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Khrishna Murti, PhD

Head of Language Institute-HM Publisher

Email: khrishnamurti@gmail.com

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Factors Contributing to Eco-Friendly Business Practices in SMEs (Small and Medium Enterprises) with a Focus on Process Performance and Resources: A Study on Local Culinary SMEs North Kuin Village, South Kalimantan, Indonesia

Hastin Umi Anisah^{1*}, Wimby Wandary¹, Ariyani Wahyu Wijayanti²

¹Department of Management, Faculty of Economics and Business, Universitas Lambung Mangkurat, Banjarmasin, Indonesia

²Management Study Program, Faculty of Economics, Universitas Veteran Bangun Nusantara, Sukoharjo, Indonesia

*email: humianisah@ulm.ac.id

wimbywandary@ulm.ac.id

aryn.3d071208@gmail.com

Abstract

Green business practices (PBRs) are often overlooked by small and medium-sized enterprises (SMEs), despite being proven to provide competitive advantage, reduce risk, promote environmental sustainability, and improve organizational efficiency. This study analyzes the factors influencing PBR in local culinary SMEs, focusing on process performance (PP) and SME resources. This study uses a quantitative approach with Structural Equation Modeling (SEM) to analyze the effect of process performance (PP) and SME resources (fundamental resources (FR), upgrading capability (UC), and dynamic capabilities (DC)) on PBR in local culinary SMEs in North Kuin Village, South Kalimantan. The results showed that only fundamental resources (FR) and improvement ability (UC) had an effect on PBR in local culinary SMEs. SMEs with access to resources and the ability to increase capacity are more likely to implement PBR.

Keywords: Eco-friendly business practices, local culinary SMEs, process performance, SME resources

1.Introduction

Sustainability and environmental sustainability are central issues in the era of globalization. Awareness of the negative impact of human activities on the environment encourages various sectors to adopt environmentally friendly practices. In the business context, the concept of Environmentally Friendly Business Practices (PBR) emerged which refers to the application of environmentally friendly principles in all aspects of business operations. PBR

offers various benefits to the Company. Today's consumers are increasingly aware and concerned about the environment. PBR can help companies improve their image and reputation as responsible and sustainable companies. PBR can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. PBR can be a competitive advantage for companies, especially in markets that increasingly demand environmentally friendly products and services. PBR can help companies reduce regulatory and legal risks associated with environmental pollution. Although PBR has many benefits, its implementation among Small and Medium Enterprises (SMEs) is still relatively low. SMEs generally have limited financial, technological, and human resources to implement PBR. Many SME owners do not have enough knowledge and awareness about the importance of PBR. SMEs are often faced with pressure to lower the price of their products in order to compete. This can make them reluctant to incur additional costs for PBR.

Process Performance (PP) refers to the effectiveness and efficiency of production processes and business operations. A good PP can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. A good PP can help companies optimize the use of natural resources, thereby reducing consumption and waste. A good PP can help companies use energy more efficiently, thereby reducing greenhouse gas emissions. A good PP can help companies produce better quality products, thereby reducing product defects and waste. Fundamental Resources (FR) refers to the basic assets and capabilities owned by SMEs, such as capital, technology, and human resources. Strong FR can help SMEs in developing environmentally friendly technologies and products. Strong FR can assist SMEs in providing training for employees on PBR. Strong FR can assist SMEs in gaining access to information about PBR. UC refers to the ability of an SME to improve and develop its technology, its products, and its processes. UC can assist SMEs in developing environmentally friendly and sustainable products. UC can assist SMEs in improving the efficiency of production processes and operations, thereby reducing energy and raw material consumption. UC can assist SMEs in adopting new environmentally friendly technologies. Dynamic Capability (DC) refers to the ability of SMEs to adapt and respond to dynamic environmental changes. DC can assist SMEs in adjusting to new regulations on the environment. DC can assist SMEs in taking advantage of new opportunities in the green market. DC can assist SMEs in overcoming challenges in implementing PBR.

This research will focus on the factors that play a role in PBR in local culinary SMEs in North Kuin Village, South Kalimantan, Indonesia. North Kuin Village is one of the culinary centers in South Kalimantan with many SMEs engaged in culinary. This study will examine

two main factors that are thought to affect PBR, namely: 1. Process Performance (PP): PP refers to the effectiveness and efficiency of production processes and business operations. A good PP can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. 2. SME Resources: SME resources referred to in this study include: Fundamental resources (FR): FR refers to the basic assets and capabilities owned by SMEs, such as capital, technology, and human resources. Improvement capability (UC): UC refers to the ability of an SME to improve and develop its technology, its products, and its processes. Dynamic capability (DC): DC refers to the ability of SMEs to adapt and respond to dynamic environmental changes.

2. Literature Review

Theories Related to Green Business Practices

Stakeholder theory states that companies have responsibilities to various stakeholders, including customers, employees, suppliers, and the community. PBR can be seen as a way to fulfill corporate responsibilities to stakeholders. Today's consumers are increasingly aware and concerned about the environment. PBR can help companies improve their image and reputation as a responsible and sustainable company, thereby attracting more customers. PBR can create a healthier and safer work environment for employees. PBR can encourage companies to establish relationships with environmentally friendly suppliers. PBR can assist companies in contributing to environmental sustainability and sustainable development. Legitimacy theory states that companies need to gain legitimacy from society in order to operate and thrive. PBR can be seen as a way to gain legitimacy from society, as it shows that the company is responsible and cares about the environment. Institutional theory states that companies are influenced by the norms and rules that apply in their environment. PBR can be seen as a way to follow norms and rules related to the environment, such as regulations on environmental pollution. Natural Resource-Based View (NRBV) theory states that companies that have access to valuable natural resources can have a competitive advantage. PBR can be seen as a way to manage natural resources sustainably, so that a company can maintain its competitive advantage in the long run. The Porter Hypothesis states that strict environmental regulations can encourage companies to innovate and increase efficiency, thereby increasing their competitiveness. PBR can be seen as a way to comply with environmental regulations and simultaneously increase the competitiveness of the company. The theory of business ethics states that companies have a responsibility to behave ethically and responsibly. PBR can be seen as a way to conduct

business ethically and responsibly, taking into account the impact on the environment and society.

Theory of the Role of Process Performance (PP) on Environmentally Friendly Business Practices (PBR)

Process performance (PP) refers to the effectiveness and efficiency of production processes and business operations. A good PP can help companies optimize the use of natural resources, energy, and raw materials, thereby reducing consumption and waste. A good PP can help companies improve productivity and operating efficiency, resulting in products at lower costs. Improve quality: A good PP can help companies produce better quality products, thereby reducing product defects and waste. A good PP can help companies minimize greenhouse gas emissions, water pollution, and solid waste. A good PP can help companies use natural resources, energy, and raw materials more efficiently. A good PP can help companies produce better quality products, thereby reducing product defects and waste. A good PP can support PBR by minimizing environmental impact, increasing the efficiency of resource use, and improving product quality. Research shows that PP has a positive relationship with PBR. Improving PP can help companies implement PBR more effectively and efficiently.

The Role of Resources Theory in Green Business Practices

Resource-Based View (RBV) theory states that the resources owned by a company can be a source of competitive advantage. Eco-friendly technology, energy-efficient equipment, and infrastructure that supports PBR. Employees who have knowledge, skills, and awareness about PBR. Funds allocated for research and development of environmentally friendly technologies, as well as for the implementation of PBR. Access to information on PBR best practices, environmental regulations, and green technologies. Dynamic Capabilities (DC) theory refers to a firm's ability to integrate, build, and reconfigure its resources to adapt to environmental changes. DC enables companies to identify and utilize new technologies that can help them reduce their environmental impact. DC allows companies to collaborate with suppliers, customers, and other organizations to jointly implement PBR. DC enables companies to respond quickly and effectively to changes in environmental regulations. Natural Resource-Based View (NRBV) theory states that companies that have access to valuable natural resources can have a competitive advantage. In the context of PBR, NRBV shows that sustainable use of natural resources can help companies reduce greenhouse gas emissions, water pollution, and waste. Sustainable use of natural resources can help companies improve

the efficiency of energy and raw material use. Sustainable use of natural resources can enhance a company's reputation as a responsible and environmentally friendly company. Resources play an important role in PBR. RBV, DC, and NRBV demonstrate that companies that have the right resources and the ability to manage them effectively can achieve competitive advantage through PBR.

3.Methods

The study approaches quantitatively, survey design employed to obtain primary data sourced from local culinary SMEs that reside in South Kalimantan, Kuin Utara village e. A saturated sample was applied as a sampling technique resulted in $N = 42$. An offline questionnaire was used to assess the research's variables, i.e., green business practice (GBP), process performance (PP), and SME resources (namely, foundational resource/FR, upgrading capability/UC, and dynamic capability/DC). To obtain a complete and clear picture of the data, operational definitions arranged, as presented in table 1.

Table 1. Variable's Operational Definitions

Variable	Indicator	Items
Green Business Practices	Environmentally friendly daily operations	<ul style="list-style-type: none"> • Switch off the lights when not in use. • Use of low power consumption bulbs. • Use of low power consumption fans. • Use of solar power. • Use separate dustbins for solid and liquid waste. • Plant trees nearby your surroundings. • Reduce use of paper. • Promote eco-friendly products. • Make cashless transactions whenever possible. • Make available e-copies of bills, catalogues etc. to customers • Reuse packaging materials or cardboards. • Encourage customers to bring reusable bags with them. • Recycle of waste products. • Avoid use of disposable cups, plates, straws, packaged drinking water etc. • Conservation of water. • Preference of Public transport over personal vehicle.
SME's resources of:		
Fundamental Resource	Skillful worker	The company has a stable number of skillful workers.
	Customer Relationship	The company possesses a stable and high-quality customer group.
	Supplier Relationship	The company keeps good relationship with the suppliers, which secures a stable and effective supply
	Quality Control	This company can provide products with satisfactory quality to the customers, and the quality is steady.
	Branding	This company has strong capabilities in brand development and brand management.
Upgrading capability	Information Technology	The production process in this company is effectively supported with advanced information technology
	Quick Response	The company can respond quickly to the market changes, e.g., product design, quality, price, output elasticity, delivery, and placement.

Dynamic Capability	Human Resource Management	Human Resource management in this company is strong enough to ensure coherence of the organizational aim with maximized personal development of the employees.
	Organizational Learning	The strong organizational learning capability of the company ensures effective adjustment to the dynamics of external environments.
	Entrepreneurship	The leaders in this company are capable and innovative in decision-making, team motivation, and effective communication.
Process Performance	Strategic Adaptability	Since the financial crisis, the company has quickly adapted to the global market recession in strategy.
	Cost Control	Since the financial crisis, the company has been able to control costs properly (e.g., costs of raw material, labor, and land).
	Order Acquisition	Since the financial crisis, the company has still been able to receive stable orders successfully.
	External Communication	Since the financial crisis, the company has developed effective external communication channels and been able to work with external parties effectively.
	Internal cohesion	Since the financial crisis, the company has developed strong team cohesion and all the staff has been confident to and worked for the future.

Researchers use multiple regression analysis, a statistical method, to examine the relationship between one dependent variable and two or more independent variables. In research on the effect of process performance and SME resources on business performance, multiple regression analysis can help determine how much each independent variable contributes to the dependent variable, as well as test the significance and direction of the relationship. Multiple regression analysis can also measure the level of fit of the regression model with the data used. To perform multiple regression analysis, researchers must fulfill several assumptions, such as normality, linearity, multicollinearity, homoscedasticity, and independent error.

3. Results and discussion

This sample of 42 local culinary SMEs in Indonesia is interesting for its unique characteristics (table 1). Notably, all respondents (100%) were female. The majority (83.3%) identified as business owners, suggesting a high prevalence of female entrepreneurship in this sector. Education levels were diverse, with 68.7% holding a high school diploma, 2.86% being scholars (presumably with postgraduate degrees), and the remaining 28.44% having education levels ranging from junior high to elementary school. This highlights the presence of both well-educated and less formally educated individuals running these businesses. An important finding is that none of the businesses were reported as the primary source of income for the owners. This suggests these SMEs may be supplementary income streams alongside other sources of livelihood. The employee count varied considerably. A significant portion (61.9%) were self-

employed with no employees, indicating a prevalence of micro-businesses. However, there were also businesses with 1-3 employees (14.3%) and 5-19 employees (23.8%). Looking specifically at businesses with employees, Kerupuk producers (local fish cracker makers) comprised the highest share (23.81%), followed by caterers (11.91%). The remaining 64.28% represent other diverse culinary businesses. Financial data revealed that a large majority (83.3%) reported a business revenue of 5 million Indonesian Rupiah (IDR), which is approximately equivalent to 320 USD based on January 2024 exchange rates. This suggests a concentration of businesses operating within a similar revenue range. For businesses with the 5 million IDR revenue, most (26.19%) had been operating for 1-3 years. Only a small percentage (9.53%) reported revenue exceeding 5 million IDR, with a business tenure of 4 to 15 years. In conclusion, this sample of local culinary SMEs reveals a profile dominated by female entrepreneurs, with a mix of education levels and business sizes. Most businesses are not the primary source of income and tend to operate within a similar revenue range. These characteristics provide a valuable baseline for understanding the landscape of local culinary SMEs in this region.

Table 1. Characteristics of Respondents

Characteristic	Description	Percentage
Gender	Female	100%
Job Title	Business Owner	83.3%
Education Level		
	High School Graduate	68.7%
	Scholar	2.86%
	Junior High to Elementary	28.44%
Employee Count		
	None (Self-Employed)	61.9%
	1-3 Browse	14.3%
	5-19 People	23.8%
Industry (Among Businesses with Employees)		
	Crackers Producer (Fish Crackers)	23.81%
	Caterer	11.91%
	Others	64.28%
Business Revenue	5 Million IDR (approx. 320 USD)	83.3%
Business Tenure (Among Businesses with Revenue of 5 Million IDR)	1-3 Years	26.19%
Business Revenue (Over 5 Million IDR)	Over 5 Million IDR	9.53%

Business Tenure (Over 5 Million IDR)	4 to 15 Years	
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Table 2 shows that the constant in this regression is 17,853. This value shows that the average GBP score for culinary MSMEs is positive even when process performance (PP), fundamental resources (FR), capability improvement (UC), and dynamic capability (DC) are zero. This shows that culinary MSMEs have a tendency to implement GBP even in the absence of these factors. Process Performance (PP): The PP coefficient is 0.031, indicating a positive relationship. This means that an increase of one unit in PP is associated with an increase of 0.031 in the GBP score. This shows that the better the process performance, the higher the GBP level applied by culinary MSMEs. Fundamental Resources (FR): The RF coefficient is 0.961, indicating a strong positive relationship. This means that an increase of one unit in FR is associated with an increase of 0.961 in the GBP score. This shows that strong fundamental resources, such as worker skills, customer relationships, and quality control, have a major influence on the adoption of GBP by culinary MSMEs. Enhancement Ability (UC): The UC coefficient is 1.103, indicating the strongest positive relationship. This means that a one-unit increase in UC is associated with a 1,103% increase in GBP score. This shows that the ability to improve technology, information, and response to market changes is critical in encouraging culinary MSMEs to implement GBP. Dynamic Capability (DC): The DC coefficient is 0.093, indicating a positive relationship. This means that an increase of one unit in DC is associated with a 0.093 increase in the GBP score. This shows that the ability to adapt to change, learn from experience, and innovate is also important in driving GBP in culinary MSMEs. The regression results show that all variables, namely PP, FR, UC, and DC, have a positive relationship with GBP. This shows that these four factors are important in encouraging culinary MSMEs to implement environmentally friendly business practices. However, the results showed that FR and UC had a positive and significant influence on PBR, PP did not have a significant effect on PBR and DC did not have a significant effect on PBR, either directly or indirectly.

Regression analysis equation: $GBP = 17.853 + 0.031PP + 0.961FR + 1.103UC + 0.093DC$

Table 2. Regression analysis of test variables

Variable	Coefficient	Interpretation
Constant	17,853	The average GBP score for culinary SMEs even when process performance (PP), fundamental resources (FR), upgrading capability (UC), and dynamic capability (DC) are zero.

Process Performance (PP)	0,031	Positive relationship. A one-unit increase in PP is associated with a 0.031 increase in GBP score.
Fundamental Resource (FR)	0,961	Positive relationship. A one-unit increase in FR is associated with a 0.961 increase in GBP score.
Upgrading Capability (UC)	1.103	Positive relationship. A one-unit increase in UC is associated with a 1.103 increase in GBP score.
Dynamic Capability (DC)	0,093	Positive relationship. A one-unit increase in DC is associated with a 0.093 increase in GBP score.

Table 3 shows significant F Test results with a value of 0.000, which is much smaller than 0.05 (general significance level). This shows that the entire regression model is statistically significant. This means that there is a significant relationship between the independent variable (PP, FR, UC, and DC) and the dependent variable (GBP). The adjusted R-squared value indicates how much variability in GBP is described by the model. In this table, the adjusted R-squared is 0.763. This means that this model explains 76.3% variability in GBP after accounting for the number of independent variables used. The remaining 23.7% of GBP variability was explained by other factors not tested in the study. The results of the F Test and adjusted R-squared show that this regression model is suitable for predicting GBP based on PP, FR, UC, and DC. This model explains most of the variability in GBP, and the independent variable used has a significant relationship with GBP.

Table 3. F-Test and Model Fit Summary

Statistics	Description	Result	Interpretation
F-Test	Tests significance of all independent variables	0.000	All independent variables (PP, FR, UC, DC) have a statistically significant effect on GBP ($p < 0.05$).
Adjusted R-squared	Model's explanatory power	0.763	The model explains 76.3% of the variance in Green Business Practices (GBP).

The findings of this study suggest that SMEs with access to resources and the ability to increase their capacity are more likely to implement Green Business Practices (PBRs). This is in line with several previous theories and studies. Resource-Based View (RBV) theory explains that an organization's resources and capabilities are key factors in achieving competitive advantage. In the context of PBR, access to resources such as finance, technology, and knowledge can assist SMEs in developing and implementing environmentally friendly

practices. Dynamic Capabilities theory emphasizes the importance of an organization's ability to adapt and change in the face of a dynamic environment. In the context of PBR, SMEs with high dynamic capabilities can more easily adjust to regulations and market demands related to PBR. A study found that SMEs with greater financial resources are more likely to invest in green technologies. Another study shows that SMEs with the ability to learn and innovate more easily implement PBR. The findings of this study reinforce findings from previous studies and make new contributions to the literature on PBR in SMEs. Access to resources and the ability to increase capacity are important factors in encouraging SMEs to implement PBR. SMEs with higher resources and capabilities can more easily overcome obstacles in implementing PBR. The findings of this study have important implications for stakeholders who want to drive PBR in SMEs. Governments can provide financial support and training to SMEs to improve their access to the resources and capabilities needed to implement PBR. Nonprofits can assist SMEs in developing and implementing PBR by providing information, training, and technical support. SMEs can increase their chances of success in implementing PBR by investing in the necessary resources and capabilities.

The findings of this study suggest that PP has no effect on PBR. This is contrary to the theory that good PP can increase PBR. This may be due to several factors. First, local culinary SMEs may have low PP rates overall, so the effect on PBR is not significant. Secondly, PBR may not be a top priority for local culinary SMEs, so they do not focus on improving PP to achieve this goal. The findings of this study are in line with several previous studies showing that PP does not always have a significant effect on PBR. This suggests that there may be other factors that are more important in determining the PBR of local culinary SMEs, such as human resources, marketing strategies, and market conditions. The study's findings have several implications for local culinary SMEs and policymakers. First, local culinary SMEs need to focus on improving factors other than PP to increase their PBR. Second, policymakers need to consider factors other than PP when formulating policies aimed at increasing the PBR of local culinary SMEs.

The findings of this study show that there is a positive and significant influence between DC and PBR on local culinary SMEs. This is in line with the theory put forward that DC can increase PBR through several mechanisms, namely increasing the ability of SMEs to adapt to dynamic and competitive environmental changes, developing new products and services that are innovative and in accordance with market needs, increasing operating efficiency and reducing costs and building strong relationships with customers and partners. The findings of this study also reinforce the results of previous studies showing that DC can be a source of

competitive advantage for SMEs. Although this study found results that are in line with previous theories and studies, there are some differences that need to be noted. Previous studies have not shown a significant effect of DC on PBR, either directly or indirectly. This may be due to several factors, such as: The nature of DC is complex and takes time to develop. Local culinary SMEs may still be in the early stages of DC development, so their effect on PBR is yet to be seen. Previous studies may have been conducted in different industrial sectors from local culinary SMEs, so the results of the research cannot be generalized directly. The study found that DC has a significant direct influence on PBR. This shows that DC not only increases PBR through indirect mechanisms, such as increasing SMEs' ability to adapt to environmental changes and develop new products and services, but also directly increases PBR through other mechanisms, such as improving operating efficiency and building strong relationships with customers. The findings of this study suggest that DC is an important factor that can increase PBR. Local culinary SMEs need to invest in DC development to improve their competitiveness in the market. The government can support local culinary SMEs in developing DC through various programs and policies, such as training, funding, and incentives.

5. Conclusion

This research shows that FR and UC are important factors in PBR in local culinary SMEs. These findings provide insight for stakeholders, such as governments, SME development agencies, and non-governmental organizations, in developing programs and strategies to encourage PBR in SMEs.

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Submission Acknowledgement

Dear **Hastin Umi Anisah***,

Thank you for submitting the manuscript "**Factors Contributing to Environmentally Friendly Business Practices in SMEs (Small and Medium Enterprises) With a Focus on Process Performance and Resources: Study of Local Culinary SMEs in North Kuin Village, South Kalimantan, Indonesia**" by "**Hastin Umi Anisah*, Wimby Wandary, Ariyani Wahyu Wijayanti**" to Open Access Indonesia Journal of Social Sciences [OAIJSS]. The paper will be screened and reviewed by peer reviewers.

Thank you for considering this journal as a venue for your work.

Regards,

Editorial Team

Peer Review Results

Dear author(s),

Hastin Umi Anisah*, Wimby Wandary, Ariyani Wahyu Wijayanti has submitted the manuscript "Factors Contributing to Environmentally Friendly Business Practices in SMEs (Small and Medium Enterprises) With a Focus on Process Performance and Resources: Study of Local Culinary SMEs in North Kuin Village, South Kalimantan, Indonesia" to Open Access Indonesia Journal of Social Sciences. The decision : Revision Required.

Cordially,



Prof. Paula Magnano, PhD

Editor



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Reviewer 1

Review of Research on PBR in Local Culinary SMEs

This research investigates the factors influencing environmentally friendly business practices (PBR) in local culinary SMEs, focusing on process performance (PP) and SME resources. Here's a breakdown of the key points and some suggestions for improvement:

Strengths:

- **Relevance:** The topic is relevant, as PBR adoption by SMEs can offer environmental and economic benefits.
- **Quantitative Approach:** Utilizing SEM for data analysis strengthens the research methodology.
- **Focus on Local Context:** Studying local culinary SMEs provides valuable insights into a specific sector.

Areas for Improvement:

- **Limited Findings:** While the research identifies FR and UC as influencing PBR, it doesn't explain why PP and DC didn't show significance. Exploring potential reasons for these unexpected findings would enrich the research.
- **Theoretical Framework:** Consider incorporating relevant theoretical frameworks that link process performance, SME resources, and PBR. This would strengthen the argument for the chosen variables.
- **Generalizability:** The study focuses on a single village. Discussing limitations of generalizability and potential future research exploring broader contexts would be valuable.
- **Environmental Impact:** While PBR is mentioned, the research could be strengthened by explicitly discussing how the identified factors (FR & UC) contribute to specific environmental benefits (e.g., reduced waste, lower energy consumption).

Additional Recommendations:

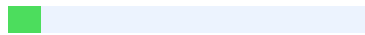
- Consider including a literature review to establish the current understanding of PBR in SMEs and the role of process performance and resources.
- Explore potential mediating or moderating variables that might influence the relationship between the studied factors and PBR.
- Discuss the practical implications of the findings. How can local culinary SMEs leverage FR and UC to implement PBR strategies?



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Factors Contributing to Eco-Friendly Business Practices in SMEs (Small and Medium Enterprises) with a Focus on Process Performance and Resources: A Study on Local Culinary SMEs North Kuin Village, South Kalimantan, Indonesia

Hastin Umi Anisah^{1*}, Wimby Wandary¹, Ariyani Wahyu Wijayanti²

¹Department of Management, Faculty of Economics and Business, Universitas Lambung Mangkurat, Banjarmasin, Indonesia

²Management Study Program, Faculty of Economics, Universitas Veteran Bangun Nusantara, Sukoharjo, Indonesia

*email: humianisah@ulm.ac.id

wimbywandary@ulm.ac.id

aryn.3d071208@gmail.com

Abstract

Green business practices (PBRs) are often overlooked by small and medium-sized enterprises (SMEs), despite being proven to provide competitive advantage, reduce risk, promote environmental sustainability, and improve organizational efficiency. This study analyzes the factors influencing PBR in local culinary SMEs, focusing on process performance (PP) and SME resources. This study uses a quantitative approach with Structural Equation Modeling (SEM) to analyze the effect of process performance (PP) and SME resources (fundamental resources (FR), upgrading capability (UC), and dynamic capabilities (DC)) on PBR in local culinary SMEs in North Kuin Village, South Kalimantan.

19 The results showed that only fundamental resources (FR) and improvement ability (UC) had an effect on PBR in local culinary SMEs. SMEs with access to resources and the ability to increase capacity are more likely to implement PBR.

Keywords: Eco-friendly business practices, local culinary SMEs, process performance, SME resources

1. Introduction

Sustainability and environmental sustainability are central issues in the era of globalization.

Awareness of ¹⁷ the negative impact of human activities on the environment encourages various sectors to adopt environmentally friendly practices. In the business context, the concept of Environmentally Friendly Business Practices (PBR) emerged which refers to the application of environmentally friendly principles in all aspects of business operations. PBR offers various benefits to the Company. Today's consumers are increasingly aware and concerned about the environment. PBR can help companies improve their image and reputation as responsible and sustainable companies. PBR can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. PBR can be a competitive advantage for companies, especially in markets that increasingly demand environmentally friendly products and services. PBR can help companies reduce regulatory and legal risks associated with environmental pollution.

Although PBR has many benefits, its implementation among ¹² Small and Medium Enterprises (SMEs) is still relatively low. SMEs generally have limited financial, technological, and human resources to implement PBR. Many SME owners do not have enough knowledge and awareness about the importance of PBR. SMEs are often faced with pressure to lower the price of their products in order to compete. This can make them reluctant to incur additional costs for PBR.

Process Performance (PP) refers to the effectiveness and efficiency of production processes and business operations. A good PP can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. A good PP can help companies optimize the use of natural resources, thereby reducing consumption and waste. A good PP can help companies use energy more efficiently, thereby reducing greenhouse gas emissions. A good PP can help companies produce better quality products, thereby reducing product defects and waste. Fundamental

Resources (FR) refers to the basic assets and capabilities owned by SMEs, such as capital, technology, and human resources. Strong FR can help SMEs in developing environmentally friendly technologies and products. Strong FR ²⁰ can assist SMEs in providing training for employees on PBR. Strong FR can assist SMEs in gaining access to

information about PBR. ²¹ UC refers to the ability of an SME to improve and develop its technology, its products, and its processes. UC can assist SMEs in developing environmentally friendly and sustainable products. UC can assist SMEs in improving the efficiency of production processes and operations, thereby reducing energy and raw material consumption. UC can assist SMEs in adopting new environmentally friendly technologies. Dynamic Capability (DC) refers to the ability of SMEs to adapt and respond to dynamic environmental changes. DC can assist SMEs in adjusting to new regulations on the environment. DC can assist SMEs in taking advantage of new opportunities in the green market. DC can assist SMEs in overcoming challenges in implementing PBR. This research will focus on the factors that ³ play a role in PBR in local culinary SMEs in North Kuin Village, South Kalimantan, Indonesia. North Kuin Village is one of the culinary centers in South Kalimantan with many SMEs engaged in culinary. This study will examine two main factors that are thought to affect PBR, namely: 1. Process Performance (PP): PP refers to the effectiveness and efficiency of production processes and business operations. A good PP can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. 2. SME Resources: SME resources referred to in this study include: Fundamental resources (FR): FR refers to the basic assets and capabilities owned by SMEs, such as capital, technology, and human resources. Improvement capability (UC): ²¹ UC refers to the ability of an SME to improve and develop its technology, its products, and its processes. Dynamic capability (DC): DC refers to the ability of SMEs to adapt and respond to dynamic environmental changes.

2. Literature Review

Theories Related to Green Business Practices

Stakeholder theory states that companies have responsibilities to various stakeholders, including customers, employees, suppliers, and the community. PBR can be seen as a way to fulfill corporate responsibilities to stakeholders. Today's consumers are increasingly aware and concerned about the environment. PBR can help companies improve their

image and reputation as a responsible and sustainable company, thereby attracting more customers. PBR can create a healthier and safer work environment for employees. PBR can encourage companies to establish relationships with environmentally friendly suppliers. PBR can assist companies in contributing to environmental sustainability and sustainable development. Legitimacy theory states that companies need to gain legitimacy from society in order to operate and thrive. PBR can be seen as a way to gain legitimacy from society, as it shows that the company is responsible and cares about the environment. Institutional theory states that companies are influenced by the norms and rules that apply in their environment. PBR can be seen as a way to follow norms and rules related to the environment, such as regulations on environmental pollution. Natural Resource-Based View (NRBV) theory states that companies that have access to valuable natural resources can have a competitive advantage. PBR can be seen as a way to manage natural resources sustainably, so that a company can maintain its competitive advantage in the long run. The Porter Hypothesis states that strict environmental regulations can encourage companies to innovate and increase efficiency, thereby increasing their competitiveness. PBR can be seen as a way to comply with environmental regulations and simultaneously increase the competitiveness of the company. The theory of business ethics states that companies have a responsibility to behave ethically and responsibly. PBR can be seen as a way to conduct business ethically and responsibly, taking into account the impact on the environment and society.

Theory of the Role of Process Performance (PP) on Environmentally Friendly Business Practices (PBR)

Process performance (PP) refers to the effectiveness and efficiency of production processes and business operations. A good PP can help companies optimize the use of natural resources, energy, and raw materials, thereby reducing consumption and waste. A good PP can help companies improve productivity and operating efficiency, resulting in products at lower costs. Improve quality: A good PP can help companies produce better

quality products, thereby reducing product defects and waste. A good PP can help companies minimize greenhouse gas emissions, water pollution, and solid waste. A good PP can help companies use natural resources, energy, and raw materials more efficiently. A good PP can help companies produce better quality products, thereby reducing product defects and waste. A good PP can support PBR by minimizing environmental impact, increasing the efficiency of resource use, and improving product quality. Research shows that PP has a positive relationship with PBR. Improving PP can help companies implement PBR more effectively and efficiently.

The Role of Resources Theory in Green Business Practices

Resource-Based View (RBV) theory states that the resources owned by a company can be a source of competitive advantage. Eco-friendly technology, energy-efficient equipment, and infrastructure that supports PBR. Employees who have knowledge, skills, and awareness about PBR. Funds allocated for research and development of environmentally friendly technologies, ¹⁴ as well as for the implementation of PBR. Access to information on PBR best practices, environmental regulations, and green technologies. Dynamic Capabilities (DC) theory refers to a firm's ability to integrate, build, and reconfigure its resources to adapt to environmental changes. DC enables companies to identify and utilize new technologies that can help them ²² reduce their environmental impact. DC allows companies to collaborate with suppliers, customers, and other organizations to jointly implement PBR. DC enables companies to respond quickly and effectively to changes in environmental regulations. Natural Resource-Based View (NRBV) theory states that companies that have access to valuable natural resources can have a competitive advantage. ⁷ In the context of PBR, NRBV shows that sustainable use of natural resources can help companies reduce greenhouse gas emissions, water pollution, and waste. ¹⁶ Sustainable use of natural resources can help companies improve the efficiency of energy and raw material use. Sustainable use of natural resources can enhance a company's reputation as a responsible and environmentally friendly company. Resources

play an important role in PBR. RBV, DC, and NRBV demonstrate that companies that have the right resources and the ability to manage them effectively can achieve competitive advantage through PBR.

3. Methods

The study approaches quantitatively, survey design employed to obtain primary data sourced from local culinary SMEs that reside in South Kalimantan, Kuin Utara village e. A saturated sample was applied as a sampling technique resulted in N = 42. An offline questionnaire was used to assess the research's variables, i.e., green business practice (GBP), process performance (PP), and SME resources (namely, foundational resource/FR, upgrading capability/UC, and dynamic capability/DC). To obtain a complete and clear picture of the data, operational definitions arranged, as presented in table 1.

Table 1. Variable's Operational Definitions

Variable

Indicator

Items

Green Business Practices

Environmentally friendly daily operations

- Switch off the lights when not in use.
- Use of low power consumption bulbs.
- Use of low power consumption fans.
- Use of solar power.
- Use separate dustbins for solid and liquid waste.
- Plant trees nearby your surroundings.
- Reduce use of paper.
- Promote eco-friendly products.
- Make cashless transactions whenever possible.
- Make available e-copies of bills, catalogues etc. to customers

- Reuse packaging materials or cardboards.
- Encourage customers to bring reusable bags with them.
- Recycle of waste products.
- Avoid use of disposable cups, plates, straws, packaged drinking water etc.
- Conservation of water.
- Preference of Public transport over personal vehicle.

SME's resources of:

Fundamental Resource

Skillful worker

'The company has a stable number of skillful workers.

Customer Relationship

The company possesses a stable and high-quality customer group.

Supplier Relationship

The company keeps good relationship with the suppliers, which secures a stable and effective supply

Quality Control

This company can provide products with satisfactory quality to the customers, and the quality is steady.

Branding

This company has strong capabilities in brand development and brand management.

Upgrading capability

Information Technology

The production process in this company is effectively supported with advanced information technology

Quick Response

The company can respond quickly to the market changes, e.g., product design, quality, price, output elasticity, delivery, and placement.

Dynamic Capability

Human Resource Management

Human Resource management in this company is strong enough to ensure coherence of the organizational aim with maximized personal development of the employees.

Organizational Learning

The strong organizational learning capability of the company ensures effective adjustment to the dynamics of external environments.

Entrepreneurship

The leaders in this company are capable and innovative in decision-making, team motivation, and effective communication.

Process Performance

Strategic Adaptability

Since the financial crisis, the company has quickly adapted to the global market recession in strategy.

Cost Control

Since the financial crisis, the company has been able to control costs properly (e.g., costs of raw material, labor, and land).

Order Acquisition

Since the financial crisis, the company has still been able to receive stable orders successfully.

External Communication

Since the financial crisis, the company has developed effective external communication channels and been able to work with external parties effectively.

Internal cohesion

Since the financial crisis, the company has developed strong team cohesion and all the staff has been confident to and worked for the future.

Researchers use multiple regression analysis, a statistical method, to examine ⁸ the relationship between one dependent variable and two or more independent variables. In research on the effect of process performance and SME resources on business performance, multiple regression analysis can help determine how much each independent variable contributes to the dependent variable, as well as test the significance and direction of the relationship. Multiple regression analysis can also measure the level of fit ⁸ of the regression model with the data used. To perform multiple regression analysis, researchers must fulfill several assumptions, such as normality, linearity, multicollinearity, homoscedasticity, and independent error.

3.Results and discussion

This sample of 42 local ¹⁹ culinary SMEs in Indonesia is interesting for its unique

characteristics (table 1). Notably, all respondents (100%) were female. The majority (83.3%) identified as business owners, suggesting a high prevalence of female entrepreneurship in this sector. Education levels were diverse, with 68.7% holding a high school diploma, 2.86% being scholars (presumably with postgraduate degrees), and the remaining 28.44% having education levels ranging from junior high to elementary school. This highlights the presence of both well-educated and less formally educated individuals running these businesses. An important finding is that none of the businesses were reported as the primary source of income for the owners. This suggests these SMEs may be supplementary income streams alongside other sources of livelihood. The employee count varied considerably. A significant portion (61.9%) were self-employed with no employees, indicating a prevalence of micro-businesses. However, there were also businesses with 1-3 employees (14.3%) and 5-19 employees (23.8%). Looking specifically at businesses with employees, Kerupuk producers (local fish cracker makers) comprised the highest share (23.81%), followed by caterers (11.91%). The remaining 64.28% represent other diverse culinary businesses. Financial data revealed that a large majority (83.3%) reported a business revenue of 5 million Indonesian Rupiah (IDR), which is approximately equivalent to 320 USD based on January 2024 exchange rates. This suggests a concentration of businesses operating within a similar revenue range. For businesses with the 5 million IDR revenue, most (26.19%) had been operating for 1-3 years. Only a small percentage (9.53%) reported revenue exceeding 5 million IDR, with a business tenure of 4 to 15 years. In conclusion, this sample of local culinary SMEs reveals a profile dominated by female entrepreneurs, with a mix of education levels and business sizes. Most businesses are not the primary source of income and tend to operate within a similar revenue range. These characteristics provide a valuable baseline for understanding the landscape of local culinary SMEs in this region.

Table 1. Characteristics of Respondents

Characteristic

Description

Percentage

Gender

Female

100%

Job Title

Business Owner

83.3%

Education Level

High School Graduate

68.7%

Scholar

2.86%

Junior High to Elementary

28.44%

Employee Count

None (Self-Employed)

61.9%

1-3 Browse

14.3%

5-19 People

23.8%

Industry (Among Businesses with Employees)

Crackers Producer (Fish Crackers)

23.81%

Caterer

11.91%

Others

64.28%

Business Revenue

5 Million IDR (approx. 320 USD)

83.3%

Business Tenure (Among Businesses with Revenue of 5 Million IDR)

1-3 Years

26.19%

Business Revenue (Over 5 Million IDR)

Over 5 Million IDR

9.53%

Business Tenure (Over 5 Million IDR)

4 to 15 Years

Table 2 shows that the constant in this regression is 17,853. This value shows that the

average GBP score for culinary MSMEs is positive even when process performance (PP), fundamental resources (FR), capability improvement (UC), and dynamic capability (DC) are zero. This shows that culinary MSMEs have a tendency to implement GBP even in the absence of these factors. Process Performance (PP): The PP coefficient is 0.031, indicating a positive relationship. This means that an increase of one unit in PP is associated with an increase of 0.031 in the GBP score. This shows that the better the process performance, the higher the GBP level applied by culinary MSMEs. Fundamental Resources (FR): The RF coefficient is 0.961, ⁸ indicating a strong positive relationship. This means that an increase of one unit in FR is associated with an increase of 0.961 in the GBP score. This shows that strong fundamental resources, such as worker skills, customer relationships, and quality control, have a major influence ³ on the adoption of GBP by culinary MSMEs. Enhancement Ability (UC): The UC coefficient is 1.103, indicating the strongest positive relationship. This means that ¹ a one-unit increase in UC is associated with a 1,103% increase in GBP score. This shows that the ability to improve technology, information, and response to market changes is critical in encouraging culinary MSMEs to implement GBP. Dynamic Capability (DC): The DC coefficient is 0.093, indicating a positive relationship. This means that an increase of one unit in DC is associated with a 0.093 increase in the GBP score. This shows that the ability ²² to adapt to change, learn from experience, and innovate is also important in driving GBP in culinary MSMEs. The regression results show that all variables, namely PP, FR, UC, and DC, have ¹ a positive relationship with GBP. This shows that these four factors are important in encouraging culinary MSMEs to implement environmentally friendly business practices. However, the results showed that FR and UC had a positive and significant influence on PBR, PP did not have a significant effect on PBR and DC did not have a significant effect on PBR, either directly or indirectly.

Regression analysis equation: $GBP = 17.853 + 0.031PP + 0.961FR + 1.103UC + 0.093DC$

Table 2. Regression analysis of test variables

Variable

Coefficient

Interpretation

Constant

17,853

The average GBP score for culinary SMEs even when process performance (PP), fundamental resources (FR), upgrading capability (UC), and dynamic capability (DC) are zero.

Process Performance (PP)

0,031

Positive relationship. ¹ A one-unit increase in PP is associated with a 0.031 increase in GBP score.

Fundamental Resource (FR)

0,961

Positive relationship. A one-unit increase in FR is associated with a 0.961 increase in GBP score.

Upgrading Capability (UC)

1.103

Positive relationship. A one-unit increase in UC is associated with a 1.103 increase in GBP score.

Dynamic Capability (DC)

0,093

Positive relationship. A one-unit increase in DC is associated with a 0.093 increase in GBP score.

Table 3 shows significant F Test results with a value of 0.000, which is much smaller than 0.05 (general significance level). This shows that the entire regression model is statistically

significant. This means that there is a significant relationship between the independent variable (PP, FR, UC, and DC) and the dependent variable (GBP). The adjusted R-squared value indicates how much variability in GBP **3** is described by the model. In this table, the adjusted R-squared is 0.763. This means that this model explains 76.3% variability in GBP after accounting for **the number of independent variables** used. The remaining 23.7% of GBP variability was explained by other factors not tested in the study. **The results of the** F Test and adjusted R-squared show that this regression model is suitable for predicting GBP based on PP, FR, UC, and DC. This model explains most of the variability in GBP, and the independent variable used has a significant relationship with GBP.

Table 3. F-Test and Model Fit Summary

Statistics

Description

Result

Interpretation

F-Test

Tests significance of all independent variables

0.000

All independent variables (PP, FR, UC, DC) have a statistically significant effect on GBP ($p < 0.05$).

Adjusted R-squared

Model's explanatory power

0.763

The model explains 76.3% **8** of the variance in Green Business Practices (GBP).

2 **The findings of this study** suggest that SMEs with access to resources and the ability to increase their capacity are more likely to implement Green Business Practices (PBRs).

This is in line with several previous theories and studies. Resource-Based View (RBV) theory explains that an organization's resources and capabilities are key factors in achieving competitive advantage. ³ In the context of PBR, access to resources such as finance, technology, and knowledge can assist SMEs in developing and implementing environmentally friendly practices. Dynamic Capabilities theory emphasizes the importance of an organization's ability ¹ to adapt and change in the face of a dynamic environment. ³ In the context of PBR, SMEs with high dynamic capabilities can more easily adjust to regulations and market demands related to PBR. A study found that SMEs with greater financial resources are more likely to invest in green technologies. Another study shows that SMEs with the ability to learn and innovate more easily implement PBR. ² The findings of this study reinforce findings from previous studies and make new contributions to the literature on PBR in SMEs. Access to resources and the ability to increase capacity are important factors in encouraging SMEs to implement PBR. SMEs with higher resources and capabilities can more easily overcome obstacles in implementing PBR. ² The findings of this study have important implications for stakeholders who want to drive PBR in SMEs. Governments can provide financial support and training to SMEs to improve their access to the resources and capabilities needed to implement PBR. Nonprofits can assist SMEs in developing and implementing PBR by providing information, training, and technical support. SMEs can ¹ increase their chances of success in implementing PBR by investing in the necessary resources and capabilities. ² The findings of this study suggest that PP has no effect on PBR. This is contrary to the theory that good PP can increase PBR. This may be due to several factors. First, local culinary SMEs may have low PP rates overall, so the effect on PBR is not significant. Secondly, PBR may not be a top priority for local culinary SMEs, so they do not focus on improving PP to achieve this goal. ² The findings of this study are in line with several previous studies showing that PP does not always have a significant effect on PBR. This suggests that there may be other factors that are more important in determining the PBR of local culinary SMEs, such as human resources, marketing strategies, and market

conditions. The study's findings have several implications for local culinary SMEs and policymakers. First, local culinary SMEs ⁷ need to focus on improving factors other than PP to increase their PBR. Second, policymakers need to consider factors other than PP when formulating policies aimed at increasing the PBR of local culinary SMEs.

¹⁵ The findings of this study show that there is a positive and significant influence between DC and PBR on local culinary SMEs. This is in line with the theory put forward that DC can increase PBR through several mechanisms, namely increasing the ability of SMEs to adapt to dynamic and competitive environmental changes, developing new products and services that are innovative and in accordance with market needs, increasing operating efficiency and reducing costs and building strong relationships with customers and partners. ² The findings of this study also reinforce the results of previous studies showing that DC can be a source of competitive advantage for SMEs. Although this study found results that are in line with previous theories and studies, there are some differences that need to be noted. Previous studies have not shown a significant effect of DC on PBR, either directly or indirectly. This may be due to several factors, ²⁴ such as: The nature of DC is complex and takes time to develop. Local culinary SMEs may still be in the early stages of DC development, so their effect on PBR is yet to be seen. Previous studies may have been conducted in different industrial sectors from local culinary SMEs, so ³ the results of the research cannot be generalized directly. The study found that DC has a significant direct influence on PBR. This shows that DC not only increases PBR through indirect mechanisms, such as increasing SMEs' ability to adapt to environmental changes and develop new products and services, but also directly increases PBR through other mechanisms, such as improving operating efficiency and building strong relationships with customers. ² The findings of this study suggest that DC is an important factor that can increase PBR. Local culinary SMEs need to invest in DC development to improve their competitiveness in the market. The government can support local culinary SMEs in developing DC through various programs and policies, such as training, funding, and incentives.

5. Conclusion

This research shows that FR and UC are important factors in PBR in local culinary SMEs. These findings provide insight for stakeholders, such as governments, SME development agencies, and non-governmental organizations, in developing programs and strategies to encourage PBR in SMEs.

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Factors Contributing to Environmentally Friendly Business Practices in SMEs (Small and Medium Enterprises) With a Focus on Process Performance and Resources: Study of Local Culinary SMEs in North Kuin Village, South Kalimantan, Indonesia

Hastin Umi Anisah^{1*}, Wimby Wandary¹, Ariyani Wahyu Wijayanti²

¹Department of Management, Faculty of Economics and Business, Universitas Lambung Mangkurat, Banjarmasin, Indonesia

²Management Study Program, Faculty of Economics, Universitas Veteran Bangun Nusantara, Sukoharjo, Indonesia

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*Corresponding author:

Hastin Umi Anisah

E-mail address:

humianisah@ulm.ac.id

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ABSTRACT

Environmentally friendly business practices (PBR) are often overlooked by small and medium enterprises (SMEs), even though they are proven to provide competitive advantages, reduce risks, encourage environmental sustainability, and increase organizational efficiency. This research analyzes the factors that influence PBR in local culinary SMEs, with a focus on process performance (PP) and SME resources. This research uses a quantitative approach with structural equation modeling (SEM) to analyze the influence of process performance (PP) and SME resources (fundamental resources (FR), upgrading capability (UC), and dynamic capabilities (DC)) on PBR in local culinary SMEs in North Kuin Village, South Kalimantan. The research results show that only fundamental resources (FR) and improvement capabilities (UC) influence PBR in local culinary SMEs. SMEs with access to resources and the ability to increase capacity have more potential to implement PBR.

1. Introduction

Sustainability and environmental sustainability have become central issues in the era of globalization. Awareness of the negative impact of human activities on the environment encourages various sectors to adopt environmentally friendly practices. In the business context, the concept of environmentally friendly business practices (PBR) has emerged, which refers to the application of environmentally friendly principles in all aspects of business operations. PBR offers various benefits for companies. Consumers

today are increasingly aware of and care about the environment. PBR can help companies improve their image and reputation as responsible and sustainable companies. PBR can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. PBR can be a competitive advantage for companies, especially in markets that increasingly demand environmentally friendly products and services. PBR can help companies reduce regulatory and legal risks related to environmental pollution. Even though PBR has many



benefits, its implementation among small and medium enterprises (SMEs) is still relatively low. SMEs generally have limited financial, technological, and human resources to implement PBR. Many SME owners do not have sufficient knowledge and awareness about the importance of PBR. SMEs are often faced with pressure to lower the prices of their products in order to compete. This may discourage them from incurring additional costs for PBR (Agarwal, 2020; Ali, 2023; Alraja, 2022).

Process performance (PP) refers to the effectiveness and efficiency of production processes and business operations. Good PP can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. Good PP can help companies optimize the use of natural resources, thereby reducing consumption and waste. Good PP can help companies use energy more efficiently, thereby reducing greenhouse gas emissions. Good PP can help companies produce products of better quality, thereby reducing product defects and waste. Fundamental resources (FR) refer to the basic assets and capabilities that SMEs have, such as capital, technology, and human resources. Strong FR can help SMEs develop environmentally friendly technologies and products. A strong FR can help SMEs provide training for employees on PBR. A strong FR can assist SMEs in gaining access to information about PBR. UC refers to an SME's ability to improve and develop its technology, products, and processes. UC can help SMEs develop environmentally friendly and sustainable products. UC can help SMEs increase the efficiency of production processes and operations, thereby reducing energy and raw material consumption. UC can help SMEs adopt new environmentally friendly technologies. Dynamic capability (DC) refers to the ability of SMEs to adapt and respond to dynamic environmental changes. DC can help SMEs adapt to new environmental regulations. DC can help SMEs take advantage of new opportunities in the green market. DC can help SMEs

overcome the challenges of implementing PBR (Cao, 2004; Che, 2020; Dasanayaka, 2022).

This research will focus on the factors that play a role in PBR in local culinary SMEs in North Kuin Village, South Kalimantan, Indonesia. North Kuin Village is one of the culinary centers in South Kalimantan, and many SMEs operate in the culinary sector. This research will examine two main factors that are thought to influence PBR, namely: 1. Process performance (PP): PP refers to the effectiveness and efficiency of production processes and business operations. Good PP can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. 2. SME resources: SME resources referred to in this research include fundamental resources (FR). FR refers to the basic assets and capabilities possessed by SMEs, such as capital, technology, and human resources. Upgradability (UC): UC refers to an SME's ability to improve and develop its technology, products, and processes. Dynamic capabilities (DC): DC refers to the ability of SMEs to adapt and respond to dynamic environmental changes.

2. Literature Review

Theories related to environmentally friendly business practices

Stakeholder theory states that companies have responsibilities to various interested parties (stakeholders), including customers, employees, suppliers, and society. PBR can be seen as a way to fulfill a company's responsibilities to stakeholders. Consumers today are increasingly aware of and care about the environment. PBR can help companies improve their image and reputation as a responsible and sustainable company, thereby attracting more customers. PBR can create a healthier and safer work environment for employees. PBR can encourage companies to establish relationships with environmentally friendly suppliers. PBR can help companies contribute to environmental sustainability



and sustainable development. Legitimacy theory states that companies need to gain legitimacy from society to be able to operate and develop. PBR can be seen as a way to gain legitimacy from society because it shows that the company is responsible and cares about the environment. Institutional theory states that companies are influenced by the norms and rules that apply in their environment. PBR can be seen as a way to follow norms and rules related to the environment, such as regulations regarding environmental pollution. The natural resource-based view (NRBV) theory states that companies that have access to valuable natural resources can have a competitive advantage. PBR can be seen as a way to manage natural resources sustainably so that companies can maintain their competitive advantage in the long term. The Porter Hypothesis theory states that strict environmental regulations can encourage companies to innovate and increase efficiency, thereby increasing their competitiveness. PBR can be seen as a way to comply with environmental regulations and simultaneously increase a company's competitiveness. Business ethics theory states that companies have a responsibility to behave ethically and responsibly. PBR can be seen as a way to conduct business ethically and responsibly, taking into account the impact on the environment and society (Fatimah, 2023; Feng, 2022).

Theory of the role of process performance (PP) on environmentally friendly business practices (PBR)

Process performance (PP) refers to the effectiveness and efficiency of production processes and business operations. Good PP can help companies optimize the use of natural resources, energy, and raw materials, thereby reducing consumption and waste. Good PP can help companies increase productivity and operational efficiency, thereby producing products at lower costs. Improving quality: Good PP can help companies produce better quality products, thereby reducing product defects and waste. Good PP can help companies minimize greenhouse gas emissions, water

pollution, and solid waste. Good PP can help companies use natural resources, energy, and raw materials more efficiently. Good PP can help companies produce products of better quality, thereby reducing product defects and waste. Good PP can support PBR by minimizing environmental impacts, increasing resource use efficiency, and improving product quality. Research shows that PP has a positive relationship with PBR. Improving PP can help companies implement PBR more effectively and efficiently (Firdaus, 2023; Huang, 2023).

Theory of the role of resources on environmentally friendly business practices

The resource-based view (RBV) theory states that the resources owned by a company can be a source of competitive advantage. Environmentally friendly technology, energy-efficient equipment, and infrastructure that supports PBR. Employees who have knowledge, skills, and awareness about PBR. Funds are allocated for research and development of environmentally friendly technologies, as well as for the implementation of PBR. Access to information about PBR best practices, environmental regulations, and environmentally friendly technologies. Dynamic capabilities (DC) theory refers to a company's ability to integrate, build, and reconfigure its resources to adapt to environmental changes. DC enables companies to identify and utilize new technologies that can help them reduce their environmental impact. DC allows companies to collaborate with suppliers, customers, and other organizations to implement PBR jointly. DC enables companies to respond to changes in environmental regulations quickly and effectively. The natural resource-based view (NRBV) theory states that companies that have access to valuable natural resources can have a competitive advantage. In the context of PBR, NRBV shows that sustainable use of natural resources can help companies reduce greenhouse gas emissions, water pollution, and waste. Sustainable use of natural resources can help



companies increase the efficiency of energy and raw material use. Sustainable use of natural resources can improve a company's reputation as a responsible and environmentally friendly company. Resources play an important role in PBR. RBV, DC, and NRBV show that companies that have the right resources and the ability to manage them effectively can achieve competitive advantage through PBR (Ibrahim, 2023; Mongdong, 2022; Muhammad, 2022).

3. Methods

The study approaches quantitatively, using a survey design employed to obtain primary data sourced from local culinary SMEs that reside in South Kalimantan, North Kuin village e. A saturated sample was applied as a sampling technique, resulting in N = 42. An offline questionnaire was used to assess the research's variables, i.e., green business practice (GBP), process performance (PP), and SME resources (namely, foundational resource/FR, upgrading capability/UC, and dynamic capability/DC). To obtain a complete and clear picture of the data, operational definitions are arranged, as presented in Table 1.

Researchers use multiple regression analysis, a statistical method, to examine the relationship between one dependent variable and two or more independent variables. In research on the effect of process performance and SME resources on business performance, multiple regression analysis can help determine how much each independent variable contributes to the dependent variable, as well as test the significance and direction of the relationship. Multiple regression analysis can also measure the level of fit of the regression model with the data used. To perform multiple regression analysis, researchers must fulfill several assumptions, such as normality, linearity, multicollinearity, homoscedasticity, and independent error.

4. Results and discussion

This sample of 42 local culinary SMEs in Indonesia

is interesting for its unique characteristics (Table 2). Notably, all respondents (100%) were female. The majority (83.3%) identified as business owners, suggesting a high prevalence of female entrepreneurship in this sector. Education levels were diverse, with 68.7% holding a high school diploma, 2.86% being scholars (presumably with postgraduate degrees), and the remaining 28.44% having education levels ranging from junior high to elementary school. This highlights the presence of both well-educated and less formally educated individuals running these businesses. An important finding is that none of the businesses were reported as the primary source of income for the owners. This suggests these SMEs may be supplementary income streams alongside other sources of livelihood. The employee count varied considerably. A significant portion (61.9%) were self-employed with no employees, indicating a prevalence of micro-businesses. However, there were also businesses with 1-3 employees (14.3%) and 5-19 employees (23.8%). Looking specifically at businesses with employees, cracker producers (local fish cracker makers) comprised the highest share (23.81%), followed by caterers (11.91%). The remaining 64.28% represent other diverse culinary businesses. Financial data revealed that a large majority (83.3%) reported a business revenue of 5 million Indonesian Rupiah (IDR), which is approximately equivalent to 320 USD based on January 2024 exchange rates. This suggests a concentration of businesses operating within a similar revenue range. For businesses with 5 million IDR revenue, most (26.19%) had been operating for 1-3 years. Only a small percentage (9.53%) reported revenue exceeding 5 million IDR, with a business tenure of 4 to 15 years. In conclusion, this sample of local culinary SMEs reveals a profile dominated by female entrepreneurs with a mix of education levels and business sizes. Most businesses are not the primary source of income and tend to operate within a similar revenue range. These characteristics provide a valuable baseline for understanding the landscape of



local culinary SMEs in this region.

Table 3 shows that the constant in this regression is 17.853. This value shows that the average GBP score for culinary MSMEs is positive even when process performance (PP), fundamental resources (FR), improvement capabilities (UC), and dynamic capabilities (DC) are zero. This shows that culinary MSMEs have a tendency to apply GBP even in the absence of these factors. Process Performance (PP): The coefficient of PP is 0.031, indicating a positive relationship. This means that a one-unit increase in PP is associated with a 0.031 increase in the GBP score. This shows that the better the process performance, the higher the level of GBP applied by culinary MSMEs. Fundamental resources (FR): The FR coefficient is 0.961, indicating a strong positive relationship. This means that a one-unit increase in FR is associated with a 0.961 increase in GBP score. This shows that strong fundamental resources, such as worker skills, customer relationships, and quality control, have a major influence on the adoption of GBP by culinary MSMEs. Improvability (UC): The UC coefficient is 1.103, indicating the strongest positive relationship. This means that a one-unit increase in UC is associated with an increase of 1,103 in the GBP score. This shows that the ability to improve technology, information, and response to market changes is very important in encouraging culinary MSMEs to implement GBP. Dynamic Capability (DC): The DC coefficient is 0.093, indicating a positive relationship. This means that a one-unit increase in DC is associated with a 0.093 increase in the GBP score. This shows that the ability to adapt to change, learn from experience, and innovate is also important in driving GBP in culinary MSMEs. The regression results show that all variables, namely PP, FR, UC, and DC, have a positive relationship with GBP. This shows that these four factors are important in encouraging culinary MSMEs to implement environmentally friendly business practices. However,

the research results show that FR and UC have a positive and significant influence on PBR, PP does not have a significant influence on PBR, and DC does not have a significant influence on PBR, either directly or indirectly.

Regression analysis equation: $GBP = 17.853 + 0.031PP + 0.961FR + 1.103UC + 0.093DC$.

Table 4 shows the F test results, which are significant with a value of 0.000, which is much smaller than 0.05 (general significance level). This shows that all regression models are statistically significant. This means that there is a significant relationship between the independent variables (PP, FR, UC, and DC) and the dependent variable (GBP). The adjusted R-squared value shows how much variability in GBP is explained by the model. In this table, the adjusted R-squared is 0.763. This means that this model explains 76.3% of the variability in GBP after taking into account the number of independent variables used. The remaining 23.7% of GBP variability was explained by other factors not tested in this study. The results of the F test and adjusted R-squared show that this regression model is suitable for predicting GBP based on PP, FR, UC, and DC. This model explains most of the variability in GBP, and the independent variables used have a significant relationship with GBP.

The findings of this research indicate that SMEs with access to resources and the ability to increase their capacity have more potential to implement environmentally friendly business practices (PBR). This is in line with several previous theories and studies. The resource-based view (RBV) theory explains that organizational resources and capabilities are key factors in achieving competitive advantage. In the context of HBWs, access to resources such as finance, technology, and knowledge can assist SMEs in developing and implementing environmentally friendly practices. Dynamic Capabilities theory emphasizes the importance of an organization's ability



to adapt and change in the face of a dynamic environment. In the context of PBR, SMEs with high dynamic capabilities can more easily adapt to the regulations and market demands associated with PBR. A study found that SMEs with greater financial resources are more likely to invest in green technologies. Other studies show that SMEs with the ability to learn and innovate more easily implement PBR. The findings of this study strengthen the findings of previous research and provide a new contribution to the literature on PBR in SMEs. Access to resources and the ability to increase capacity are important factors in encouraging SMEs to implement PBR. SMEs with higher resources and capabilities can more easily overcome obstacles in implementing PBR. The findings of this research have important implications for stakeholders who wish to encourage HBWs in SMEs. Governments can provide financial and training support to SMEs to increase their access to the resources and capabilities needed to implement PBR. Nonprofit organizations can assist SMEs in developing and implementing PBR by providing information, training, and technical support. SMEs can increase their chances of success in implementing PBR by investing in the necessary resources and capabilities (Najmaei, 2023; Qin, 2022; Rustiarini 2022).

The findings of this study indicate that PP has no effect on PBR. This is contrary to the theory that good PP can increase PBR. This may be caused by several factors. First, local culinary SMEs may have low levels of PP overall, so their effect on PBR is not significant. Second, PBR may not be a top priority for local culinary SMEs, so they do not focus on increasing PP to achieve this goal. The findings of this study are in line with several previous studies which show that PP does not always have a significant influence on PBR. This shows that there may be other factors that are more important in determining the PBR of local culinary SMEs, such as human resources, marketing strategies, and market conditions. The findings of this research have several implications for local culinary

SMEs and policymakers. First, local culinary SMEs need to focus on improving other factors besides PP to increase their PBR. Second, policymakers need to consider other factors besides PP when formulating policies aimed at increasing the PBR of local culinary SMEs (Van Tai, 2023; Waluyo, 2023).

The findings of this research show that DC and PBR have a positive and significant influence on local culinary SMEs. This is in line with the theory put forward that DC can increase PBR through several mechanisms, namely increasing the ability of SMEs to adapt to changes in a dynamic and competitive environment, developing new products and services that are innovative and in line with market needs, increasing operational efficiency and reducing costs and build strong relationships with customers and partners. The findings of this research also strengthen the results of previous studies, which show that DC can be a source of competitive advantage for SMEs. Although this research found results that are in line with theory and previous studies, there are several differences that need to be noted. Previous studies did not show a significant effect of DC on PBR, either directly or indirectly. This may be caused by several factors, such as the nature of DC being complex and taking time to develop. Local culinary SMEs may still be in the early stages of DC development, so their effect on PBR is not yet visible. Previous studies may have been conducted in different industrial sectors to local culinary SMEs, so the research results cannot be generalized directly. This study found that DC had a significant direct influence on PBR. This suggests that DC not only increases PBR through indirect mechanisms, such as improving SMEs' ability to adapt to environmental changes and develop new products and services but also directly increases PBR through other mechanisms, such as improving operational efficiency and building strong relationships with customers. The findings of this study indicate that DC is an important factor that can increase PBR. Local culinary SMEs need to invest in DC development to



increase their competitiveness in the market. The government can support local culinary SMEs in developing DC through various programs and policies,

such as training, funding, and incentives (Yu, 2022; Yudawisastra, 2023).

Table 1. Variable’s operational definitions.

Variable	Indicator	Item
Green business practices	Environmentally friendly daily operations	Switch off the lights when not in use. Use of low-power consumption bulbs. Use of low-power consumption fans. Use of solar power. Use separate dustbins for solid and liquid waste. Plant trees near your surroundings. Reduce the use of paper. Promote eco-friendly products. Make cashless transactions whenever possible. Make available e-copies of bills, catalogs, etc. to customers Reuse packaging materials or cardboard. Encourage customers to bring reusable bags with them. Recycle of waste products. Avoid the use of disposable cups, plates, straws, packaged drinking water, etc. Conservation of water. Preference of Public transport over personal vehicle.
SME’s resources of:		
Fundamental resource	Skillful worker	The company has a stable number of skillful workers.
	Customer relationship	The company possesses a stable and high-quality customer group.
	Supplier relationship	The company maintains good relationships with its suppliers, which secures a stable and effective supply.
	Quality control	This company can provide products of satisfactory quality to customers, and the quality is steady.
	Branding	This company has strong capabilities in brand development and brand management.
Upgrading capability	Information technology	The production process in this company is effectively supported by advanced information technology.
	Quick response	The company can respond quickly to the market changes, e.g., product design, quality, price, output elasticity, delivery, and placement.
Dynamic capability	Human resource management	Human resource management in this company is strong enough to ensure the coherence of the organizational aim and maximize the personal development of the employees.
	Organizational learning	The strong organizational learning capability of the company ensures effective adjustment to the dynamics of external environments.
	Entrepreneurship	The leaders in this company are capable and innovative in decision-making, team motivation, and effective communication.
Process performance	Strategic adaptability	Since the financial crisis, the company has quickly adapted to the global market recession in strategy.
	Cost control	Since the financial crisis, the company has been able to control costs properly (e.g., costs of raw materials, labor, and land).
	Order acquisition	Since the financial crisis, the company has still been able to receive stable orders successfully.
	External communication	Since the financial crisis, the company has developed effective external communication channels and has been able to work with external parties effectively.
	Internal cohesion	Since the financial crisis, the company has developed strong team cohesion and all the staff has been confident to and worked for the future.



Table 2. Characteristics of respondents.

Characteristic	Description	Percentage
Gender	Female	100%
Job title	Business owner	83.3%
Education level		
	High school graduate	68.7%
	Bachelor degree	2.86%
	Junior high to elementary	28.44%
Number of employees		
	None (self-employed)	61.9%
	1-3 People	14.3%
	5-19 People	23.8%
Industry (among businesses with employees)		
	Cracker producer (fish crackers)	23.81%
	Caterer	11.91%
	Others	64.28%
Business revenue	5 Million IDR (approx. 320 USD)	83.3%
Business tenure (Among Businesses with Revenue of 5 Million IDR)	1-3 Years	26.19%
Business revenue (Over 5 Million IDR)	Over 5 Million IDR	9.53%
Business tenure (Over 5 Million IDR)	4 to 15 Years	

Table 3. Regression analysis of test variables.

Variable	Coefficient	Interpretation
Constant	17,853	The average GBP score for culinary SMEs even when process performance (PP), fundamental resources (FR), upgrading capability (UC), and dynamic capability (DC) are zero.
Process performance (PP)	0,031	Positive relationship. A one-unit increase in PP is associated with a 0.031 increase in GBP score.
Fundamental resource (FR)	0,961	Positive relationship. A one-unit increase in FR is associated with a 0.961 increase in GBP score.
Upgrading capability (UC)	1.103	Positive relationship. A one-unit increase in UC is associated with a 1.103 increase in GBP score.
Dynamic capability (DC)	0,093	Positive relationship. A one-unit increase in DC is associated with a 0.093 increase in GBP score.

Table 4. F-Test and model fit summary.

Statistic	Description	Result	Interpretation
F-Test	Tests the significance of all independent variables	0.000	All independent variables (PP, FR, UC, DC) have a statistically significant effect on GBP ($p < 0.05$).
Adjusted R-squared	Model's explanatory power	0.763	The model explains 76.3% of the variance in Green Business Practices (GBP).

5. Conclusion

This research shows that FR and UC are important factors in PBR in local culinary SMEs. These findings provide insight for stakeholders, such as the government, SME development institutions, and non-government organizations, in developing programs and strategies to encourage HBW in SMEs.

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Dear **Hastin Umi Anisah***,

Manuscript "**Factors Contributing to Environmentally Friendly Business Practices in SMEs (Small and Medium Enterprises) With a Focus on Process Performance and Resources: Study of Local Culinary SMEs in North Kuin Village, South Kalimantan, Indonesia**" by "**Hastin Umi Anisah***, **Wimby Wandary**, **Ariyani Wahyu Wijayanti**", has been accepted to publish in Open Access Indonesia Journal of Social Sciences [OAIJSS] Volume 7 Issue 3 in April 2024.

Thank you for considering this journal as a venue for your work.

Regards,



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Factors Contributing to Environmentally Friendly Business Practices in SMEs (Small and Medium Enterprises) With a Focus on Process Performance and Resources: Study of Local Culinary SMEs in North Kuin Village, South Kalimantan, Indonesia

Hastin Umi Anisah^{1*}, Wimby Wandary¹, Ariyani Wahyu Wijayanti²

¹Department of Management, Faculty of Economics and Business, Universitas Lambung Mangkurat, Banjarmasin, Indonesia

²Management Study Program, Faculty of Economics, Universitas Veteran Bangun Nusantara, Sukoharjo, Indonesia

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*Corresponding author:

Hastin Umi Anisah

E-mail address:

humianisah@ulm.ac.id

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ABSTRACT

Environmentally friendly business practices (PBR) are often overlooked by small and medium enterprises (SMEs), even though they are proven to provide competitive advantages, reduce risks, encourage environmental sustainability, and increase organizational efficiency. This research analyzes the factors that influence PBR in local culinary SMEs, with a focus on process performance (PP) and SME resources. This research uses a quantitative approach with structural equation modeling (SEM) to analyze the influence of process performance (PP) and SME resources (fundamental resources (FR), upgrading capability (UC), and dynamic capabilities (DC)) on PBR in local culinary SMEs in North Kuin Village, South Kalimantan. The research results show that only fundamental resources (FR) and improvement capabilities (UC) influence PBR in local culinary SMEs. SMEs with access to resources and the ability to increase capacity have more potential to implement PBR.

1. Introduction

Sustainability and environmental sustainability have become central issues in the era of globalization. Awareness of the negative impact of human activities on the environment encourages various sectors to adopt environmentally friendly practices. In the business context, the concept of environmentally friendly business practices (PBR) has emerged, which refers to the application of environmentally friendly principles in all aspects of business operations. PBR offers various benefits for companies. Consumers

today are increasingly aware of and care about the environment. PBR can help companies improve their image and reputation as responsible and sustainable companies. PBR can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. PBR can be a competitive advantage for companies, especially in markets that increasingly demand environmentally friendly products and services. PBR can help companies reduce regulatory and legal risks related to environmental pollution. Even though PBR has many



benefits, its implementation among small and medium enterprises (SMEs) is still relatively low. SMEs generally have limited financial, technological, and human resources to implement PBR. Many SME owners do not have sufficient knowledge and awareness about the importance of PBR. SMEs are often faced with pressure to lower the prices of their products in order to compete. This may discourage them from incurring additional costs for PBR (Agarwal, 2020; Ali, 2023; Alraja, 2022).

Process performance (PP) refers to the effectiveness and efficiency of production processes and business operations. Good PP can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. Good PP can help companies optimize the use of natural resources, thereby reducing consumption and waste. Good PP can help companies use energy more efficiently, thereby reducing greenhouse gas emissions. Good PP can help companies produce products of better quality, thereby reducing product defects and waste. Fundamental resources (FR) refer to the basic assets and capabilities that SMEs have, such as capital, technology, and human resources. Strong FR can help SMEs develop environmentally friendly technologies and products. A strong FR can help SMEs provide training for employees on PBR. A strong FR can assist SMEs in gaining access to information about PBR. UC refers to an SME's ability to improve and develop its technology, products, and processes. UC can help SMEs develop environmentally friendly and sustainable products. UC can help SMEs increase the efficiency of production processes and operations, thereby reducing energy and raw material consumption. UC can help SMEs adopt new environmentally friendly technologies. Dynamic capability (DC) refers to the ability of SMEs to adapt and respond to dynamic environmental changes. DC can help SMEs adapt to new environmental regulations. DC can help SMEs take advantage of new opportunities in the green market. DC can help SMEs

overcome the challenges of implementing PBR (Cao, 2004; Che, 2020; Dasanayaka, 2022).

This research will focus on the factors that play a role in PBR in local culinary SMEs in North Kuin Village, South Kalimantan, Indonesia. North Kuin Village is one of the culinary centers in South Kalimantan, and many SMEs operate in the culinary sector. This research will examine two main factors that are thought to influence PBR, namely: 1. Process performance (PP): PP refers to the effectiveness and efficiency of production processes and business operations. Good PP can help companies reduce energy consumption, raw materials, and waste, thereby increasing efficiency and productivity. 2. SME resources: SME resources referred to in this research include fundamental resources (FR). FR refers to the basic assets and capabilities possessed by SMEs, such as capital, technology, and human resources. Upgradability (UC): UC refers to an SME's ability to improve and develop its technology, products, and processes. Dynamic capabilities (DC): DC refers to the ability of SMEs to adapt and respond to dynamic environmental changes.

2. Literature Review

Theories related to environmentally friendly business practices

Stakeholder theory states that companies have responsibilities to various interested parties (stakeholders), including customers, employees, suppliers, and society. PBR can be seen as a way to fulfill a company's responsibilities to stakeholders. Consumers today are increasingly aware of and care about the environment. PBR can help companies improve their image and reputation as a responsible and sustainable company, thereby attracting more customers. PBR can create a healthier and safer work environment for employees. PBR can encourage companies to establish relationships with environmentally friendly suppliers. PBR can help companies contribute to environmental sustainability



and sustainable development. Legitimacy theory states that companies need to gain legitimacy from society to be able to operate and develop. PBR can be seen as a way to gain legitimacy from society because it shows that the company is responsible and cares about the environment. Institutional theory states that companies are influenced by the norms and rules that apply in their environment. PBR can be seen as a way to follow norms and rules related to the environment, such as regulations regarding environmental pollution. The natural resource-based view (NRBV) theory states that companies that have access to valuable natural resources can have a competitive advantage. PBR can be seen as a way to manage natural resources sustainably so that companies can maintain their competitive advantage in the long term. The Porter Hypothesis theory states that strict environmental regulations can encourage companies to innovate and increase efficiency, thereby increasing their competitiveness. PBR can be seen as a way to comply with environmental regulations and simultaneously increase a company's competitiveness. Business ethics theory states that companies have a responsibility to behave ethically and responsibly. PBR can be seen as a way to conduct business ethically and responsibly, taking into account the impact on the environment and society (Fatimah, 2023; Feng, 2022).

Theory of the role of process performance (PP) on environmentally friendly business practices (PBR)

Process performance (PP) refers to the effectiveness and efficiency of production processes and business operations. Good PP can help companies optimize the use of natural resources, energy, and raw materials, thereby reducing consumption and waste. Good PP can help companies increase productivity and operational efficiency, thereby producing products at lower costs. Improving quality: Good PP can help companies produce better quality products, thereby reducing product defects and waste. Good PP can help companies minimize greenhouse gas emissions, water

pollution, and solid waste. Good PP can help companies use natural resources, energy, and raw materials more efficiently. Good PP can help companies produce products of better quality, thereby reducing product defects and waste. Good PP can support PBR by minimizing environmental impacts, increasing resource use efficiency, and improving product quality. Research shows that PP has a positive relationship with PBR. Improving PP can help companies implement PBR more effectively and efficiently (Firdaus, 2023; Huang, 2023).

Theory of the role of resources on environmentally friendly business practices

The resource-based view (RBV) theory states that the resources owned by a company can be a source of competitive advantage. Environmentally friendly technology, energy-efficient equipment, and infrastructure that supports PBR. Employees who have knowledge, skills, and awareness about PBR. Funds are allocated for research and development of environmentally friendly technologies, as well as for the implementation of PBR. Access to information about PBR best practices, environmental regulations, and environmentally friendly technologies. Dynamic capabilities (DC) theory refers to a company's ability to integrate, build, and reconfigure its resources to adapt to environmental changes. DC enables companies to identify and utilize new technologies that can help them reduce their environmental impact. DC allows companies to collaborate with suppliers, customers, and other organizations to implement PBR jointly. DC enables companies to respond to changes in environmental regulations quickly and effectively. The natural resource-based view (NRBV) theory states that companies that have access to valuable natural resources can have a competitive advantage. In the context of PBR, NRBV shows that sustainable use of natural resources can help companies reduce greenhouse gas emissions, water pollution, and waste. Sustainable use of natural resources can help



companies increase the efficiency of energy and raw material use. Sustainable use of natural resources can improve a company's reputation as a responsible and environmentally friendly company. Resources play an important role in PBR. RBV, DC, and NRBV show that companies that have the right resources and the ability to manage them effectively can achieve competitive advantage through PBR (Ibrahim, 2023; Mongdong, 2022; Muhammad, 2022).

3. Methods

The study approaches quantitatively, using a survey design employed to obtain primary data sourced from local culinary SMEs that reside in South Kalimantan, North Kuin village e. A saturated sample was applied as a sampling technique, resulting in N = 42. An offline questionnaire was used to assess the research's variables, i.e., green business practice (GBP), process performance (PP), and SME resources (namely, foundational resource/FR, upgrading capability/UC, and dynamic capability/DC). To obtain a complete and clear picture of the data, operational definitions are arranged, as presented in Table 1.

Researchers use multiple regression analysis, a statistical method, to examine the relationship between one dependent variable and two or more independent variables. In research on the effect of process performance and SME resources on business performance, multiple regression analysis can help determine how much each independent variable contributes to the dependent variable, as well as test the significance and direction of the relationship. Multiple regression analysis can also measure the level of fit of the regression model with the data used. To perform multiple regression analysis, researchers must fulfill several assumptions, such as normality, linearity, multicollinearity, homoscedasticity, and independent error.

4. Results and discussion

This sample of 42 local culinary SMEs in Indonesia

is interesting for its unique characteristics (Table 2). Notably, all respondents (100%) were female. The majority (83.3%) identified as business owners, suggesting a high prevalence of female entrepreneurship in this sector. Education levels were diverse, with 68.7% holding a high school diploma, 2.86% being scholars (presumably with postgraduate degrees), and the remaining 28.44% having education levels ranging from junior high to elementary school. This highlights the presence of both well-educated and less formally educated individuals running these businesses. An important finding is that none of the businesses were reported as the primary source of income for the owners. This suggests these SMEs may be supplementary income streams alongside other sources of livelihood. The employee count varied considerably. A significant portion (61.9%) were self-employed with no employees, indicating a prevalence of micro-businesses. However, there were also businesses with 1-3 employees (14.3%) and 5-19 employees (23.8%). Looking specifically at businesses with employees, cracker producers (local fish cracker makers) comprised the highest share (23.81%), followed by caterers (11.91%). The remaining 64.28% represent other diverse culinary businesses. Financial data revealed that a large majority (83.3%) reported a business revenue of 5 million Indonesian Rupiah (IDR), which is approximately equivalent to 320 USD based on January 2024 exchange rates. This suggests a concentration of businesses operating within a similar revenue range. For businesses with 5 million IDR revenue, most (26.19%) had been operating for 1-3 years. Only a small percentage (9.53%) reported revenue exceeding 5 million IDR, with a business tenure of 4 to 15 years. In conclusion, this sample of local culinary SMEs reveals a profile dominated by female entrepreneurs with a mix of education levels and business sizes. Most businesses are not the primary source of income and tend to operate within a similar revenue range. These characteristics provide a valuable baseline for understanding the landscape of



local culinary SMEs in this region.

Table 3 shows that the constant in this regression is 17.853. This value shows that the average GBP score for culinary MSMEs is positive even when process performance (PP), fundamental resources (FR), improvement capabilities (UC), and dynamic capabilities (DC) are zero. This shows that culinary MSMEs have a tendency to apply GBP even in the absence of these factors. Process Performance (PP): The coefficient of PP is 0.031, indicating a positive relationship. This means that a one-unit increase in PP is associated with a 0.031 increase in the GBP score. This shows that the better the process performance, the higher the level of GBP applied by culinary MSMEs. Fundamental resources (FR): The FR coefficient is 0.961, indicating a strong positive relationship. This means that a one-unit increase in FR is associated with a 0.961 increase in GBP score. This shows that strong fundamental resources, such as worker skills, customer relationships, and quality control, have a major influence on the adoption of GBP by culinary MSMEs. Improvability (UC): The UC coefficient is 1.103, indicating the strongest positive relationship. This means that a one-unit increase in UC is associated with an increase of 1,103 in the GBP score. This shows that the ability to improve technology, information, and response to market changes is very important in encouraging culinary MSMEs to implement GBP. Dynamic Capability (DC): The DC coefficient is 0.093, indicating a positive relationship. This means that a one-unit increase in DC is associated with a 0.093 increase in the GBP score. This shows that the ability to adapt to change, learn from experience, and innovate is also important in driving GBP in culinary MSMEs. The regression results show that all variables, namely PP, FR, UC, and DC, have a positive relationship with GBP. This shows that these four factors are important in encouraging culinary MSMEs to implement environmentally friendly business practices. However,

the research results show that FR and UC have a positive and significant influence on PBR, PP does not have a significant influence on PBR, and DC does not have a significant influence on PBR, either directly or indirectly.

Regression analysis equation: $GBP = 17.853 + 0.031PP + 0.961FR + 1.103UC + 0.093DC$.

Table 4 shows the F test results, which are significant with a value of 0.000, which is much smaller than 0.05 (general significance level). This shows that all regression models are statistically significant. This means that there is a significant relationship between the independent variables (PP, FR, UC, and DC) and the dependent variable (GBP). The adjusted R-squared value shows how much variability in GBP is explained by the model. In this table, the adjusted R-squared is 0.763. This means that this model explains 76.3% of the variability in GBP after taking into account the number of independent variables used. The remaining 23.7% of GBP variability was explained by other factors not tested in this study. The results of the F test and adjusted R-squared show that this regression model is suitable for predicting GBP based on PP, FR, UC, and DC. This model explains most of the variability in GBP, and the independent variables used have a significant relationship with GBP.

The findings of this research indicate that SMEs with access to resources and the ability to increase their capacity have more potential to implement environmentally friendly business practices (PBR). This is in line with several previous theories and studies. The resource-based view (RBV) theory explains that organizational resources and capabilities are key factors in achieving competitive advantage. In the context of HBWs, access to resources such as finance, technology, and knowledge can assist SMEs in developing and implementing environmentally friendly practices. Dynamic Capabilities theory emphasizes the importance of an organization's ability



to adapt and change in the face of a dynamic environment. In the context of PBR, SMEs with high dynamic capabilities can more easily adapt to the regulations and market demands associated with PBR. A study found that SMEs with greater financial resources are more likely to invest in green technologies. Other studies show that SMEs with the ability to learn and innovate more easily implement PBR. The findings of this study strengthen the findings of previous research and provide a new contribution to the literature on PBR in SMEs. Access to resources and the ability to increase capacity are important factors in encouraging SMEs to implement PBR. SMEs with higher resources and capabilities can more easily overcome obstacles in implementing PBR. The findings of this research have important implications for stakeholders who wish to encourage HBWs in SMEs. Governments can provide financial and training support to SMEs to increase their access to the resources and capabilities needed to implement PBR. Nonprofit organizations can assist SMEs in developing and implementing PBR by providing information, training, and technical support. SMEs can increase their chances of success in implementing PBR by investing in the necessary resources and capabilities (Najmaei, 2023; Qin, 2022; Rustiarini 2022).

The findings of this study indicate that PP has no effect on PBR. This is contrary to the theory that good PP can increase PBR. This may be caused by several factors. First, local culinary SMEs may have low levels of PP overall, so their effect on PBR is not significant. Second, PBR may not be a top priority for local culinary SMEs, so they do not focus on increasing PP to achieve this goal. The findings of this study are in line with several previous studies which show that PP does not always have a significant influence on PBR. This shows that there may be other factors that are more important in determining the PBR of local culinary SMEs, such as human resources, marketing strategies, and market conditions. The findings of this research have several implications for local culinary

SMEs and policymakers. First, local culinary SMEs need to focus on improving other factors besides PP to increase their PBR. Second, policymakers need to consider other factors besides PP when formulating policies aimed at increasing the PBR of local culinary SMEs (Van Tai, 2023; Waluyo, 2023).

The findings of this research show that DC and PBR have a positive and significant influence on local culinary SMEs. This is in line with the theory put forward that DC can increase PBR through several mechanisms, namely increasing the ability of SMEs to adapt to changes in a dynamic and competitive environment, developing new products and services that are innovative and in line with market needs, increasing operational efficiency and reducing costs and build strong relationships with customers and partners. The findings of this research also strengthen the results of previous studies, which show that DC can be a source of competitive advantage for SMEs. Although this research found results that are in line with theory and previous studies, there are several differences that need to be noted. Previous studies did not show a significant effect of DC on PBR, either directly or indirectly. This may be caused by several factors, such as the nature of DC being complex and taking time to develop. Local culinary SMEs may still be in the early stages of DC development, so their effect on PBR is not yet visible. Previous studies may have been conducted in different industrial sectors to local culinary SMEs, so the research results cannot be generalized directly. This study found that DC had a significant direct influence on PBR. This suggests that DC not only increases PBR through indirect mechanisms, such as improving SMEs' ability to adapt to environmental changes and develop new products and services but also directly increases PBR through other mechanisms, such as improving operational efficiency and building strong relationships with customers. The findings of this study indicate that DC is an important factor that can increase PBR. Local culinary SMEs need to invest in DC development to



increase their competitiveness in the market. The government can support local culinary SMEs in developing DC through various programs and policies,

such as training, funding, and incentives (Yu, 2022; Yudawisastra, 2023).

Table 1. Variable’s operational definitions.

Variable	Indicator	Item
Green business practices	Environmentally friendly daily operations	Switch off the lights when not in use. Use of low-power consumption bulbs. Use of low-power consumption fans. Use of solar power. Use separate dustbins for solid and liquid waste. Plant trees near your surroundings. Reduce the use of paper. Promote eco-friendly products. Make cashless transactions whenever possible. Make available e-copies of bills, catalogs, etc. to customers Reuse packaging materials or cardboard. Encourage customers to bring reusable bags with them. Recycle of waste products. Avoid the use of disposable cups, plates, straws, packaged drinking water, etc. Conservation of water. Preference of Public transport over personal vehicle.
SME’s resources of:		
Fundamental resource	Skillful worker	The company has a stable number of skillful workers.
	Customer relationship	The company possesses a stable and high-quality customer group.
	Supplier relationship	The company maintains good relationships with its suppliers, which secures a stable and effective supply.
	Quality control	This company can provide products of satisfactory quality to customers, and the quality is steady.
	Branding	This company has strong capabilities in brand development and brand management.
Upgrading capability	Information technology	The production process in this company is effectively supported by advanced information technology.
	Quick response	The company can respond quickly to the market changes, e.g., product design, quality, price, output elasticity, delivery, and placement.
Dynamic capability	Human resource management	Human resource management in this company is strong enough to ensure the coherence of the organizational aim and maximize the personal development of the employees.
	Organizational learning	The strong organizational learning capability of the company ensures effective adjustment to the dynamics of external environments.
	Entrepreneurship	The leaders in this company are capable and innovative in decision-making, team motivation, and effective communication.
Process performance	Strategic adaptability	Since the financial crisis, the company has quickly adapted to the global market recession in strategy.
	Cost control	Since the financial crisis, the company has been able to control costs properly (e.g., costs of raw materials, labor, and land).
	Order acquisition	Since the financial crisis, the company has still been able to receive stable orders successfully.
	External communication	Since the financial crisis, the company has developed effective external communication channels and has been able to work with external parties effectively.
	Internal cohesion	Since the financial crisis, the company has developed strong team cohesion and all the staff has been confident to and worked for the future.



Table 2. Characteristics of respondents.

Characteristic	Description	Percentage
Gender	Female	100%
Job title	Business owner	83.3%
Education level		
	High school graduate	68.7%
	Bachelor degree	2.86%
	Junior high to elementary	28.44%
Number of employees		
	None (self-employed)	61.9%
	1-3 People	14.3%
	5-19 People	23.8%
Industry (among businesses with employees)		
	Cracker producer (fish crackers)	23.81%
	Caterer	11.91%
	Others	64.28%
Business revenue	5 Million IDR (approx. 320 USD)	83.3%
Business tenure (Among Businesses with Revenue of 5 Million IDR)	1-3 Years	26.19%
Business revenue (Over 5 Million IDR)	Over 5 Million IDR	9.53%
Business tenure (Over 5 Million IDR)	4 to 15 Years	

Table 3. Regression analysis of test variables.

Variable	Coefficient	Interpretation
Constant	17,853	The average GBP score for culinary SMEs even when process performance (PP), fundamental resources (FR), upgrading capability (UC), and dynamic capability (DC) are zero.
Process performance (PP)	0,031	Positive relationship. A one-unit increase in PP is associated with a 0.031 increase in GBP score.
Fundamental resource (FR)	0,961	Positive relationship. A one-unit increase in FR is associated with a 0.961 increase in GBP score.
Upgrading capability (UC)	1.103	Positive relationship. A one-unit increase in UC is associated with a 1.103 increase in GBP score.
Dynamic capability (DC)	0,093	Positive relationship. A one-unit increase in DC is associated with a 0.093 increase in GBP score.

Table 4. F-Test and model fit summary.

Statistic	Description	Result	Interpretation
F-Test	Tests the significance of all independent variables	0.000	All independent variables (PP, FR, UC, DC) have a statistically significant effect on GBP ($p < 0.05$).
Adjusted R-squared	Model's explanatory power	0.763	The model explains 76.3% of the variance in Green Business Practices (GBP).

5. Conclusion

This research shows that FR and UC are important factors in PBR in local culinary SMEs. These findings provide insight for stakeholders, such as the government, SME development institutions, and non-government organizations, in developing programs and strategies to encourage HBW in SMEs.

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CERTIFICATE

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Authored by;

Hastin Umi Anisah, Wimby Wandary, Ariyani Wahyu Wijayanti

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