

Exploring Green Start-up Finance for Tourism Villages

I. P. Astawa*, I. K. Suarja

Tourism Department
State Polytechnic of Bali
Bali, Indonesia

*putuastawa1@pnb.ac.id

T. G. R. Sukawati

Faculty of Economics and Business
Udayana University
Bali, Indonesia

Abstract—This study aims to assess green start-up finance in developing tourism villages in Bali. Green start-up finance has the aim of maintaining tourism sustainability by promoting environmental conservation issues. Investors do not all have an initial goal towards green issues in building a business even though this issue is an important issue in maintaining business. Data is collected through two stages, namely debt interviews and questionnaires. The results of the qualitative analysis were used to create a questionnaire to be distributed to the tourism village manager. Eighty managers from one hundred who have answered questionnaires delivered via e-mail and mail. Quantitative data were analyzed using descriptive statistics. The results of a qualitative study that green start-up finance has not yet appeared in the beginning in supporting the environment that arises are problems of economic improvement. Quantitatively, the tourism village manager on average sixty-five percent agrees that in green start-up finance activities include environmentally friendly products/ services, product/ service features, reputation, customer types, innovativeness, entrepreneurial motivation, market orientation, company growth, strategic issues, institutional entrepreneurship. The results of this study provide an overview for the managers of many topics involved in implementing green start-up finance and are indispensable in maintaining sustainable village tourism. These results can be further developed by linking with the local culture and the village economy.

Keywords—green start-up finance, sustainable tourism, tourism village

I. INTRODUCTION

The paper investigated green start-up finance in relation to sustainable tourism, especially the development of a destination. There are some sustainable destination development models, such as Community -based Tourism (CBT), Collaborative Destination Marketing (CDM), and Strategic Destination Branding (SDB) [1]. These three concepts have one goal which is for the community and the concepts are expected to improve high life standard, moral, and life quality of the locals [2-5]. This type of model is also developed in Bali known as Village Tourism Destination (VTD) that based on harmonious culture (THK) [6-8].

The development of THK-based VTD is a differentiator to CBT development in the world and it has green concept [6-8]. As many as one hundred VTD are start-up to achieve green growth 2050 [7-9]. Start-up is an innovative business with high risk and high growth and often requires a significant amount of external funding [10]. Most “bootstrap” start-up, which are self-funded, are in their initial stage [11]. Friends, families, and internal people could become the informal investors in start-up [12].

Green start-up is one of types of actor in bigger sustainable entrepreneur group and develops its product and services with positive environmental impacts [13]. The entrepreneurs themselves do not always have motivation related to sustainability and an “unintentionally green” start-up where environmental benefits are their secondary products instead of own goal [13-17]. Previous research results vary regarding to green start-up finance thus provide a gap to deeply study the subject regarding to VTD development in Bali and compare it to the existing theories thus a new green start-up financial model can be obtained and give contribution to green financial in establishing green entrepreneur.

II. LITERATURE REVIEW

Access to funding and finance is the main problem for a new company. Adequate funding could influence the success or failure of a company in its early journey [18,19]. Challenges in access occur due to the lack of collateral / income before entering the market, unknown credit history of the entrepreneur, and innovation development without market benchmark [20-24]. While research field focuses more on venture capital (VC), start-up, in practice, is pragmatic in nature and uses various financial instruments that not all targets new companies [25]. The use of instruments and financial sources depends on company phase, number of investment required, and other characteristics of the company. There are companies that use informal sources as the main source in the initial state of company development [26,27]. Other important initial sources include friends and families [28], as well as funders’ own funding [29].

Several sustainable investors could target green start-ups and sustainable entrepreneurs in specific. Some businesses invest in a value-oriented way [27]. A number of green/social VCs selected also focus specifically in Cleantech or social innovation [15,30]. There are companies that have special goal to improve social impact [31,32]. A number of social banks provide funding for companies operating in field related to sustainability [33-35]. Several funding platforms also target companies and projects engaged in environmental or social fields and in these fields informal investors invest for various reasons [36,37].

Sustainable tourism reduces the negative impacts of tourism activities on environment, communities, and economy to achieve ecological sustainability, economically feasible, and ethically and socially fair. The UNEP and UNWTO [38] define sustainable tourism conceptually as “the development of tourism activities through an appropriate balance between environmental, economic, and socio-cultural dimensions to ensure long term sustainability.” It should fulfill tourists’ current needs and goals as well as gives opportunities for future development and maintains inheritance integrity, ecological integrity, biodiversity, and life support system. In fact, tourism development should involve sustainable development aiming to improve tourist’s satisfaction [39].

Community-based tourism (CBT) is the development of tourism sources and management paradigms distilled from the half century evolution of conceptual and philosophical approaches to resources management. The ontology is embedded in sustainable paradigm encouraging community participation for a fairer and more holistic development [2,40]. Responding to the limitations in initial approaches for sustainable development, a more holistic and comprehensive approach is conceptualized to include social justice and human rights. A new approach for the involvement and participation of stakeholders, which is CBT, becomes popular in the mid-1990s and emphasizes on approach initiated by the community, advocates real community participation, and all-inclusive in all levels of development [41].

III. RESEARCH METHODS

The research was conducted in two stages [42]. The first stage was in-depth interview with tourism village administrators of 5 people and the interview materials sourced from Bergset [43]. The interview was conducted for 50 minutes, on average, for every informant. The interview result then compared to the theories [44]. Data were analyzed by referring to Miles and Huberman [45] and the result was used to create questionnaire to be submitted to tourism village administrators of 100 villages that became green start-ups in Bali. Only eighty questionnaires feasible to be processed in descriptive statistic [46] and the remaining were not completed. Questionnaires sent by email and mail containing cover letter, research goals, research title, procedures to respond, and materials. Questionnaire materials referred to Bergset research [43] in five Likert scale: 1 = STS (strongly disagree); 2 = TS (disagree); 3 = RR (average); 4 = S (agree); 5 = ST (strongly disagree) and developed based on the result of qualitative study. There were ten variables used, namely: Environmentally friendly products/service, product/service features, reputation,

customer types, innovativeness, entrepreneurial motivation, market orientation, company growth, strategic issue, institutional entrepreneurship, and local culture. Questionnaires had been tested for their validation and reliability and stated as valid.

IV. RESULTS AND DISCUSSION

Result of in-depth interview on green start-up finance can be explained in Table 1.

TABLE I. GREEN START-UP FINANCE

No	Characteristics	Specification
1	Environmentally friendly products/service,	Do not contain plastic materials
		(VTD1,VTD2,VTD3); tools and equipment
		made from natural materials (VTD4,VTD5).
2	Product/service features	Have service standards (VTD1, VTD2), nature, art, and culture are accordance with the village condition (VTD3,VTD4, VTD5).
3	Reputation	Villages selected have good reputation in Bali (VTD3,VTD4, VTD5), tourists give good opinion on villages (VTD1, VTD2).
4	Customer types	Most guests come from Europe who have environmental awareness (VTD1, VTD2, VTD3,VTD4, VTD5).
5	Innovativeness	Agro tourism (VTD3,VTD4), natural-based culinary tourism (VTD1,VTD2, VTD5)
6	Entrepreneurial motivation	Village-owned enterprises (BUMDES) (VTD1, VTD2, VTD3,VTD4, VTD5).
7	Market orientation	Global market (VTD1, VTD2), guests enjoyment is the main concern (VTD3,VTD4, VTD5).
8	Company growth	Village economic improvement (VTD1, VTD2, VTD3,VTD4, VTD5).
9	Strategic issue	Indonesian government programs (VTD1, VTD2, VTD3,VTD4, VTD5).
10	Institutional entrepreneurship	Village-owned enterprises (BUMDES) (VTD1, VTD2, VTD3,VTD4, VTD5).
11	Local culture	Vertical and horizontal harmonization (VTD1, VTD2, VTD3,VTD4, VTD5).

The result of qualitative analysis found that green start-up finance came from the government and the external parties of the company [10] and the first problem occurred was rural economy improvement. An interesting fact, however, was that rural communities, culturally, had been implemented cultural preservation aspect. The combination of both aspects accelerated the achievement of sustainable tourism. Funding process for initial establishment became a problem in previous studies due to the nonexistence of collateral [20-24] however, it did not occur in VTD. The research result gives new insight in the development of start-up destination that is differed to the previous studies. In addition, local culture was also used as a strong foundation to develop start-up destination. The development of green start-up finance also had the following characteristics: Environmentally friendly products/service, product/service features, reputation, customer types,

innovativeness, entrepreneurial motivation, market orientation, company growth, strategic issue, and institutional entrepreneurship that support a research by Bergset [13]. The research was different in terms of the use of local cultural element as the main foundation to develop sustainable tourism business.

Tourism village is the main product developed into international product since the government has global market orientation in the development of sustainable tourism [47,48]. The program is also an innovation work that encompass environmental components such as agrotourism [49-51]. The result of data processing is explained in Table 2.

Green start-ups were supported by strong local culture as explained in Table 2 where the administrators gave a response that closer to strongly agree. The result is a new finding in the development of green start-ups to save the world from various pollutions. In addition, global warming issue was addressed well by the government of Indonesia by combining elements of environmentally friendly products/service, product/service features, reputation, customer types, innovativeness, entrepreneurial motivation, market orientation, company growth, strategic issue, institutional entrepreneurship, and local culture to form green start-up finance. These activities were different compared to the previous research that only partially discussed the matter. There were researches that started from green-oriented consumer targets [52,53] or stressed on business motivation sourced from the business side effect if move toward supporting the environment [14,54].

TABLE II. RESPONDENT RESPOND ON GREEN START-UP FINANCE

No	Characteristics	Average Respondents' Response
1	Environmentally friendly products/ service,	4.42
2	Product/service features	4.52
3	Reputation	4.46
4	Customer types	4.45
5	Innovativeness	4.58
6	Entrepreneurial motivation	4.41
7	Market orientation	4.57
8	Company growth	4.56
9	Strategic issue	4.47
10	Institutional entrepreneurship	4.54
11	Local culture	4.59

The research results gave contribution to entrepreneurship science in describing non-expensive tourism destination business through good collaboration between government, company, and local communities. The research could be refined by improving the analysis method using Structural Equation Modelling to create a more accurate green start-up model. The development is a gap for future studies by adding green economic.

V. CONCLUSION

Green start-up finance built based on local culture by proposing harmonization between vertical (God) and horizontal (nature and human) and government as the funder to give motivation so that sustainable tourism is well achieved. Green start-up occurs as a community culture thus unconsciously the

activities were green in nature and it emerged as if it appeared simultaneously with tourism activities. VTD became a model in CBT development and played role in saving the world environment since it supported by community culture that took sides on environmentally friendly. The development of green start-up finance model in VTD was a novelty thus it can be used by managers as a marketing strategy to build green reputation that currently receives world attention.

ACKNOWLEDGMENTS

The authors would like to send their gratitude to the Indonesian Government for the research funding as well as that gave motivation to complete the research. Also, the authors would like to thanks the manager for their participation in the model test.

REFERENCES

- [1] A. D. Tasci, R. Croes and J. Bartels Villanueva, "Rise and fall of community-based tourism-facilitators, inhibitors and outcomes". *Worldwide Hospitality and Tourism Themes*, Vol. 6 No. 3, pp. 261-276, 2014.
- [2] Stone, L. S., and Stone, T. M, "Community-based tourism enterprises: challenges and prospects for community participation; Khama Rhino Sanctuary Trust Botswana", *Journal of Sustainable Tourism*, Vol. 19 No. 1, pp. 97-114, 2011.
- [3] A Hall, Colin Michael. *Tourism planning: Policies, processes and relationships*. Pearson Education, 2008.
- [4] Sebele, L. S., "Community-based tourism ventures, benefits and challenges: Khama rhino sanctuary trust, central district, Botswana", *Tourism management*, Vol. 1 No. 1, pp. 136-146, 2010.
- [5] Goodwin, H., and Santilli, R., "Community-based tourism: A success", *ICRT Occasional paper*, Vol. 11 No. 1, pp. 37-45, 2009.
- [6] Law, A., De Lacy, T., Lipman, G., and Jiang, M., "Transitioning to a green economy: the case of tourism in Bali, Indonesia", *Journal of Cleaner Production*, Vol.111, pp. 295-305, 2016.
- [7] Astawa, I. P., Triyuni, N. N., and Santosa, I. D. M. C., "Sustainable tourism and harmonious culture: a case study of cultic model at village tourism", *Journal of Physics: Conference Series*, Vol. 953 No. 1, pp. 012057, 2018.
- [8] Astawa, I. P., Ardina, C., Yasa, I. M. S., and Parnata, I. K., " A new model in achieving Green Accounting at hotels in Bali", *Journal of Physics: Conference Series*, Vol. 953 No. 1, pp. 012056, 2018.
- [9] DeLacy, T., Jiang, M., Lipman, G., and Vorster, S., *A 2050 Green Growth Roadmap for Bali tourism* TERRY DeL, GEOFFREY L ALEXANDRA LAW. In *Green Growth and Travelism* (pp. 231-248). Routledge, 2014.
- [10] Cable, A. J., "Fending for themselves: Why securities regulations should encourage angel groups", *Pennsylvania Journal of Business Law*, Vol. 13, pp. 107, 2010.
- [11] Cole, C.W., "Financing an entrepreneurial venture: navigating the maze of corporate, securities, and tax law. *University of Missouri-Kansas City Law Review* 78, 473, 2009.
- [12] Alden, E., "Primum Non Nocere: the impact of Dodd-Frank on Silicon Valley Berkeley", *Business Law Journal*, Vol. 8, pp. 107, 2011.
- [13] Bergset, L. and Fichter, K., "Green start-ups a new typology as a basis for investigating and understanding sustainable entrepreneurship and innovation", *Journal of Innovation Management*, Vol. 3, pp. 118-144, 2015.
- [14] Parrish, B.D., "Sustainability-driven entrepreneurship: principles of organization design", *Journal of Business Venturing*, Vol. 25 No. 5, pp. 510-523, 2010.

- [15] Bocken, N.M.P., "Sustainable venture capital-catalyst for sustainable start-up success?", *Journal of Cleaner Production*, Vol.108, pp. 647-658, 2015.
- [16] Patzelt, H. and Shepherd, D.A., "Recognizing opportunities for sustainable development", *Entrepreneurship Theory and Practice*, Vol. 35 No. 4, pp. 631-652, 2011.
- [17] Schaltegger, S. and Wagner, M., "Sustainable entrepreneurship and sustainability innovation: categories and interactions", *Business Strategy and the Environment*, Vol. 2 No. 4, pp. 222-237, 2011.
- [18] Carter, R.B. and Van Auken, H.E., "Personal equity investment and small business financial difficulties", *Entrepreneurship Theory and Practice*, Vol. 15 No. 2, pp. 51-60, 2011.
- [19] Gimeno, J., Folta, T.B., Cooper, A.C. and Woo, C.Y., "Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms", *Administrative Science Quarterly*, Vol. 42 No. 4, pp. 750-783, 1997.
- [20] Cosh, A., Cumming, D. and Hughes, A., "Outside entrepreneurial capital", *The Economic Journal*, Vol. 119 No. 540, pp. 1494-1533, 2009.
- [21] Kerr, W. R., and Nanda, R., "Democratizing entry: Banking deregulations, financing constraints, and entrepreneurship", *Journal of Financial Economics*, 94(1), 124-149, 2009.
- [22] Megginson, W.L. and Smart, S.B., *Introduction to Corporate Finance*, Thomson/South-Western, Mason, OH, 2006.
- [23] Nitzsch, R., von, Rouette, C. and Stotz, O., "Kapitalstrukturentscheidungen junger Unternehmen", in Börner, P.D.C.J. and Grichnik, D.D. (Eds), *Entrepreneurial Finance*, Physica-Verlag HD, Heidelberg, pp. 409-429, 2005.
- [24] Starobom, H., "Gründungsunterstützung durch öffentliche Hilfen", *Corporate Finance Teil 2*, Springer Fachmedien Wiesbaden, Wiesbaden, pp. 73-108, 2013.
- [25] Bergset, L., "The rationality and irrationality of financing green start-ups", *Administrative Sciences*, Vol. 5 No. 4, pp. 260-285, 2015.
- [26] Börner, C.J., "Gründungs- und Wachstumsfinanzierung als Finanzdienstleistung", *Entrepreneurial Finance*, Springer, Physica-Verlag, Heidelberg, pp. 81-101, 2005.
- [27] Brettel, M., "Business angels", in Börner, P.D.C.J. and Grichnik, D.D. (Eds), *Entrepreneurial Finance*, Physica-Verlag HD, Heidelberg, pp. 233-258, 2005.
- [28] Steier, L., "Variants of agency contracts in family-financed ventures as a continuum of familial altruistic and market rationalities", *Journal of Business Venturing*, Vol. 18 No. 5, pp. 597-618, 2003.
- [29] Bygrave, W.D. and Quill, M., "Global entrepreneurship monitor", *Executive Report*, pp. 1-67, 2007.
- [30] Randjelovic, J., O'Rourke, A.R. and Orsato, R.J., "The emergence of green venture capital", *Business Strategy and the Environment*, Vol. 12 No. 4, pp. 240-253, 2003.
- [31] John, R., "Beyond the cheque: how venture philanthropists add value", pp.56-76, 2007.
- [32] Nicholls, A. and Paton, R., "Emerging resource flows for social entrepreneurship; theorizing social investment", presented at the British Academy of Management Annual Conference, University of Brighton, Brighton, 15-17 September, 2009.
- [33] Weber, O., "Mission and profitability of social banks", working paper, pp. 1-20, 2011.
- [34] Cowton, C.J. and Thompson, P., "Financing the social economy: a case study of Triodos Bank", *International Journal of Nonprofit and Voluntary Sector Marketing*, Vol. 6 No. 2, pp. 145-155, 2001.
- [35] Lehner, O.M., "A literature review and research agenda for crowdfunding of social ventures", *Research Colloquium on Social Entrepreneurship*, Skoll Center of SAID Business School, University of Oxford, Oxford, 2012.
- [36] Lehner, O.M., "Crowdfunding social ventures: a model and research agenda", *Venture Capital*, Vol. 15 No. 4, pp. 289-311, 2013.
- [37] UNEP and UNWTO, *Making tourism more sustainable. A Guide for Policy Makers*. United Nations Environment Programme and World Tourism Organization, Paris and Madrid, 2005.
- [38] Sharpley, R., *Tourism and sustainable development: exploring the theoretical divide*. *J. Sustain. Tour.* 8, 1-19, 2000.
- [39] Hall, C.M., *Tourism Planning: Policies, Processes and Relationships*, Prentice Hall, Harlow, 2000.
- [40] Asker, S. A., Boronyak, L. J., Carrard, N. R., and Paddon, M.. *Effective community based tourism: a best practice manual*, 2010.
- [41] Creswell, Clark, *Designing and Conducting Mixed Methods Research*, (2nd ed.) United Kingdom: Sage Publications, Inc., 2011.
- [42] Bergset, L., *Green start-up finance—where do particular challenges lie?*. *International Journal of Entrepreneurial Behavior and Research*, Vol. 24 No. 2, pp. 451-575, 2018.
- [43] Glaser, B. G., and Strauss, A. L., *Discovery of grounded theory: Strategies for qualitative research*. Routledge, 2017.
- [44] Miles, M. B., Huberman, A. M., Huberman, M. A., and Huberman, M., *Qualitative data analysis: An expanded sourcebook*. Sage, 1994.
- [45] Sugiyono, P. D., "Educational research methods. Quantitative Approach", Vol. 4, pp. 26-45, 2010.
- [46] Frederking, L., "Getting to green: niche-driven or government-led entrepreneurship and sustainability in the wine industry", *New England Journal of Entrepreneurship*, Vol. 14 No. 1, Article 6, 2011.
- [47] Vickers, I. and Lyon, F., "Beyond green niches? Growth strategies of environmentally-motivated social enterprises", *International Small Business Journal*, Vol. 32 No. 4, pp. 449-470, 2012.
- [48] Fichter, K. and Weiß, R., *Start-ups: Product Pioneers for a Green Economy*, Borderstep Institute for Innovation and Sustainability, Berlin, 2013.
- [49] Freimann, J., "Über die Schwierigkeiten grüner Unternehmensgründungen—Gründungen wie andere auch?", *Ökologisches Wirtschaften*, Vol. Nachhaltig Gründen No. 2, pp. 12-13, 2005.
- [50] Linnanen, L., "An insider's experiences with environmental entrepreneurship", *Greener Management International*, No. 38, pp. 71-80, 2002.
- [51] Nicholls, A. and Pharoah, C., *The Landscape of Social Investment: A Holistic Topology of Opportunities and Challenges*, Said Business School, Skoll Centre for Social Entrepreneurship, Oxford, 2008.
- [52] Panapanaan, V., Bruce, T., Virkki-Hatakka, T. and Linnanen, L., "Analysis of shared and sustainable value creation of companies providing energy solutions at the base of the pyramid (BoP)", *Business Strategy and the Environment*, Vol. 25 No. 5, pp. 293-309, 2014.
- [53] Prahalad, C.K. and Hammond, A., "Serving the world's poor, profitably", *Harvard Business Review*, Vol. 80 No. 9, pp. 48-59, 2002.
- [54] Bocken, N.M.P., "Sustainable venture capital-catalyst for sustainable start-up success?", *Journal of Cleaner Production*, Vol. 108, Part A, pp. 647-658, 2015.