

Model of Small Medium Enterprises Performance Based on Green Economy Through Strengthening Institutional and Production

by Sriyono Sriyono

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² Model of Small Medium Enterprises Performance Based on Green Economy Through Strengthening Institutional and Production

Sriyono Sriyono, S⁶t Hermawan, Sarwendah Biduri
University Muhammadiyah Sidoarjo
Jln. Mojopahit No 666B Sidoarjo
Email: sriyono@umsida.ac.id

This objective of this research is to create a model of Small Medium Enterprises (SMEs) performance based on Green Economy through Production and institutional strengthening. This research is an interactive qualitative research; data collection is done from the primary source through direct interviews, validation data by using this type of credibility, including triangulation of data, methods and theories. The population used in this research is all the Small Medium Enterprises that are located in Sidoarjo. The sampling technique used was purposive sampling by using multiple criteria. From this research found the relationship between production and institutional section against the Small Medium Enterprises performance based on Green Economy. Through the strengthening of production and institutional then the SMEs will have more sustainability in its activities. The conclusions of this research was to Small Medium Enterprises performance based on Green Economy can perform its activities appear to give rise to adverse environmental impacts were then to be done towards strengthening institutional and production

Keywords: Model, Green Economy, and Strengthening

INTRODUCTION

Small medium enterprises (SMEs) constitute a small business unit which is able to play a role and serve as a safety net to the economy both in productive business activities provides an alternative [1] and the distribution of alternative credit, as well as in terms of absorption Labor and economic growth [2].

The ever increasing small-scale industries both local as well as export-oriented [3], it will have an effect on the economy [4], but could also constitute one of the major contributors to environmental pollution, when guidelines for the management of standard for small industries has not been established by the Authority [5] this phenomenon is encouraging the emergence of the concept of Green Economy. Green Economy represents a new paradigm in the economy and the sustainable development strategy is more emphasis on the balance between the social and economic value of the environment [6][7]. This model is able to answer the old development strategy weakness just based on growth alone.

Initial research has been conducted [8] concerning the implementation of the Green Economy in the development of SMEs in Sidoarjo. The green economy is built on the basis of awareness of the importance of ecosystem balance economy activity with the availability of resources. In addition, the approach to the green economy meant to synergize the three basic values: profit, people, and planet. This view of economic actors in order that appealed not only to maximize profits [9], but must also provide a positive contribution to the community and participate in maintaining environmental sustainability, the distribution of alternative credit, as well as in terms of absorption Labor and economic growth

The goal of the green economy is to achieve harmony between the economy and the environment, environmental protection technology, converting the production process in a clean and friendly environment and realize sustainable economic development [8]. Currently, the concept's "Green's" is widely used in all social fields, including agriculture, green industry green, green consumption, green tourism, green marketing and green planning, green economy has become a trend thanks to growing awareness protection of the environment [10].

On the conditions of globalization as currently [11], then SMEs should upgrade their capabilities with innovation also adopting advanced technology and communication in order to increase the ability of the entrepreneur's Party did well in the improvisation resource human, institutional or production technology [12]. In other words, development activity must be able to bequeath the well-being of future generations in the form of environmental and natural resource assets at least equal to that we have received from previous generations, plus science, technology.

In the era of globalization is also a challenge at the same time provides an opportunity for entrepreneurs of SMEs including Indonesia, let alone a good macroeconomic conditions of enlistment [13] for in this era of competitiveness of products is very high, the live cycle product relative short according to the trend of the market, and product innovation capabilities relatively quickly. This opens up opportunities for small and medium business activities is one important part of the economy of a country or region, no exception in Indonesia [14].

The development of the next research done [15] mention that to strengthen the performance of SMEs based on green economy can be done by strengthening the institutional and production. Through the institutional strengthening of the production and then will produce a good performance on the activities of SMEs based on green economy.

Therefore, SMEs have to do innovation and creativity to create specific strategies in improving its performance [16]. It is therefore necessary to make models SMEs performance based green economy through production and institutional strengthening. Through this model expected SMEs can conduct its activities in a sustainable way but, on the other hand environmental sustainability must be attentive so that the ecosystem environment maintained. Through this study will be found a good model for SMEs based on green economy through production and institutional strengthening

MATERIAL AND METHOD

Type of Research

This kind of research used in this study is qualitative [17] and interpretive approach [18]. This type of research and the approach is very appropriate because this research to interpret the results in depth interviews with key informants at the tang finally established a model. The study also

intended to get an insight into something new, may provide details about the complex phenomena that are difficult to be disclosed by quantitative methods [19].

Location Research

The location of this research is in three sub districts in the District of Sidoarjo, Salted Egg for SMEs were in Sub District Candi, to Sub District Batik is located in Sub district of Sidoarjo are for entrepreneurs Cracker there in Sub district Tulangan

The reason this research was conducted in Sidoarjo District is that it has been declared as a District in Sidoarjo SMEs growth and progress of SMEs is very high.

The selection of SMEs Batik, Cracker and Salted Egg due to the activities of the SMEs which allow the incidence of negative impacts, in addition to these SMEs have a huge amount in Sidoarjo.

The Focus of the Research

The focus of this research is to help good models for SMEs based on green economy through production and institutional strengthening. Another model of the SMEs are expected to be able to run its business based on green economy and impacted positively on the performance of the company.

Key Informant

Key informants in this study were determined by way of judgment [20], the informant is represented by a number of SMEs are as follows: Salted Egg (MCL and STT), Informant SMEs Batik (HD and ART), SMEs Cracker (FNN and PWN), Environmental Service Informant (AGS)

Data Collection Procedure

The technique of data collection is done with in depth interview, observation, and documentation [21]. In depth interviews were conducted with key informants, namely some of the perpetrators of the SMEs, Environmental Agency of Sidoarjo Regency, Environmental Expert, specialist industrial engineering, institutional experts. In-depth interview done in the Office and use the interviews and recording device and in the final stages done Forum Group Discussions (FGD) Documentation is done by collecting data, among others, financial statements, reports on the cover answer activities, and report on the use of other costs, as well as the documentation relevant to the theme of research. For observations done by visiting directly and see the process up to the preparation of the financial statements at both these institutions

The validity of the test

Data validity of the data is carried out by a test of credibility, transferability, dependability, and confirmability gradually [22]. Credibility test conducted with the test sources and triangulation method. For triangulation of sources is done by cross check the results of the interviews between the perpetrators of SMEs with the environmental agency of Sidoarjo District at different times. Meanwhile for the triangulation method done by cross check between interviews with documentation and with observations. In this way then the credibility or confidence level of research is very high. Next to test the transferability done by researchers compiling reports of research in a way that is clear, complete, detailed, and parsimony. Because in qualitative research the level of transferability on the reader or other researchers the extent to which the research report can be understood and transferred to a different object

Data Analysis Techniques

For the data analysis performed analysis of qualitative data with analysis of data related to research themes. For qualitative data analysis conducted at the time of data collection as the hallmark of qualitative research. To follow the recommendations of the research stages,[23], that is, data collection, data reduction, power display, and conclusion.

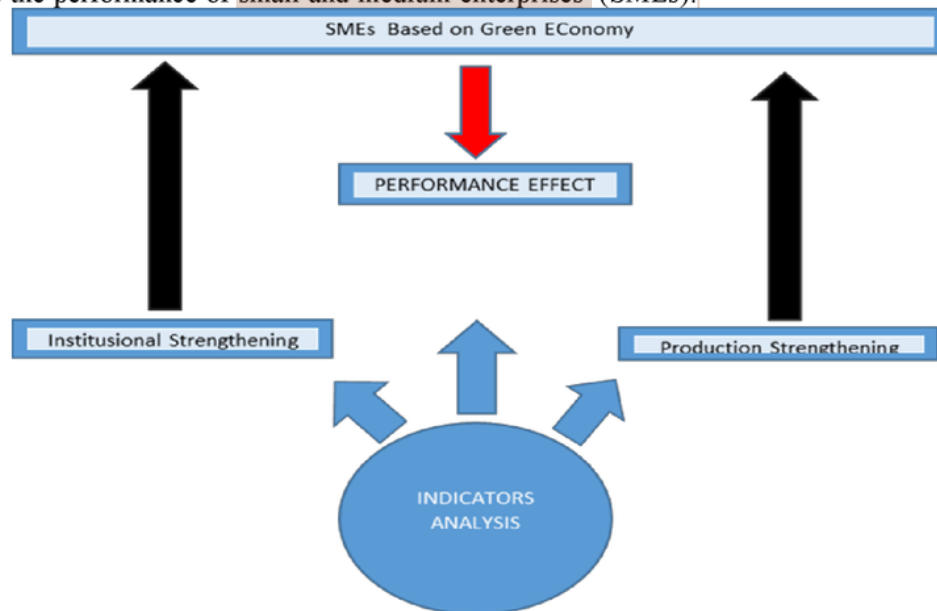
CHAPTER II LITERATURE

Production is an important part in improving performance due to production-related direct outputs/products. The production is the internal factors that can affect performance, efficient production with the use of sophisticated machines will be able to increase production will ultimately improve performance. In addition to internal factors (production) is more influential when compared with external factors[24].

Government in some developing countries more interested in supporting the industry than on SMEs [25], Indonesia including developing countries which have a great many SMEs that sustain the national economy Indonesia. Therefore support for SMEs need to be noticed by various parties.

SMEs in the coming free market challenges facing the Department are open in terms of competition with the economy from overseas therefore SMEs as requiring readiness to be independent and strong institutional basis. Thus SMEs we can easily gain access to networking, access permissions and protection of SMEs banking capital access, master, master network access regional and global markets, controlled access to technology and information.

Institutional strengthening is an important factor for improving the quality of SMEs found that the development of human resources [26], organizational development, background manager/owner, management, leadership and strategy to compete is an important component that affects the performance of small and medium enterprises (SMEs).



Picture 2.1 Conceptual framework

RESULTS

The strengthening of the Production

As is known to the business strategy that is carried out at the production has a great responsibility towards good performance [27], in addition to when the production of innovation well done then can create a clean environment [28]. A clean environment and good performance is the impact of production processes, with the correct process then obtained the maximum performance [29]. Besides the encouragement of management also had a large role in this implementation, the environment is proactive as well as good then will produce good environmental performance [30].

Environmental asses SMEs is very influential towards the value of the company, when the ugly environment access SMEs it will automatically lower the value of the performance of the company itself [31]. To do so it needs to be done-the right strategic objectives [32]. So the State is reached then conducted an access SMEs of integration in a comprehensive manner so that environmental problems can be avoided [33].

The results of research conducted [17] using a test structure equation model obtained the results that the influential institutional production and significantly to the performance of SMEs based on green economy. Based on the test results of SEM then it is known that most of the indicators have a role in the production of technology is (has the highest factor loading). In addition to that of institutional indicators have the greatest influence is financial management (having the highest factor loading) and sources of financing.

Based on the results of the initial research do in depth interview to the speaker, about the function of the indicators that are most influential in the performance of SMEs based on green economy as in the preliminary results of the study. In-depth interview done gradually on each speaker about the performance of SMEs based on green economy through production and institutional strengthening.

Part of the production is the most important unit in creating activities based on green economy, starting from the preparation of raw material to the material produced. Preparation of raw materials must be done well and properly in order to achieve the production hygiene, the results of an interview conducted on a Salted Egg SMEs (MCL) answered as follows:

Preparation of all the materials used for the purposes of our Ducks prepare all and stored in a roofed and enclosed, ranging from food duck, ingredients for the base enclosure (bran) and place the egg before it is processed into salted egg. We always organize materials that will be used with caution, do not get food to the ducks scattered to the floor, the other will because the SMEs would also be detrimental.

Storage of raw materials is crucial to avoid the impact of impurities will also give rise to waste. The results of the check results also obtained that Triangulation all materials used for the purposes of the duck suit answersThe same question we ask SMES's other principals, the same answer we get from SMESCracker (FNN) as follows:

Tapioca flour as the main ingredient of cracker we hold very well, other than in the sack as well we place above the pedestal wood, I do so that the flour is not damaged. Storage areas also use the floor. The floor is very important because when his sack is broken because of something then there is flour on the floor we can gather again and processed.

Interview results also correspond to results on the ground Triangulation test the craft SMEs of small food places for the storage of raw materials more important besides the raw material price is quite expensive also impacts generated when scattered in ditches would pose a dangerous impact, in addition to incurring the white color also raises a stink.

In addition to storing raw materials production process is also very important for the management and supervision performed well. Failure processes in production will cause an impact when it is not in the manage well. When we ask these things in the Batik craft SMEs against the failure of the process of batik obtained answers as follows:

The process of batik making starting from scratch we do carefully design also is concerned, besides the quality of batik. Before our batik cloth is white then we make a first concept, batik motif with pencil upon completion of our new batik, if there is wrong in making the Batik patterns then Fox could easily as initial concept. This can be done because the new happening at the beginning of the process.

At this stage of dyeing and staining as well there is never a mistake, since batik made had a special color and vary, e.g. There was wrong on the tinting process remains our forward and keep it we could sell, even sometimes it can sell more expensive because the number is limited and his motives so contemporary.

The same question was asked on the SMEs Salted Egg and SMEs cracker, answers from SMEs small meals are as follows:

Making small meals require time and the appropriate conditions, since we only create raw materials semi-finished, then we do not need sophisticated equipment. As a heater for mounting the flour we use locally-made heaters themselves using wood fuels the former we take from the remains of the manufacturing base for drying krupuk. Our use of "krupuk" sun drying a pure and do not need an oven. When there is a failure in the making of cracker then us though again, usually the failure on the drying process that has not been perfect. So we never losses due to failed process

The answer that we get with the same question on a salted Egg SMEs is as follows:

The failure of the process that we experienced in the process of making salted egg is usually on a duck that died, usually we create to feed the catfish, the SMEs on the cages we do by making a ditch on the right left of the enclosure, is the SMEs on the enclosure we add with our create your own bacteria. Through the failure handling in the production process is said to be almost non-existent.

Through these ways then our activities environmental friendly as Mr. Sriyono earlier said that is the green economy, the failure of the process of making salted egg almost said never, if it fails then we will lose for that we are very concerned.

Institutional Strengthening

Institutional arrangements also have an important role, good governance and standards work that clearly generates maximum performance [34]. Good performance-oriented green economy will have the advantage to compete [35]. In the future demands the creation of a green economy is getting bigger, and so the first step to do is to start implementing green management [36] and prepare a blueprint green management [37].

Based on preliminary research results then conducted in-depth interviews to some SMEs, the most significant indicators against influence on is the institutional financial management (has the highest factor Loading).

The question posed on SMEs salted egg is it true that financial management is crucial, the answer is:

It's very important money management Mr. Sriyono, because if we're not careful we could be strapped, cash proceeds from the sale should be directly managed properly, e.g. how to purchase food for livestock, for operations and for the needs of transport. We dare not take money direct sale to private interests, the allusion we preferred for business activities.

The same question we ask craftSMEscracker, his answer as follows:

The money is most important for a little thought, let alone the small food buyer's payment there is a direct and there is a debt. So that this debt we think is serious, we are giving away their debt limits for otherwise I could go bankrupt. So cash that goes direct to my preferred to buy raw materials, raw material prices unstable then purchase raw materials become our priority.

Based on his answers above, so we do triangulation methods and sources, the results of these observations indicate that the financial management of the SMEs very carefully and there are priorities.

The performance of SMEs based on Green Economy

Green economy-oriented activity has consequences in the implementation, because employers have to set up the equipment, site, technology and cost for the processing of waste is produced. The result of this activity is done, it will give rise to additional costs on production, which in turn will raise the price of the product and this will result in decreased purchasing power and profit.

This problem askSMEs salted egg and cracker, the answer is as follows:

If I set up the equipment, or make the trench for the exile of the cage is indeed I add cost, but the cost was not directly I put product prices due to the event not every day, so thus improve purchase because the place farm so clean. In addition with the increased sales will allow me to fund debt to the Bank.

The same question was asked on the SMEs batik, whether by conducting environmental management would be detrimental because it adds to the cost, the answers are as follows:

Not at all Mr. Sri even though, I add the costs for environmental management will not lose, if seen at a glance is indeed like that but

in the long run very beneficial precisely because sales increased and bank increasingly believe that we are serious in managing the company.

To convince the results of in depth interview on managing what really SMES activities in accordance with the basics of green economy then we ask the Environmental Agency of Sidoarjo Regency, the answer is as follows:

SMEs entrepreneurs was indeed less concerned for the environment because they think it will add to the cost, but after it was done and know his positive impact on long term then they realized with own that environmental management is not forever result in a loss. They are aware of itself, then this will be better than they were forced to perform environmental management properly.

Table 1 Result and Credibility Test
(Triangulation of Sources and supporting research)

Activity	Operational	Credibility Test
Production Strengthening	Failure handling the preparation of raw materials	✓ Key Informant and Field Observations ✓ [38]
	The handling of the failure of the production process	✓ Key informant and Data observations and Field Observation ✓ [39]
	Fail Final Product	✓ Key informant and Data observation and Field Observation ✓ [40]
Institutional	Financial Manage	✓ Key informant and Observations Data and Field Observation ✓ [41]
	Financial Resources	✓ Key informant and Observations data and Field Observation ✓ [42]

Table 2 The results of the research and test of Credibility
(Triangulation methods and Triangulation Theory-Supporting Research)

Activity	Operational	Credibility Test
Production Strengthening	Failure handling the preparation of raw materials	✓ [43] ✓ [44] 5
	The handling of the failure of the production process	✓ [45] ✓ [46]

		✓	[47]
	Fail Final Product	✓	[48]
		✓	[49]
Institutional	Financial Manage	✓	[50]
		✓	[51]
	Financial Resources	✓	[52]
		✓	[53]

Table 3 The results of the research and test of Credibility
(Triangulation Between the researchers and the research supporting the theory Triangulation)

Activity	Operational	Credibility Test
Production Strengthening	Failure handling the preparation of raw materials	✓ [54]
		✓ [55]
	The handling of the failure of the production process	✓ [56]
		✓ [57]
		✓ [58]
	Fail Final Product	✓ [59]
		✓ [60]
Institutional	4 Financial Manage	✓ [61]
		✓ [62]
	Financial Resources	✓ [63]
		✓ [64]
		✓ [65]
		✓ [66]

DISCUSSION

Based on the results of interviews and the review of the theory then drafted a model that can be used to improve the performance of SMESS based on Green Economy. Any business activity would cause the impact of positive and negative of all the positive effects that arise from the development of SMESSs, there is a potential negative impact should be dealt with seriously [67] because it raises some pretty dangerous waste [68], e. g. the batik industry in General in homelands, there are some problems associated processing waste water containing heavy metals [69], are salted egg for SMESSs is the sewage SMEs to cracker is solid waste.

Batik hand maker activities less water, so that the handling of waste water is easier with the addition of chemicals can be handled directly [70], the result of the failure of the process can still be done recycling and reuse so that reports can almost be overcome. In addition on batik has been using an organic dye, so that no waste is produced when compared to synthetic dyes [71]. Problems encountered when wearing organic dye is the resulting color cannot light while the appetite of the market in Indonesia was more pleased at batiks that have bright colors and flashy. At batik colors other than being an obstacle, the price is also more expensive compared to synthetic dyes [72].

There are several liquid waste treatment odor [73], the SMEs of waste management on salted egg entrepreneurs can already be addressed with the addition of rice husk or paddy milling wastes on the floor of his duck Coop, then given a special bacteria that could be made by the entrepreneurs themselves so that the SMEs does not arise, if there is a death on the duck can be used for food catfish who deliberately kept by employers, while water from the cages can be made so that the trench waste water is not inundated, and can directly in the process in the sewage treatment process

using technology in a simple [74]. For solid waste resulting from the activities of craftSMEscracker then **can** do recycling because it can be collected again when it is well mixed, impurities that cannot be separated then it could still be sold to **the** general public which can be used to mix animal food [75].

At a time when entrepreneurs of SMEs - oriented activities on the green economy, in passing **will** give rise to additional costs [9] so that the need for additional capital for new activities [76] because of the need to prepare equipment for the waste container, should also set up a machine with better technology, it also set up a more perfect than usual. Through the impact obtained indirectly perceived but in the long run, because **the** customers will stay doing the accessSMEs of the activities of the place. The longer the customer will feel that the location of the activity the more clean and comfortable to visit, besides the product quality are also increasingly due to production activities performed with the correct procedure [77].

Through the strengthening of institutional and production as well as control is good then it will improve the performance of SMEs [78]. The impact of that will be produced is the increase in sales gradually, adding **the** sale occurred because customers feel comfortable shopping in a place, they will come again **and** again to buy goods they did not come alone but invite their family and friends [79], in addition with the increased sales then the profit obtained a lot, so when the company decided it would do business expansion will be easier [80]. This also had an impact on financial services to offer loans [81]. Usually **the** banking parties difficult to make loans because of the growth of SMESS is very slow [82], but due to **the** rising level of sales of banking will be happy **to** give you a loan [83], besides the bank parties interested in lent, the leasing also offers loan shall include [84]. Another perceived impact of SMESS are SMESS are required to make the system a good report, ranging from the manufacture of balance sheet, profit loss report, the current cash flow to change budget [85], thus in the long term will providing financial information that can be used for banking [86].

Performance improvement model on SMESS based on green economy is indispensable because **in** the future will provide ease of access to finance and increase sales [87], of the model will **3**e provides the steps to form a network amongst SMESS, SMESS and sesame banking and this is the key to successful performance [88]. Model on improving **the** performance of SMESS through **the** strengthening of institutional and intuitional on SMESS based on green economy can be seen in Figure 5. 1:

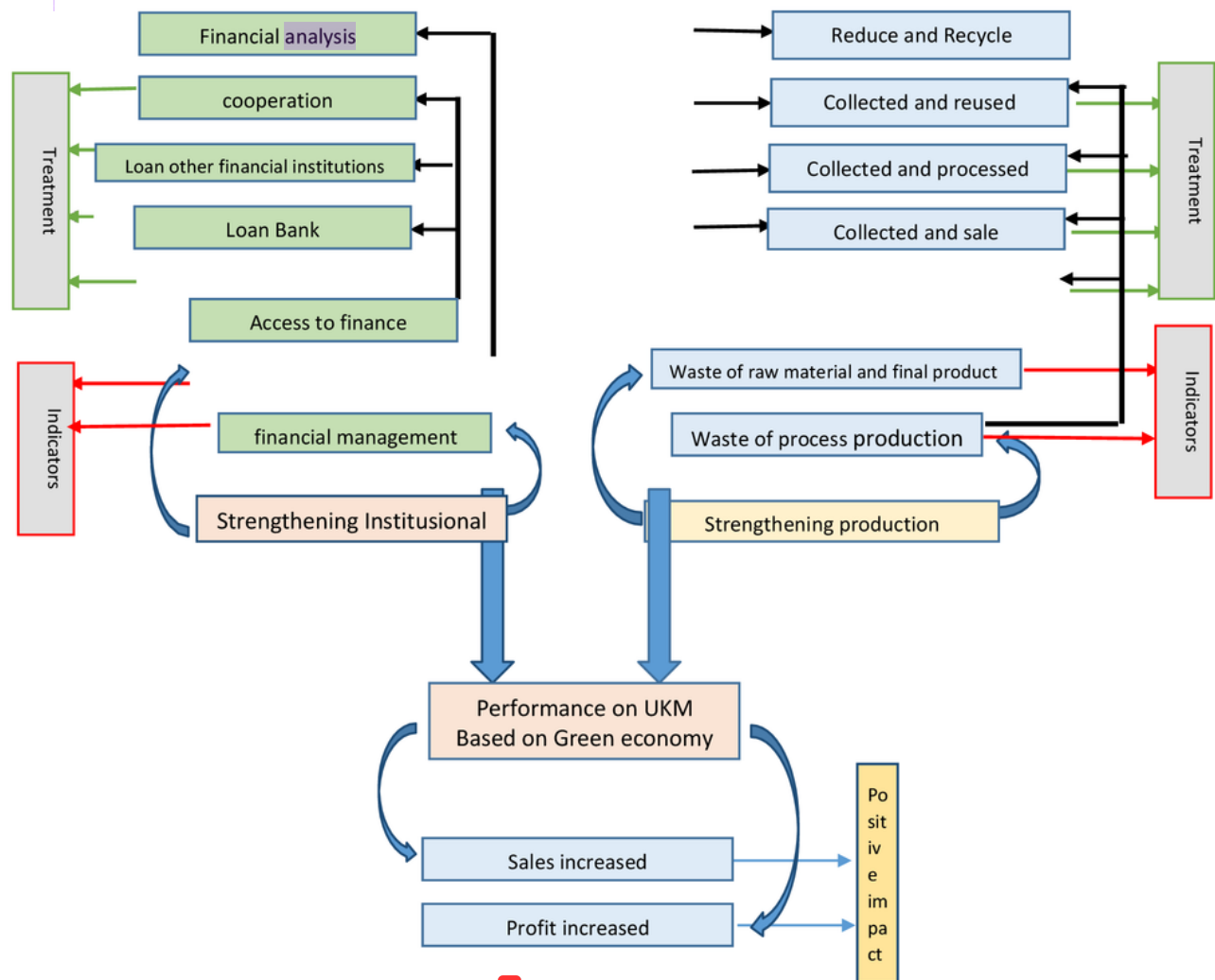


Figure 5. 1 Model on improving the performance of SMESS through the strengthening of institutional and intuitionl on SMESS based on green economy.

CONCLUSION

Based on the results of study that the depth in study of the theory and interview depth, then it can be concluded that a good model to improve the performance of SMES based on Green economy through strengthening production by performing the processing of all waste generated in the production process, the institutional strengthening through IE do well financial management as well as build a relationship to the world of banking. Through the model then the performance of SMEs will increase with the indicator increased sales and increased profits.

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