

The Influence of Green Human Resources on Performance at SMEs in the City Padang

Igura Metu Lengsi¹, Yasri²

^{1,2} Universitas Negeri Padang, Padang, Indonesia

Corresponding author. Email: yasrifeunp@gmail.com

ABSTRACT

The purpose of this research is to find out the influence of Green HR on economic performance, the influence of Green HR on environmental performance, the influence of Green HR on social performance, the influence of environmental performance on economic performance, the influence of environmental performance on social performance at SMEs in the city of Padang.

This research is causal research. The population of this study is the owner of the MSME in the city of Padang. Researchers used a purposive sampling technique with a total of 150 respondents. Data collection using a questionnaire with a Likert scale. The analysis technique used is SEM and uses SmartPLS analysis. This research found that Green human resources have a positive and significant effect on economic performance, environmental performance, and social performance. Also, environmental performance has a positive and significant impact on economic and social performance of MSMEs in the city of Padang.

Keywords: *Green Human Resources, Economic Performance, Social Performance, Environmental Performance*

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) refers to an economic sector in Indonesia and plays an essential role for the economic growth. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises in 2013, it shows that 99.99 percent of business units in Indonesia are MSMEs and 0.01 percent are large businesses.

According to Kurilof in Pasaribu (2005), to ensure the survival of MSMEs, MSME actors have four equal abilities, namely: (1) Technical competence, which has competence in the field of design (know-how) according to the business to be chosen. (2) Marketing competence, which has competence in finding suitable markets, identifying customers and maintaining the survival of the company. (3) Financial competence, which has competence in the

financial sector, regulating the purchase, sale, bookkeeping, and calculation of profit / loss. (4) Human relations competence, namely competence in developing personal relationships, such as the ability to relate and establish inter-company partnerships.

In the national economy, MSMEs have a very large share. MSME is a formidable fortress of an economy in dealing with various kinds of dynamics that occur in the economy. One of them is UMKM in Padang, which has been started by many Publiclocal. Based on data from the Padang City Cooperative and UMKM Office (2019), the number of Padang City MSMEs has increased annually. The city of Padang is known for its many culinary and food businesses that are distinctive and diverse with their respective characteristics, so that Padang City is also

involved in the empowerment and improvement of MSMEs, especially in the culinary field.

The performance of MSMEs in Padang City has increased. Where in 2015 the performance of SMEs in the City of Padang was 1.6%, increased in 2016 by 2%, then continued to increase in 2017 by 3% and increased in 2018 at 3.5%. This is a positive phenomenon, because its performance always increases from year to year during the 2015-2018 period. A company or business is said to be good if the company's performance is stable and an increase in performance.

With the development of MSMEs, environmental issues become an important factor to be taken into account. Micro, small and medium and large MSMEs contribute to environmental issues, such as pollution that come from gas, liquid and solid waste. Therefore, companies are required to take part in finding solution to solve the environmental problems (Agan et al, 2013). Additionally, Zeng et al. (2011) argues that environmental management in business operational processes (MSMEs) has a positive influence on the sustainability of MSMEs, both in the short and long term.

The development of SMEs at this time not only summarizes information about Small Enterprises, but also with the environment, but in line with the development of time and see the increasingly global economic conditions, corporate awareness in the surrounding community and the environment began to grow. This is because every company must take responsibility for the common good, where actions taken by each corporation have an impact on the quality of human life, on individuals, communities and all life on earth. This phenomenon triggers the emergence of social performance discourse (*Corporate Social Performance*).

MSMEs that have good environmental performance, indirectly have good social information so that they can increase the value of MSMEs. This shows that MSMEs that implement

CSP in the community environment will get a positive response from business actors or the local community. With this CSP it is expected that MSMEs can implement a workforce management system that can reduce the impact of environmental pollution or also known as Green Human Resource Management (Green HRM).

Green human resource management is a development of human resource management (HRM), which in Indonesia is known as human resource management, namely: a policy and practice required by someone who runs aspects of people or recruitment, screening, training, appraisal, and assessment (Desler in Tiffani, 2013). HRM argued as the most important aspect in business management, through an innovative approach in order to improve the economy, technology, social culture and corporate environment (Cech et al, 2016). The study by Stone and Deadrick (2015) show that the existence of economic demands, globalization, diversity in the country and technology are the factors that encourage companies to make various management developments in the field of corporate human resources. Human resources play an essential role in organizational performance, where top managements consider human resources as a competitive advantage for organizational success, which can lead to continuous innovation and performance, as well as efficient use of organizational resources to reduce threats and challenges, so that it remains competitive in the market (Singh et al. 2019).

Based on the description of the problems that have mentioned, the writer is interested in raising this problem and become the purpose of this study that entitled *The Effect of Green Human Resources on Performance at MSMEs in Padang City*.

Literature Review

Environmental Performance

Environmental problems arising from the company's operations in the form of environmental destruction from companies such as those engaged in mining, encourage the emergence of environmental accounting practices as a means of accountability or public accountability for the business carried out by the company (Sudjoko, 2011). Environmental performance is a good opportunity to improve organizational competitiveness because it including the environmental performance issues in the business strategy and process innovation, and combine it with green concepts into strategic prospects for organizations (Dangelico & Pujari, 2010).

Economic Performance

The current development of economic and environmental condition, including the economic crisis, have affected the employment. In particular, reducing aggregate demand and also creates pollution that generates negative impact on environmental degradation and natural resources in agriculture, fisheries, and tourism. To deal with this condition, government's policies on economic, employment, and education are important both on micro and macroeconomic level. These policies relate to the sustainable development and it's expected to trains individuals and creates jobs that more environmental friendly (Pociovalisteanu et al, 2015).

Social Performance

Social performance is a determination and evaluation of social objectives that are geographical, individual, pro-poor, involving a variety of traditional, quality, innovative, and non-financial services that produce economic benefits for customers, customer participation, and empowerment (Thomas and Kumar, 2016).

Green Human Resources

One form of development in the field of HRM is by adding elements of the environment, hereinafter known as green HRM, namely facilitating employee involvement in environmental management, manifested in the form of a joint commitment to change actions in order to support the organization in an effort to carry out environmental management (protection) (Pinzone et al., 2016). HRM (*Strategic Human Resource Management*) is the most crucial aspect in business management, through an innovative approach so as to be able to improve the economy, technology, social culture and corporate environment (Cech et al., 2016).

The Influence of Green Human Resources on Economic Performance

The main concern of the green activities is the environment that can influence behavior of economic activities, production, and consumption. These activities can be considered as the foundation to the green economic growth (Pociovalisteanu et al, 2015).

A research conducted by Mousa et al (2019) shows that Green Human Resources has a positive and significant effect on economic performance, particularly in the increasing the welfare and quality of life of the community, and at the end will impact on a clean, healthy and productive environment in developing quality innovations.

Based on the description, the hypothesis can be formulated as follows:

H1: Green Human resources have a positive and significant effect oneconomic performance.

The Influence of Green Human Resources on Environmental Performance

More laws and environmental pressures from the market have increased organizational and

manager awareness of environmental performance (DiPietro, Cao, & Partlow, 2013). Environmental performance is a good opportunity to improve organizational competitiveness because it combines environmental performance issues through business strategy and process innovation with green concepts into strategic prospects for organizations (Dangelico & Pujari, 2010).

This is also reinforced by previous research on Green HR influence on environmental performance. Mousa et al (2019) based on the results of his study entitled Impact of green human resource management practices on sustainable performance in health care in Palestine, by concluding that Green human resources had a positive and significant effect on environmental performance. This means that by forming the behavior, attitudes and skills of employees to be more concerned about the environment by applying the concept of greening, this will have an impact on the achievement of organizational goals in the future.

Based on the description, the hypothesis can be formulated as follows:

H2: Green Human resources have a positive and significant effect on environmental performance.

The Influence of Green Human Resources on Social Performance

Companies face significant pressure from socially responsible stakeholders such as customers, employees and investors to show their commitment to society. CSP itself is multi-dimensional and consists of organizational behavior that includes a variety of inputs, processes (social and environmental) and outputs (Wood, 2010). This is also reinforced by previous research on Green HR influence on social performance. Mousa et al (2019) based on the results of his research found that Green human resources have a positive and significant effect on

social performance. This means that by increasing awareness and welfare in the environment will have a positive impact on the company because it gets the trust of the surrounding community.

Based on the description, the hypothesis can be formulated as follows:

H3: Green Human resources have a positive and significant effect on social performance.

Effect of Environmental Performance on Economic Performance

Based on research conducted by Haholongan (2016), said that there is a positive and significant relationship between environmental performance and economic performance in Go Public manufacturing companies. This means that if the company is sufficiently involved in environmental activities, the better business image for stakeholders in conducting their business.

Based on the description, the hypothesis can be formulated as follows:

H4: Environmental performance has a positive and significant effect on economic performance

Effect of Environmental Performance on Social Performance

Companies with good environmental performance need to disclose information on environmental quantity and quality better than companies with worse environmental performance (Sudaryanto, 2011: 203). Based on research from Damanik (2017) in his research revealed that there is a significant positive relationship between environmental performance and social performance. This means that companies with good environmental performance will disclose corporate responsibility information to the community in order to gain the trust of the community.

Based on the description, the hypothesis can be formulated as follows:

H4: Environmental performance has a positive and significant effect on social performance

The theoretical framework is a temporary conclusion from a theoretical review that reflects the relationship between the variables studied. This is a demand to solve problems in research and formulate hypotheses.

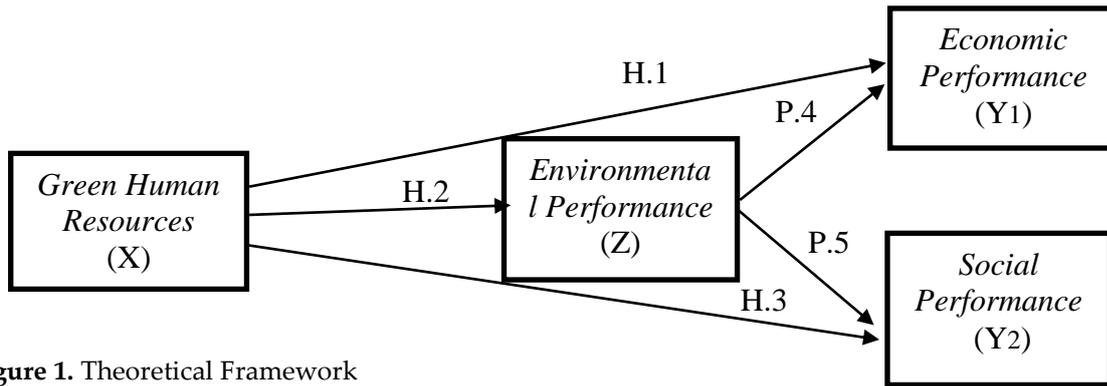


Figure 1. Theoretical Framework

2. METHODS

The scope of this study is aimed at analyzing the influence of exogenous variables namely Green human resources and endogenous variables namely Environmental Performance, Economic Performance and Social Performance at MSMEs in Padang City. Data analysis was performed using the Partial Least Square (PLS) method.

Population and Sample

The population of this study there are 3,415 MSME owners in Padang City in 2018. The sampling technique in this study is purposive sampling. So in this study, the sample is the owners of MSMEs in Padang City with a total of 150 respondents.

Data collection techniques used in this study using a questionnaire, data collection by giving or distributing a list of questions and statements about green Human resources, economic performance, environmental performance and social performance by taking care of permits at the Department of Cooperatives and SMEs in the city of Padang to get preliminary data then proceed to visit or contact and ask for the

willingness of MSME owners to fill out or answer questions and questionnaire statements distributed.

Operational Definition

Environmental Performance

Environmental performance is a good opportunity to improve organizational competitiveness because it combines environmental performance issues through business strategy and process innovation with green concepts into strategic prospects for organizations. Environmental performance is measured using indicators to reduce toxins, reduce waste, environmentally friendly goods, protect the natural environment and environmental risks.

Economic Performance

Economic performance is the performance of companies in relative change from year to year in the same industry which is marked by the company's annual return. Economic performance is measured by profit growth, market share, reduction in energy costs and reduction of waste costs.

Social Performance

Corporate social performance Corporate Social Performance (CSP) is defined as a configuration of business organization principles of social responsibility, processes responsesocial and policies, programs, and observable outcomes as the relationship of these relations to corporate relations in society. In other words CSP is a management practice arrangement that ensures the company to maximize the positive impact in its operations on society.

Green Human Resources

GreenHRM is a workforce management system that is applied to reduce negative impacts on the environment or increase the positive environmental impact on MSME performance in a sustainable manner. The green variable of human resources is measured by green recruitment, green training and involvement, as well as green performance management and compensation.

Design Research

A. Descriptive Analysis

This analysis is intended to describe the characteristics of each study variable, the way of presenting the data into a frequency distribution table calculating the concentration and dispersion values and interpreting them.

B. Data Analysis with Partial Least Square (PLS)

Data analysis was performed using the Partial Least Square (PLS) method. PLS is a method of analysis that is not based on many assumptions. For example, the data must be normally distributed, not necessarily large because in this study the sample was limited to 95 respondents. SEM PLS modeling there are two models namely the outer model and the inner model.

1. Measurement model (outer model)

The measurement model is used to test the construct validity and instrument reliability.

a. Convergent validity

Convergent validity of measurement models with reflective indicators can be seen from the correlation between item / indicator scores and construct scores. Individual indicators are considered reliable if they have a correlation value above 0.70. However, at the scale development research stage, loading 0.50 to 0.60 is still acceptable,(Ghozali, 2014). Furthermore, another test is to assess the validity of the construct with the value of AVE, a good model is required if the Average Variance Extraced (AVE) of each counter is greater than 0.50(Ghozali, 2014).

b. Discriminant Validity

Discriminant Validity from the measurement model with reflexive indicators assessed based on cross loading measurements with constructs. If the correlation of constructs with measurement items is greater than the size of other constructs, then it shows that the latent construct predicts the size of other blocks,(Ghozali, 2014).

c. Reliability Construct (Reliability Construct)

To measure construct reliability can be done with two criteria, namely composite reliability and Cronbach alpha of the block of indicators that measure the construct. The construct is declared reliable if the composite reliability and Cronbach alpha values are above 0.70(Ghozali, 2014)

2. Structural Model (Inner Model)

Inner model used to test hypotheses. Before the hypothesis is tested it must be seen and determined the test model (goodness of fit) of the research.The structural model (Inner Model) is evaluated using R-Square for the dependent construct,

and the T Test and the Significance of the

structural path coefficient parameters.

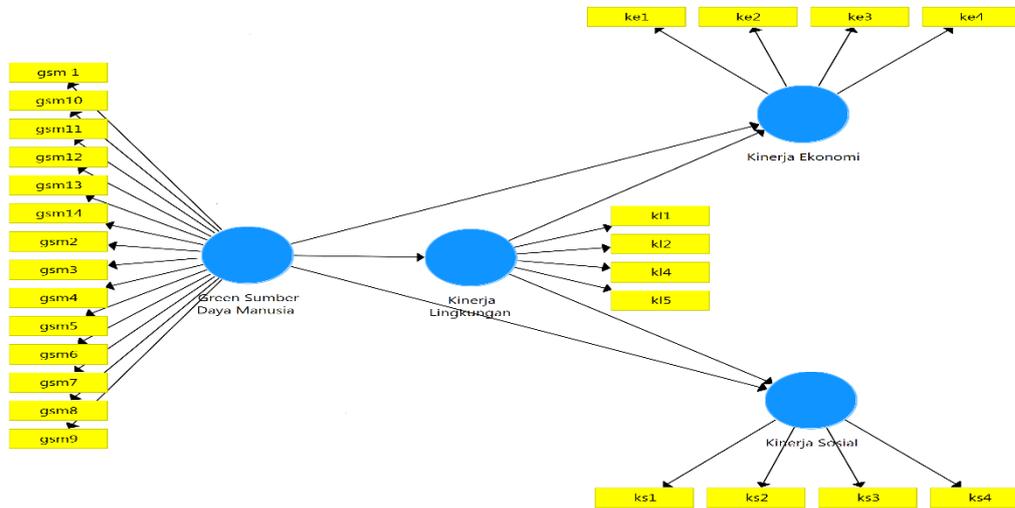


Figure 2. Variable Relationship Model

3. RESULTS AND DISCUSSION

Result

The following description of the characteristics of respondents to be explained includes: gender, age, level of education, when

the business was established, number of employees owned, and monthly sales turnover.

Table 1. Characteristics of Respondents

Respondents	Frequency	Percent (%)
Gender		
Male	85	56.7
Girl	65	43.3
Old		
<25 years	13	8.7
25-40 years	35	23.3
40-50 years	63	42.0
> 50 years	39	26.0

Education		
Elementary school	8	5.3
Middle School	17	11.3
High school	35	23.3
Diploma	45	30.0
Bachelor	32	21.3
Postgraduate	5	3.3
Others	8	5.3
When was the business established		
4 years	33	22.0
4-7 years	53	35.3
7-10 years	49	32.7
> 10 years	15	10.0
Monthly Sales Turnover		
<3 million	36	24.0
3-8 Million	76	50.7
8-13 Million	34	22.7
> 13 million	4	2.7

Descriptive results indicate that in part The owner of MSMEs in the city of Padang are men, as many as 85 people or 56.7%, the age of MSME owners at most aged between 40-50 years is 63 or as much as 42.0%, the highest level of education is Diploma, as many as 45 people or around 30.0 %. For UMKM identity data based on when the business was established, some were established for about 4-7 years, as many as 53 respondents or

around 35.3% and for monthly sales turnover owned by MSMEs ranging from 3-8 Million per Month with a total of 76 respondents or around 50, 7%.

The results of the hypothesis using PLS SEM are shown in the following order:

1. Model Conceptualization: Conceptualization models describe latent, exogenous,

endogenous, mediating variables and indicators. This study consists of one exogenous latent variable, namely: Green Human Resources. Endogenous latent variables are Economic Performance and

Social Performance and mediating variables namely Environmental Performance.
2. Convergent validity and Composite Reliability

Table 2: Composite Reliability Analysis Results

Variable	Composite Reliability	Cronbach's Alpha	AVE (Average Variance Extracted)	Information
Green Human Resources	0.932	0.921	0.513	Reliable
Economic Performance	0.890	0.836	0.670	Reliable
Environmental Performance	.852	0.770	0.596	Reliable
Social Performance	0.862	0.787	0.611	Reliable

Based on table 2 above, it can be seen that the value of AVE (Average Variance Extracted) of all variables > 0.5, thus the results indicate that the convergent validity measurement model can be said to be valid. And it can also be seen from the

Composite Reliability value above 0.6 and Cronbach's Alpha value above 0.7, thus these results indicate that each research variable meets the criteria so that it can be concluded that the overall variable is said to be reliable.

Table 3. The results of the analysis of R-Square

	R Square	Adjusted R Square
Economic Performance	0.510	0.504
Environmental Performance	0.461	.457
Social Performance	0.463	.456

In table 3 above this research can be seen that R2 economic performance of 0.510 means green human resources explain that the economic

performance variable of 50.4% the remaining 49.6% is explained by other constructs outside that examined in this study. R2 Environmental

performance of 0.461 means that green human resources explain that the environmental performance variable of 46.1%, the remaining 53.9% is explained by other constructs outside the study in this study. And R2 Social performance of 0.463 explains that green human resources explain the social performance variable of 46.3% and the remaining 53.7% is explained by other constructs beyond those examined in this study.

Hypothesis test

Hypothesis testing is done to see and know the direct effect, indirect effect and the total effect between variables. This test is carried out by operating bootstrapping on the SmartPLS 3.0 program so that the relationship between exogenous variables and endogenous variables is obtained. Hypothesis testing is done by looking at the p-value generated by the Inner model.

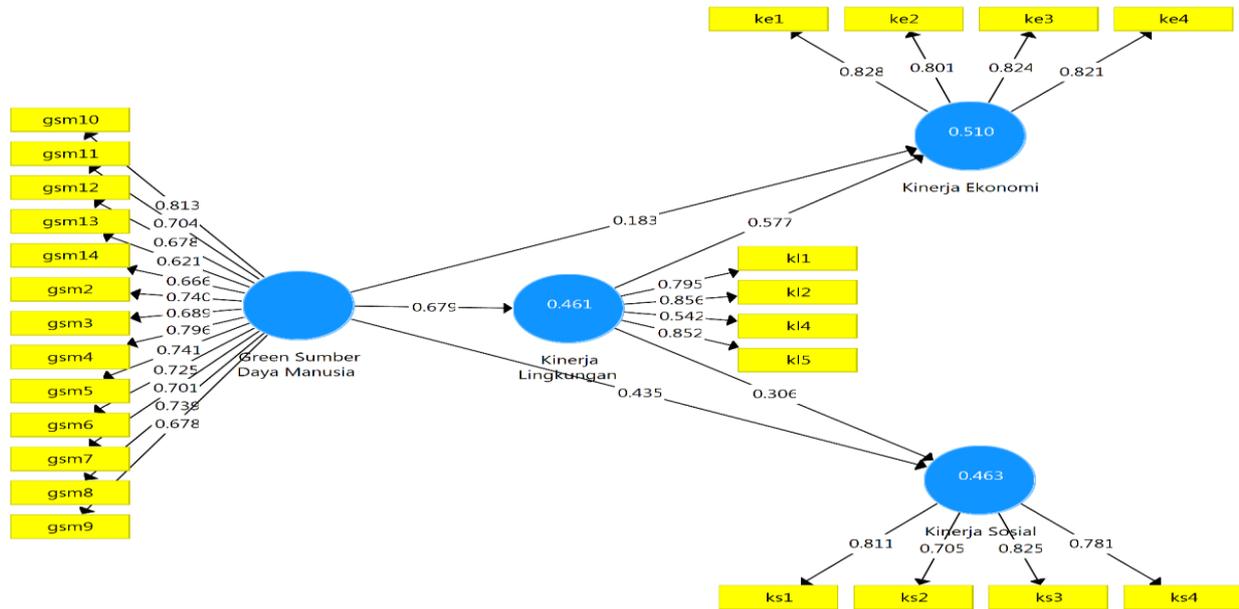


Figure 3. Variable Relationship Result

Table 4. Results of Inner Model Analysis

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O / STDEV)	P Values
Green SDM-> Economic Performance	0.575	0.579	0.071	8,096	0,000
Green SDM -> Environmental Performance	.679	.682	0.055	12,396	0,000
Green SDM -> Social Performance	.643	.651	0.058	11,091	0,000

Social Performance					
Environmental Performance -> Economic Performance	0.577	0.581	0.079	7,295	0,000
Environmental Performance -> Social Performance	0.306	0.306	0.099	3,079	0.002

The test results show the direct effect of green HR on economic performance has a path coefficient of 0.575 and a p-value of 0,000 <0.05, so the relationship is significant. Thus green HR has a significant effect on economic performance. This means that the first hypothesis of this study is supported. Hypothesis testing two shows a path coefficient of 0.679 and a p-value of 0.000 <0.05, so the relationship is significant. Thus green HR has a significant effect on environmental performance. This means that the second hypothesis of this study is supported. The third hypothesis testing shows a path coefficient of 0.643 and a p-value of 0,000 <0.05, so the relationship is significant. Thus green HR has a significant effect on social performance. This means that the third hypothesis of this study is supported. The fourth hypothesis testing has a path coefficient of 0.577 and a p-value of 0.000 <0.05, thus environmental performance has a significant effect on economic performance, meaning that the fourth hypothesis in this study is supported. And for the fifth hypothesis testing to test the effect of environmental performance on social performance, with a path coefficient of 0.306 and p-value of 0.002 <0.05, thus environmental performance has a significant effect on social performance, meaning that the fifth hypothesis in this study is supported.

Discussion

This study shows that green human resources has a positive and significant effect on economic performance, green human resources has a positive and significant effect on environmental performance and green human resources has a

positive and significant effect on social performance. This means that the higher the level of awareness of businesses in protecting the environmental impact, the impact on the welfare of the surrounding community. This is in line with research Mausa et al, (2019) who explained that Green human resources had a positive and significant effect on the performance of sustainability in health care in Palestine.

This study also examined the effect of environmental performance on economic performance where the results of the study had a positive and significant effect. This research is in line with the research of Haholongan (2016), the results of his research indicate that environmental performance has a positive and significant effect on economic performance.

In this study also examines the effect of environmental performance on social performance. The results of his study indicate that environmental performance has a positive and significant effect on social performance. This is consistent with the research of Damanik (2017) the results of his research indicate that environmental performance has a positive and significant effect on social performance.

4. CONCLUSIONS

- a. The results of the analysis showed that green human resources had a positive and significant effect on economic performance of the umkm in the city of Padang. This means that the higher level of awareness of an effort

in caring for the environment to reduce the negative impact on the environment.

- b. The results of the analysis showed that green human resources had a positive and significant effect on environmental performance on the umkm in the city of Padang. This means that the higher the demands of the concept of greening, the more environmental performance in a business will increase.
- c. The analysis showed that green human resources had a positive and significant effect on social performance. This means that the higher the green concept is applied to the umkm it will increase the responsibility of the business or company on the environment.
- d. The analysis shows that environmental performance has a positive and significant effect on economic performance in the city of Padang. This means that the higher the concern of business actors on the environment, the indirectly will have an impact on economic performance.
- e. The analysis shows that environmental performance has a positive and significant effect on social performance in the city of Padang. This means that the higher the concern of the business community towards the environment, the more it will affect the welfare of the surrounding community.

ACKNOWLEDGMENT

The authors are grateful to:

1. Prof. Dr. Yasri, MS as a leader writer in completing this article.
2. Padang City Cooperative and UMKM Office
3. The owner of UMKM in Padang City
4. To my parents, my brother / sisters and my friends, who always support the author.

REFERENCES

- Agan, Y., and Acar MF Borodin A. 2013. Drivers of environmental processes and their impact on performance: a study of Turkish SMEs, *Journal of Cleaner Production* 51, 23-33.
- Cech M. Yao W. Samolejova A. Li J. Wicher P, 2016. Human Resource management in Chinese manufacturing companies, *Perspectives In Science* 7, pp. 6-9.
- Damanik, I. Gst. Great. Very nice. A. 2017. Effect of Environmental Performance on Financial Performance with CSR Disclosures as Intervening Variables. July Vol.20.1. 645-673. ISSN: 2302-8556.
- Dangelico, RM, & Pujari, D. 2010. Mainstreaming green product innovation: Why and how companies integrate environmental sustainability. *Journal of Business Ethics*, 95 (3), 471-486.
- DiPietro, RB, Cao, Y., & Partlow, C. 2013. Green practices in upscale food service customer operations perceptions and purchase intentions. *International Journal of Contemporary Hospitality Management*, 25 (5), 779-796.
- Spoiled. 2014. The Effect of Corporate Social Responsibility on Financial Performance (Empirical Study of Manufacturing Companies listed on the Indonesia Stock Exchange in the period 2010-2012) Dian Nuswantara University Journal of Accounting Year, 2014 Pages 1-17.
- Ghozali, I. (2014). *Structural Equation Modeling Alternative Methods with Partial Least Square (PLS)*. Semarang: Diponegoro University.
- Haholongan, Rutinaias. 2016. "Environmental Performance and Economic Performance of

- Public Manufacturing Companies." *Journal of Economics and Business*. Vol.19 No. 3
- Mausa, SK, Othman. M. 2019. The impact of green human resource management practices on sustainable performance in healthcare organizations: a conceptual framework. *Journal of cleaner production*.
- Pasaribu. 2005. An Analysis of Increasing Competence of Small Entrepreneurs After Following Entrepreneurship Training Organized by Swisscontact Medan, *Journal of Industrial Engineering Systems*. (6) 5. 49-52.
- Pinzone M. Guerri M. Lettieri E. Redman T. 2016. Progressing in the change journey towards sustainability in healthcare: the role of 'Green' HRM, *Journal of Cleaner Production* 122, 201-211.
- Pociovălișteanu, DM et al., 2015. Employment Policies for a Green Economy at the European Union Level. ISSN 2071-1050. 9231-9250.
- Singh, SK, Gupta, S., Busso, D., Kamboj, S., 2019 a. Top management knowledge values, knowledge sharing practices, open innovation and organizational performance. *Journal of Business Research*. Doi.org/10.1016/j.jbusres.2019.04.040.
- Sudaryanto. 2011. Effect of Environmental Performance on Financial Performance with CSR as Variable Intervening. Bachelor Thesis, Faculty of Economics, Diponegoro University.
- Sudjoko. 2011. Environmental education. Jakarta: Open University.
- Stone DL Deadrick DL 2015, Challenges and opportunities affecting the future of human resource management, *Human Resource Management Review* 25, pp. 139-145.
- Thomas, JR, & Kumar, J. (2016). Social Performance and Sustainability of Indian Microfinance Institutions: an Interrogation. *Journal of Sustainable Finance & Investment*, 6 (1), 38-50.
- Tiffani B. Rustam. 2013. Management Audit To Assess the Effectiveness of Functions Human Resources. *FEB Student Scientific Journal*, Vol. 1 No. 1
- Wood, DJ (2010). Measuring Corporate Social Performance: A Review. [*International Journal of Management Reviews*](#), 12 (1), 50-84.
- Zeng SX, Meng XH, Zeng RC, Tam CM, Tam WY, J in T, 2011, How environmental management driving forces affect the environmental and economic performance of SMEs: a study in the Northern China district, *Journal of Cleaner Production* 19, pp 1426 - 1437.