

# MSMEs Business Sustainability: A Literature Review

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## ABSTRACT

Business sustainability is an essential concern in the MSMEs debate because MSMEs face many uncertainties in supply and demand and stronger competition. Moreover, the coronavirus pandemic has had a significant impact on MSMEs (Covid-19). This article is based on reading material and previous research. The current case of MSMEs was in contrast to the 1998 crisis when MSMEs were hailed for restoring the national economy. However, in the face of the epidemic, they also crumbled. MSMEs must meet quality standards, technology, and competitive prices to survive and thrive. Mastery of technology, especially in the Industry 4.0 era, will positively affect the sustainability of the company's operations. Gaps in case understanding based on research knowledge were identified and had directions and recommendations for further research.

**Keywords:** MSMEs, Business, Sustainability, Literature, Review.

## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are always fascinating to examine and investigate. MSMEs account for about 90 percent of the world's company population and employ 50-60 percent of the world's workforce [1]. Meanwhile, according to data from the Ministry of Cooperatives, Small and Medium Enterprises, Indonesia's MSME sector accounted for 64.2 million people in 2018, accounting for 99.99 percent of all business actors. Moreover, MSMEs employees have an absorption capacity of up to 117 million employees or 97 percent of the workforce's absorption capability. Meanwhile, MSMEs provided 61.1 percent of the national economy (GDP).

In contrast, major business players provided 38.9 percent, although the total number of significant business players was just 5,550, or 0.01 percent of all company players. Thus, MSMEs are dominated by micro-business players, accounting for 98.68 percent, with a labor absorption rate of roughly 89 percent [2]. This figure demonstrates the significant contribution of MSMEs to the Indonesian economy and even the global economy. As a result, it is not improper if the government and other parties continue to prioritize MSMEs as one of the backbones of the people's economy.

Business sustainability is one of the essential topics in the debate of MSMEs since MSMEs confront various uncertainties in terms of demand and supply and more strong competition [3]. Furthermore, the coronavirus pandemic has had a significant effect on MSMEs (Covid-19).

It was not the same as the 1998 crisis when MSMEs were hailed to recover the national economy. However, in the face of the epidemic, they also crumbled. MSMEs must satisfy quality standards, technology, and competitive pricing to survive and thrive [4]. Technology mastery, particularly in the Industrial 4.0 age, will positively influence the sustainability of company operations [5]. However, MSMEs are always less equipped to swiftly adapt to technological advancements in this modern-day [6].

Business sustainability is also linked to the capacity to innovate. MSMEs' performance in a competitive setting is heavily dependent on their ability to innovate [7]. Until far, research on innovation has concentrated chiefly on big and international corporations. Even though there is a significant gap between the innovation processes in important corporations and MSMEs; as a result, the study of innovation in the context of MSMEs becomes vital and intriguing to debate. The topic of innovation is connected to how the invention arises, develops, expands, and is subsequently superseded by other designs. A significant change, such as the production of a product or service that is superior to the initial state, will demonstrate the efficacy of an invention [8]. The capacity to innovate will inspire organizations to continue to provide new things (particularly to consumers), compete, and be more sustainable in their company operations.

A firm will survive and thrive if it can make a profit. Therefore, MSMEs will use the profit to increase the number of assets possessed and the firm's size. Two financial prospects are crucial to long-term firm sustainability: gross and net profitability [9]. The

business case isn't a blanket statement that corporate sustainability initiatives are the best option for every company in every circumstance. Instead, MSMEs must carefully tailor to the specific circumstances of individual companies operating in unique positions within distinct industries [10]. Successes in whole sectors and at other firms are excellent examples, but MSMEs must still apply the case to one firm at a time [11].

### ***1.1 Factors Made of Business Suitable and Qualified***

According to Freeman's stakeholder theory, corporations have responsibilities to their shareholders and other interest groups [12]. Although there is disagreement regarding the relative importance of various "stakes," philosophers feel that consideration for issues other than economic ones is necessary. But what is the monetary payoff? The business sustainability has been addressed in various methods to demonstrate or refute the solid economic justification for corporate sustainability management [13]. Which should be described as "a profit-driven strategic corporate reaction to environmental and social problems created by the organization's main and secondary operations." Since the early 1990s, the business sustainability has attracted growing interest from the corporate community, its stakeholders, the academic community, and consultants. Nonetheless, there is much uncertainty and doubt [14].

This work aims to thoroughly analyze current research and technologies dealing with the business sustainability and identify the most relevant research choices [15]. Theoretical studies and empirical investigations are the two primary types of business sustainability research. The academic studies are based on frameworks that attempt to explain the nature of the relationship between Digitalpreneur and Product Innovation or Profitability on the one hand. The empirical investigations are divided into two categories: Instrumental studies seek to evaluate the correlations postulated in theoretical research experimentally. In contrast, descriptive studies aim to investigate how to approach the business sustainability in reality. Several theoretical frameworks on the relationship between social or environmental performance and commercial success have emerged in recent decades [16]. Since they are mainly founded, most people use corporate social responsibility and corporate social accounts to allude to the connection between social and financial performance. Although environmental challenges are distinct from social ones due to their biophysical character, the theoretical frameworks that have been created apply to both aspects of business performance [17]. As a result, in the following, the

author will discuss the connection between financial performance (Profitability), performance (digitalpreneurs and product innovation), on company sustainability. Furthermore, technical advancements are the primary measure in ensuring company continuity. This article has explained how business sustainability may continue to exist in any circumstance [18].

It also explains, in part, why so much empirical research has failed to uncover a direct positive or negative relationship between profitability and digitalpreneurs and product innovation, despite significant inadequacies in the methodology. It is challenging to identify a clear correlation since the organizations polled were almost certainly at various points on the inverted business sustainability [19].

### ***1.2 Disadvantages to This Studies Literature***

Instrumental investigations attempt to scientifically validate or refute a supposed causal sequence or relationship between profitability and digitalpreneurs and product innovation. They use two principal methodologies. The majority of the time, qualitative case studies and quantitative analysis are used. They also include risk minimization and corporate sustainability as aspects of business excellence [20].

There are two significant disadvantages to this study's literature. First, since it is dependent on quantitative data, the proof provided is often insufficient. Second, they are usually limited to a particular sector or company, thereby restricting their use. Approaches are used in qualitative analyses is deeping interview [21].

The essential research in this field was probably conducted for investigated the impact of industries, plants, and time on environmental profit, i.e., the magnitude of the financial case for reducing wastewater discharges. It's worth mentioning that Lankoski observed that plants had approximately forty times the influence on environmental profit as a simple commercial impact [23].

### ***1.3 Social Factors That Influence Various Businesses***

The inconclusiveness of the conclusions may be attributed to the following shortcomings in the methodology, in addition to the study topic's complexity, which stems from the diversity of environmental and social elements that impact diverse firms in various countries: 1) The use of a wide range of digital product innovation metrics, some of which are poor. Several company be made resulting in more consistency in digitalpreneurs and product innovation measures [24]. Furthermore, some authors have argued for using multidimensional

digitalpreneurs and product innovation measures, which may allow for a more complete (perceptual and factual) and, therefore, trustworthy assessment of digitalpreneurs and product innovation. Multidimensional measurement, on the other hand, needs a small sample size[25]. 2) Failure to put concepts and ideas to the test empirically [26]. 3) Inadequate significance testing and control for interaction with other variables, especially in early studies. 4) Inadequate sampling techniques, owing to a lack of data. Empirical research has primarily utilized wide, cross-sector samples, which may have masked sector-specific differences such as particular internal capabilities, external pressures, degree of public exposure, stakeholder arrangements, regulatory level, and so on. A few studies used a more detailed approach, focussing on one firm or comparing various industries and plants[27]. 5) The usage of a multitude of Profitability measures, allegedly for ease. The discussion regarding the appropriate Profitability indicator seems to be continuing. Accounting and market-derived indicators both concentrate on separate areas of performance and are prone to biases. For example, accounting measurements may be confounded by changes in accounting methods and asset allocations between industrial sectors, while market-derived indicators may reflect more than merely financial performance[28].

Some of them implicitly examined economic thinking. However, the literature reveals two major flaws, significant absence of comparative approaches has taken a basic cross-industry strategy. None have taken into consideration both industry and national implications[29]. And even fewer studies have focused directly on the business sustainability as a driver of corporate sustainability management, i.e., what determines the business sustainability, how significant is it? An anomaly in that it focuses on many essential elements of environmental profit, including technology, regime (regulatory and economic "rules of the game"), and visibility[30]. It's also worth emphasizing how little empirical work has been done on the business sustainability on a more organizational level, i.e., how it's created and employed in organizations. presented a framework to help MSMEs operationalize company sustainability objectives based on economic logic[31].

## 2. METHOD

The design of this study is a literature review or study literature. Literature review, literature research investigates or critically assesses information, ideas, or conclusions included in the corpus of academic-oriented literature. It formulates theoretical and methodological contributions to particular issues. The

nature of this study is descriptive analysis, essentially the regular breakdown of the data that has been acquired, then comprehension and explanation are provided so that the reader may appropriately understand it.

## 3. RESULT AND DISCUSSION

Sustainability is a significant element in business, particularly for MSMEs. Moreover, MSMEs are a business sector that has seen a profound effect from the Corona Virus (Covid-19) epidemic. Therefore, business sustainability in the new average age is an intriguing issue to research, particularly for MSMEs, which are frequently regarded as one of the backbones of the people's economy.

In essential words, business processes are connected to input-process-output. If this is related to sustainability, it will indicate the sustainability of the input (what will be produced) the process (how to make it?) And output (for whom the products/services are created?) MSMEs further refined the notion of sustainability into Business Sustainability 1.0 (Refined Shareholder Value Management), then Business Sustainability 2.0 (Managing for the Triple Bottom Line), and Business Sustainability 3.0 (True Sustainability) Business Sustainability 1.0 is connected to the capacity of firms to grasp opportunities and handle risks that come from advances in economic, environmental, and social situations. Business Sustainability 2.0 is the capacity to manage the triple bottom line (people, planet, profit) - financial management, risk management, and the ability to manage responsibilities (obligations) and possibilities. Business Sustainability 3.0 (Real Sustainability) is alternatively termed true sustainability. True corporate sustainability has a deeper meaning[32].

True sustainability demonstrates the capacity of companies to contribute to sustainability challenges in society via the goods or services they create. How can business, with its resources, expertise, and expertise, play a part in resolving economic, social, and environmental difficulties such as climate change, population, corruption, poverty, pandemics, unemployment, and financial instability, and so on. These three business sustainability models will be employed to investigate the business sustainability of MSMEs, particularly in connection to the Covid 19 epidemic. Of the three business sustainability models that have been put out, business sustainability is directly tied to business skills in understanding technology 4.0, financial management, and business skills to contribute to society or corporate social obligations. For MSMEs themselves, controlling business risk is not straightforward. The instruments employed by big organizations in risk management

are sometimes inadequate and often too sophisticated for MSMEs.

A sustainability company is also tied to the capacity to innovate. The success of MSMEs in a competitive market dramatically relies on the degree to which they can innovate. So far, research on innovation has concentrated mainly on big and international organizations. Even though there is a significant gap between the innovation process in large organizations and MSMEs. So, therefore, the study of innovation in the context of MSMEs becomes essential and fascinating to debate. The topic of innovation is connected to how the invention arises, is developed, flourishes, and is subsequently superseded by other designs. The efficacy of a story will be observed from a considerable change, for example, in the creation of a product or service that is superior to the initial state[33].

The capacity to innovate will inspire organizations to continue providing new things (particularly to consumers), compete, and be more sustainable in their company operations. Especially in this digital age, MSMEs must turn themselves into digitalpreneurs, essentially digital-based businesses. The issue in merging digital innovation with entrepreneurship is the capacity of local entrepreneurs to create using new technology, analyze digital demands and markets, adopt all negotiating abilities, and enter into a broader world via e-commerce. In addition, MSMEs need to achieve quality requirements, technology, and competitive pricing. Mastery of technology, particularly in the Industrial 4.0 age, will positively influence the sustainability of corporate operations. However, MSMEs are always less able to respond to technological advancements in the modern-day swiftly.

#### 4. CONCLUSION

According to the literature review results, business sustainability is a component of the national economy and contributes substantially to employment. As a result, it's essential to adopt various measures to ensure business sustainability, particularly during the Covid-19 epidemic. The adoption and optimization of digital companies and product innovation are two supporting elements for achieving company continuity. This is in line with the government's goal of advancing MSMEs in class and encouraging them to become digital. In this scenario, the future challenge of this research becomes more important to complete as the process of mapping the factors above becomes more complete and measurable, because the decline in economic activity during the Covid-19 pandemic is caused by entrepreneurs' inability or lack of literacy with these

factors. There is a desire and effort to create a new model of business sustainability that is suitable and qualified and the capacity for business sustainability.

#### ACKNOWLEDGMENTS

The authors would like to thank Lembaga Penelitian dan Pengabdian Masyarakat Universitas Negeri Padang for funding this work and offered researchers the chance to do research and be extremely helpful in giving information relating to the research issues faced.

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