in sustainability.

" So we never differentiate between the visions of men and women, in fact there are mostly women

in (company code 03) this role.....Because actually, along the way, I felt that women cared more about sustainability, they were more detailed when it came to reporting, they had higher initiative, so actually I was actually more pro-hiring women, compared to men." company three (03) (translated by author)

“ while calculating, yes, for the gender proportion, we are actually very balanced, you could even say

that for the portion of marginalized groups or women, it is actually higher and not only in terms of quantity but also in terms of quality because the women in (Company code 02) have quite a strategic role for them to be able to make decisions, one of which is in the treasurer's secretary, then in the manager and there is also in finance, well, in our opinion, this is one of the gender balances, namely gender equality that we are also trying to implement in (Company code 02)” company two (02) (translated by author)

In one company, founder explain the contribution of woman in sustaimability is quite high in term of quality. According to this study, 4 out of 7 interviewee are woman consisting of founder and CEO, managing director, as well as project leader. The evidence clearly reveals that gender has a substantial impact on sustainability. This cannot indicate that males or women are inherently more inclined to conserve resources. Instead, it highlights the significance of taking into account both genders, understanding their different motives and beliefs, and acknowledging their unique circumstances and resources (Dick et al., 2014)

Relatively close with gender equality, diversity and inclusion are one of the practices too. Five out of the seven are mentioned about inclusivity within the company.

"I do not limit age, do not limit gender, and do not limit ability. So those who may be disabled, who are still able to work, I will try to find a way for them to be part of this business." company one (01) (translated by author)

"Actually, for gender equality, we are all equal. Men and women are treated the same. It's just that here we have a program for women, here for the (program’s name) the program tends to have more female staff. This is so that the students are actually comfortable. But still, if there are male job applicants, if we think their skills are suitable and we need them, that's okay." company six (06) (translated by author)

McKinsey report in August 2022, explain there are five insight in organization which inclusion and diversity are bringing the positive impact within the company. Company are able to secure the talent, improve the quality in decision-making process, diverse team will be anticipated to produce more innovative solution, engaging with employees satisfaction and motivation as well as building good company’s brand image.

The practices number six are related into special team establised to ensure the sustainability particularly environment and social effect by company. There are two company has been done to have their own team. Sustainability initiatives was developed by business development

team in the practices by company 05. They has responsibility to calculate and report the opportunities for new products.

"If from (company code 05), it attaches a part that is business development, but it must have a social impact, hmm sorry, social and environmental impact. So the environmental part but in business development what is that? The role is one, usually he tries to find an opportunity for what product can be developed with Mycel's portfolio technology, but can also provide an impact." company five (05) (translated by author)

A report by Mckinsey indicates that a central sustainability team is necessary, but it does not have to be enormous. A lean central staff can successfully incubate and manage initiatives, while business line-specific resources handle execution. This method has worked well for companies with extremely effective sustainability strategies (De Smet et al., 2021).

The last practices is about partnership. Examine from all the company, only one company that currently are not building any relationship with other stakeholder externally. Six out of seven company are describing the role of building partnership in term of social impact.

"...Then do you want to see if Kaisa's shoes are there? Nevi's shoes. So, we are using it as other businesses, and most recently we have just launched with a local shoe brand too." company seven (07) (translated by author)

"We often collaborate because sustainability is the key to collaboration. (Company code 04) can not do it alone, so we are always open to collaboration with various things. That's why yesterday at the ESG award, I was really happy, Tania also got it because DCA has been one of our partners since the old days." company three (03) (translated by author)

Collaboration is a key points in implementing sustainable business practices. One to another entities are tied up together to reach an agreement and together building a better working world.

In this secton, researcher are found out keypoint that could be address as research findings.

1. The community empowerment and engagement as well as fair labor practices are highest indicator implemented by company. Most of the company that has been examined are working together with community. This in line with Elkington social domain to engaging with community. Moreover, a recent study by Carmen et al (2024) shows the quality of relationship among the actors in community will play a pivotal role in sustainability initiatives. Supportive relationships based on respect, integrity, honesty, and openness to new ideas are essential for effective sustainability programs. These interactions promote community, shared interests, and adaptability to complex challenges. The nature of these relationships varies with time, and some groups intentionally develop them to maximize their benefits. The emphasis on relationship building provides useful insights into the dynamics and success of community-based programs.
2. Given the least indicator of the study, namely establish the sustainability team are have not been implemented in many of company, only two of the company that have been implemented. This study has a correlation with the owner's motives and influence toward sustainability practices that has been mentioned in the environmental aspetcs. The evidence based on the company number five (05) who has their business development team who focused on their sustainability impact and measurement. As they released the sustainability report of the company, it means that company have put their concern in social, environment as well as governance.

3. Practices of economic nature

There are four practices in economic nature consisting of business strategy and efficiency, profit and impact, establish economic opportuniy and technology adoption. In average, company having two until three practices out of four. The first practices identify by the researcher is business strategy and efficiency. Five of seven company has been implementing this concept.

“I try to enter the blue ocean market, enter products that people are like, wow, it can be like that. For example, when we use cigarette waste, waste texture, that's what's called raw texture, together with contour, we shot trapentine. Trapentine at that time cost 2.5 to 2.7 square meters. Granite is expensive. Then we came with

1.2 to 1.5. And it was from waste, not blood material, in the sense that there was no mining activity to displace the community and things like that in the granite industry.”company three (3) (translated by author)

“….I want to make (company code 07), as one of the trademarks in Bandung. Earlier, it turned out there was, from London, then when was that, there was also from, where was that at that time? Italy. So it's like, even though we have not made it yet, the announcement is here. It's been searched for.” company seven (07) (translated by author)

“Then, what's it called, like we finally joined, IMF, Indonesia International Models Fashion, for a fashion show last year. At, international level actually. But even though it is in Jakarta, it is international. Then this year, we also participated in Jakarta Models Fashion Week, fashion shows too. Having passed the curation, we got a fashion show, and trade shows, exhibitions, things like that." company seven (07) (translated by author)

As the company that running business in clothing and fashion industry, company number seven (07) execute business strategy to allowing the public to know that they are providing high quality of product, despite their collaboration with special needs people. The owner emphasize fair promotion product not highlighting who behind the fashion brand but more into what kind of product they sell. Moreover, company are sending the buyer a “warm letter” informing that the product they sell are in collaboration with special needs people. This show company has promote strategic communication to increse the company brand image (Evans et al., 2017), by touch the personal of buyers heart using cards.

The second practices is profit and impact. Most of the company belief that the profit they gained from business activities are in line with the impact they want to create. The higher profit will contribute to greater resources company can deliver to society.

"The principle is to ensure healthy communities and sustainable forests, so we need to think about a sustainable economy for those we need to support. Economic independence is key to reducing pressure on the environment. There are several aspects to this economic approach. First, providing incentives through direct payments, for example for forest patrols or managing social areas. Those who plant and maintain trees in certain areas are also paid, providing an additional source of income for them by utilizing the garden. Furthermore, the training such as sustainable agriculture and infrastructure are also provided by the project." company four (04) (translated by author)

The interviews shows company's commitment towards regional economic development. Currently economic aspect are related into prosperity. Where in the area there is a business, there will be incresement of economic level too. This concept are in line with the findings namely establish economic opportunity. There are five out of seven company has been implementing it.

“Second, we encourage those involved in illegal activities such as deforestation or illegal mining to change their livelihoods. They are encouraged to switch to other activities such as

livestock farming or trading, which are then monitored. Although not all are successful, for example out of 18 people only 10 were successful, they can be an inspiring example for others. The term is, mbak, success story lah." company four
(04) (translated by author)

"Our goal is to empower women's groups with microfinance projects this year, which if they fail this year can be successful next year. For example, men tend to enjoying farming to buy equipment or fertilizer, while mothers may be more interested in selling credit (pulsa) or running other small businesses. Our microfinance project, led by women, provides small loans of around two million rupiah which drives the local economy. They are diligent and have different benefits, for example, they want to buy a mixer because their mixer is broken." company four (04) (translated by author)

The last practice in economic section called technology adoption. In total four of the seven company, require technology adoption. While company number one (01) still in the early adoption, the other three company require high-technology adoption.

"Now that's my challenge, how can I get a machine to wrap this. Wrap? Yes, why? Because consumers out there, they already have the mindset or trust to use it at this time neatly wrapped." company one (01) (translated by author)

"Second, can the technology be scaled up? That's why for the last 7 years, I have been continuously looking for efficiency in our machines and products, continuing to take care of patents, taking care of research, that's why (Company code 03) is actually a research company. So we can make sure, when we scale up ww are ready. So what method do we keep looking for? The easiest scale up from this process. So what kind of product? Lastly, what will it be used for? That is why I do not make it into earrings, like a shop, like that." company three
(03) (translated by author)

The machinery will help MSMEs to growth their businesses into more sustainable way. Not only that, automation will result in efficient process of production and safe money as well time for company to do more activity than doing it in manual way.

"For example, cutting, in the past my cutting was manual, Sis. So, I did cut manually, still using human power, which of course is limited. And I also have to use a lot of people, and of course that will increase the production cost. Well, now I, slowly make, yes, like that, make it learn myself, how to use a machine. Like that, and it's done. Well, how to use a machine, automatically with this machine, which we used to produce, for example, one day, for example 10 thousand pieces, with the machine, we might be able to reach 50, 30 thousand pieces." company one (01) (translated by author)

From the economic analysis, there are keypoint that reseacher can conclude. According Martins et al (2022) on their systematic literature review about SMEs enterprises, COVID-19 has been revealed the negative effect of business who maximizing profits. This research reveal that only maximizing profit without considering social and economy aspect will cause detrimental effects.

This study also strengthen by another paper, Arend (2012) explain that The report states that small and medium-sized enterprises might "do well by doing good." This indicates that SMEs can achieve financial success (do well) while also focusing on social and environmental responsibilities (do good). The research provides empirical evidence to support this hypothesis, demonstrating that SMEs with strong commitments to CSR and environmental regulations can gain a competitive edge. It highlights that, while there may be some early expenses to applying these practices, the long-term advantages may compensate for them.

4. Practices of governance nature

The governance nature are new given selective code identify after researcher defining all the open coding and axial coding. In this study, there are three main practices in realated to governance, namely using certification and assurance, comply with regulation and doing reporting. The table show the two highest score of company number four and five are those who already integrated their governance into their business practices.

"...every year our activities are also monitored by a third party, this third party has an international reputation and has been certified and validated, which then they issue a certificate that if it is Eligible, why do we need to get carbon credit emissions, well, besides that, because this standard is very high, we also meet several complies, for example, this company BCorps is a company that in the world there are only hundreds of thousands of members (company code 04)." company four (04) (translated by author)

"Well, coincidentally we are B Corps Certified, so B Corps is a reporting assessment every three years. If we want to continue to obtain B Corps Certification, this is every three years and they usually ask about initiatives like this, so we also have to consistently do this reporting because the certification is a marketing tool for (company code 05) selling products to several clients like that." company five (05) (translated by author)

Those interview peak are part of the company who has been certified by BCorp. To showing that their initiatives are in accordance with global standart, adopting BCorp assessment will improve company credibility to external stakehodlers, for instance if they want to take grant or fundings.

On the other side, comply with the regulation by specifically mentioned the regulation used by company also have been done by five out of six company. The company number one (01) who produce eco straw are comply with halal standard and licensed, meet the requirement of country with biggest moslem population in the world.

"...we have a halal license and also from the agricultural service to show the origin of this product, that it comes from plants" company one (01) (translated by author)

Another practices identified by researcher are done by company number three (03) and company number five (05)

"Continue to comply with environmental regulations, yes, we have KLBI, uh, then also our management permit, uh, what is it, waste processing and management, including P3." company three (03) (translated by author)

"So, for example, if the profit is using the reporting reference of PSAK financial report. But in the future, if asked what the impact report is, we just give the theory of change with several matrices involved. That's enough for the current phase." company five (05) (translated by author)

"In my opinion, in the future, companies will have two reports, namely financial reports and impact reports. So, we can balance the entire process of our business activities." company five (05) (translated by author)

The last part of governance practices are doing reporting. By far, reseaecher are found that only two company who has been produce their voluntarily report. Publishing sustainability report are one indicator of sustainable business practices because it shown how much company care about credibility of their practices (Nabais & Franco, 2023) . On the other hand, a study by Martins et al (2022), found out that there is almost absence of the study about sustainability reporting in the context of SME. There is only one study focusing on environmental reporting of Australian wine industry (Knight et al., 2019).

This two company are same with company who has been using BCorp as certification standart, namely company number four (04) and five (05). The researcher are obtained the report from interviewee and their official website.

In summary, governance refers to the systems, processes, and structures that organizations put in place to ensure ethical and responsible decision-making, transparency, and accountability. Only two of the company are conducting reporting while other are not yet. The motives of them conducting it are pressured from stakeholder and shareholders. The external parties are demanding the transaparecy of company's business process.

5. Practices of "another" matters

The last part is another motives or practices done by company that not able to categorized within four practices above. There are four items that have been mentioned by the company. The first one are the use of "Theory of Change" by four out of seven company. The theory of change are the concept use to explain and implement change addressed by company. This include long-term planning, outcomes, activities, and indicator of addressed change.

"Well (company code 04) a is indeed designing what is called our big umbrella theory of change to achieve the SDG goals. This depends on the awareness and commitment of each party involved. We have taken indicators from the UNSG Global framework which is one hundred and sixty-nine with two hundred and sixty-nine targets…" company four (04) (translated by author)

"So, with the theory of change, we can actually balance between profit and benefit. So, for example, if the profit uses the reporting reference of the PSAK financial report. But in the future, if asked what the impact report is, we just provide the theory of change with several matrices involved. That's enough for the current phase." company five (05) (translated by author)

The second practices items namely educational background have been implementing in three out of five company. In this study, it means that founder or stakeholder's background study are resonate with their value and becoming the underlying motuves of implementing sustainable businsss practices.

"So I believe that in fact, the benefits are the same, businesses is interconnected. I had a bachelor's degree in communication and community development needs. Where indeed, like every semester, or every, this, it always comes down to the community, what problems are there and face the reality, and what suggestions can we give, something like that, right? It's like digging into the problems that exist in society, things like that. Then finally, after my Bachelor's degree, I worked, after that, I resigned, continued my Master's degree in MBA, and, with those 2 backgrounds, it was like, these two can be combined together." company seven (07) (translated by author)

"At the beginning, I was a bit skeptical about the concept of social enterprise. I still remember 2012, just graduating from college, i was wondering why I had to focus on social business or social entrepreneurship, when it was not that... understand. However, I was actually involved in this activity. I joined the Excelerator bootcamp program from the bank that focuses on social entrepreneurship. At first it might have been forced or as practice, but over time I realized that doing business and making an impact can be done simultaneously." company five (05) (translated by author)

Additionally, some of the company are doing good because of the personal motives or tragedy that might be happen during the implmentation of their business activity. There are four out the seven founder of the company that belief doing good will have a good return to them,

further it called religoius motives.

“So mostly B2B, there is one mining company that often orders from us. We sent by August... Well, the ship we used to send the goods caught fire. And that is one of the projects with the biggest losses. Well, that's where my husband and I ended up as couple-preneurs, right That's when we finally thought, everything we

have is a gift from Allah. It's like you can take it at any time. Want the money in the account, whatever we have. The businesses that we have, all kinds of things, are actually entrusted to us At that time my husband actually wanted to buy an ambulance. Buy a car for 6 months free. But I think that vehicles experience all kinds of depreciation. So it seems like the good we want to do has a time period, right? So it's like, why don't we make something where we have the manpower, we have the tailors, we have the resources, we have all kinds of sewing machines. Why not just create a brand. It was that simple to think.

Then finally I thought, how do I collect clothes and usefulness. Well, at that time I finally searched, then I got a story about Iris Grace, a special needs child from the UK, who was previously being treated by her parents, Well, for him as a means of communication, to train his motor skills which are not so good. Eh, it turns out that the results are good, the drawings and all, and are considered okay by art curators. Then when I look at Indonesia itself, how is the reception? Eh, it turns out that there is someone who is researching, the number of children with needs dropouts in Indonesia could be more than those in the BPS. Because in traditional societies, autism and other things are still considered a disgrace. So it's like they keep it to themselves, or they don't know why, just what. Then there are those who are tied up in the house and all sorts.

And that's where we finally base it to make (Company code 07). So if it's from Batik, we use the sales to support drawing therapy, especially for children who have miscarriages. "Well, then we curate the resulting images, some of which we put into the collection (Company code 07). Well, in the end, the royalties go to the child who is the guardian of the family." company seven (07) (translated by author)

A study by Famiola and Wulansari (2017) shows that religious factors have powerful influence on SME owners toward social benefit they share. Additionally, The engagement to social activity they do was affected by Indonesia culture *gotong royong* and *teposliro*. *Gotong royong* mean a collaborative action to reach the goals while *teposliro* means having emphaty to society and others.

The last practices in value-driven strategic plan, namely data storage, are clearly identified in company number five (05).

"Well, if we have that data, for example in (company code 06) at that time, we simply use, AC. This AC turned out to consume more than the AC next to it. Well, so when we want to buy another AC in the future, we can know which AC can consume less energy." company five (05) (translated by author)

The last axial coding are not included in indicator because it posess only motives and additional data that have not been mentioned in previous section but has weighted proposition in research result. Some of the categories are being implemented by sosiety or compamy’s motives in conducting sustainability in their business processes.

CONCLUSION

This study resulted on four categories namely, environmental, social, economic and governance. Based on the MSME's implementation of sustainable business practices in Indonesia,

it has shown alignment in previous studies, however, there are some parts that might be less significant compare to others. This research aim to exploring indicator of sustainable business practices in Indonesia in the context of MSMEs. The findings shows different aspect in implementing sustainable business for each company, with a strong implementation in community engagement and fair labor practices. While environmental considerations exist, there is opportunity for improvement in areas such as emission measurement and reporting. Economic sustainability is primarily tied to corporate growth and profit production, with an increasing emphasis on technology adoption for efficiency and innovation. Governance processes are evolving, with some MSMEs pursuing certifications and engaging in voluntary reporting, although there is need for improvement in this area.

To achieve sustainable business growth, MSMEs should start by developing sustainability strategies that maximize operational efficiency while considering the social and environmental impacts of their profit-making activities. Given that many MSME owners already recognize their practices as sustainable, the next step is to gradually integrate additional sustainability indicators into their business strategy.

To support the sustainable growth of MSMEs, policymakers should provide training and capacity-building programs. Workshops focused on areas like waste management, energy conservation, and social impact assessment can enhance MSMEs' understanding of sustainability. Additionally, financial support in the form of grants, tax incentives, and subsidies can help alleviate the resource constraints faced by MSMEs, making it easier for them to adopt sustainable practices.

According to this study, there are alignment between environmental, social, economy aspect. Each of items are interrelated and are not able to only implemented in single domain. While company try to seek financial profitability, company also need to handle the human capital to produce the goods while preserving the nature to maintain the availability of resources. Thus the definition of sustainable business practices are achieved.

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