



Factors Influencing the Young Entrepreneurs to Implement Green Entrepreneurship

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Abstract. Micro, Small, and Medium Enterprises (MSMEs) provide enormous opportunities for innovation and entrepreneurial development during the Covid-19 pandemic. Entrepreneurship has a strategic role as a basis that supports national economic growth and is proven to have a resilience that can overcome the negative impacts of the COVID-19 pandemic. After the COVID-19 pandemic, business innovation within green entrepreneurship is expected to support sustainable development or Sustainable Development Goals (SDGs) in Indonesia. In this concept, green entrepreneurship is a much-needed mechanism for increasing profits while promoting environmental responsibility. This study aims to map the factors that influence young entrepreneurial tendencies and the role of stakeholders as an essential contribution to increasing the number and quality of sustainable national entrepreneurs within the scope of green entrepreneurship. This study used a quantitative approach, through questionnaires to young entrepreneurs as respondents, and a qualitative approach through interviews to obtain in-depth data on the issues in research conducted with 263 respondents who have businesses in the Jakarta, Bogor, Depok, Tangerang, and Bekasi areas. The study's results show that self-efficacy is the strongest predictor in influencing the inclination of young entrepreneurs to implement green action in their businesses. This research is expected to increase the number and quality of sustainable national entrepreneurs within the green entrepreneurship scope.

Keywords: green entrepreneurship · business sustainability

1 Introduction

The strategic position of entrepreneurship in supporting sustainable development or Sustainable Development Goals (SDGs) in Indonesia, especially after the pandemic hit, is expected to be strengthened by the growing development of business innovation within the scope of green entrepreneurship. Entrepreneurship is realized through Micro, Small, and Medium Enterprises (MSMEs), which have a strategic role as a basis for supporting national economic growth [1]. MSMEs have a resilience that can overcome the negative impacts of the COVID-19 pandemic [2]. The pandemic has shown that the success of a country in getting out of an economic crisis is largely supported by the resilience of the domestic economy [3, 4]. Currently, the number of MSME actors reaches 62 million or around 98% of national business actors, contributing 60% to Indonesia's GDP [2].

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Indonesia's demographic bonus, with a vast population of productive age, is expected to be a driving force for developing entrepreneurship in creating new jobs. This effort is also in line with the University's Key Performance Indicators, which are expected to produce graduates who get decent jobs, one of which is to become young entrepreneurs. Therefore, it is crucial to see how the direction of the younger generation tends to implement green entrepreneurship as a potential business opportunity. The study of green entrepreneurship that supports sustainability can fulfill a significant catalytic economic function [5, 6].

According to the United Nations Environment Program, the green economy is a way to improve the quality of life, alleviate poverty, and carry out sustainable development [7]. In this concept, green entrepreneurship is a much-needed mechanism. Businesses are encouraged to increase profits while promoting environmental responsibility. Sustainable entrepreneurship implemented by young entrepreneurs in the green entrepreneurship mechanism can accelerate the development of a green economy in Indonesia.

This research has the following urgency and objectives: to map the factors that influence the tendency of young entrepreneurs on the concept of green entrepreneurship and to map the roles of Stakeholders in encouraging the implementation of green entrepreneurship [8]. This research is expected to increase the number and quality of sustainable national entrepreneurs.

2 Literature Review

2.1 Green Entrepreneurship

Green entrepreneurship becomes a vessel for protection against environmental degradation, which is thoroughly linked to sustainable business activities [9]. Another definition of green entrepreneurship is entrepreneurship that applies business methods to preserve open spaces, develop wildlife habitats (ecosystems), save endangered species, and improve environmental quality [10]. It has the potential and role of a catalyst in collaborative changes in business institutions, technology, and business strategy [6]. These changes lead consumers to demand a friendlier environment for the goods and services produced and changes in national and global economic strategies that lead to new forms of entrepreneurship [11]. The benefits of green entrepreneurship, according to Mukonza [12], include the following: corporate social responsibility; concern for the environment; ease of implementation of environmental laws; better insurance terms; green investment achievement; acquiring loans with better terms; new trading opportunities; and reduction of operational costs. In this study, green entrepreneurship activities are defined as activities that recognize environmental issues related to doing business.

2.2 Theory of Planned Behavior

Entrepreneurship is a process of discovery or creation, evaluation, and exploitation of opportunities [13], which requires readiness to implement. Tendency or intention to engage in entrepreneurship is considered the best predictor of entrepreneurial behavior because entrepreneurship is considered a deliberate, planned behavior like all other strategic decisions [14].

The Theory of Planned Behavior (TPB), which predicts and explains behavior in specific contexts, is often used in various disciplines, including entrepreneurship research. The decision to become an entrepreneur is considered a conscious activity, and intention is considered a cognitive state [15]. Cognition contains more important information about entrepreneurial behavior. According to Barbosa et al. [16], two attitudes need to be known from individuals: intuitive and rational, and the main assumptions for the intention-behavior relationship are Fishbein [17] which stated that human behavior is rational [16, 17]. The intention is how much a particular behavior tends to be tried by providing an additional effort. The stronger an intention or tendency, the greater the chance for the behavior to occur [18]. In entrepreneurship, entrepreneurs' intentions will shape self-confidence, which is implemented in inappropriate behavior by taking advantage of existing opportunities.

2.3 Social Cognitive Theory

In this study, the Social Cognitive Theory proposed by Bandura [19] has relevance because this theory emphasizes the belief that behavior is within the control of the individual and can increase self-efficacy [19]. These aspects are reflected in the development of motivation to carry out entrepreneurial activities, educational support for green entrepreneurship, and laws and policies that facilitate the implementation of green entrepreneurship.

Entrepreneurial orientation is an issue that is constantly being evaluated theoretically and in practical research. Many studies have been conducted to understand the variables associated with orientation in running a business and to see the intention or tendency to do business at different levels and types, such as social or ecological entrepreneurship. Lumpkin and Dess [20] conceptualized entrepreneurial orientation as a tendency toward making decisions that support the performance of commercial activities [20]. The model in this study also seeks to evaluate how various types of support in the education ecosystem and at the government level affect entrepreneurship and self-efficacy of young entrepreneurs to increase intentions to develop green businesses.

2.4 Stakeholder Theory

Stakeholder theory states that a company is an entity that carries out its operational activities by taking into account the interests of its stakeholders or stakeholders. The impact of a company or business is sought to generate benefits for stakeholders. Stakeholders are groups or individuals who can influence or be affected by the process of achieving organizational goals.

The development of stakeholder theory begins with the development of approaches businesses use in carrying out their activities. According to Budimanta et al. [21], there are two stakeholder approaches: old-corporate and new-corporate. The fundamental difference between the two approaches can be seen from the focus on carrying out business activities. Old-corporate relations focused on the role of each function in the company. Every function in the company carries out its role without having unity with other functions. In addition, the company also only conducts short-term transactional relationships with external parties without efforts to increase cooperation to create benefits.

The new-corporate relations approach strengthens collaboration between companies and stakeholders. The company is no longer separated from its stakeholders, so its goal is to maximize profit and achieve sustainable development. The company's relationship with internal stakeholders is developed based on mutual benefit. In contrast, the relationship with stakeholders outside the company is carried out practically, strengthening the partnership [22].

3 Research Hypotesis

Research on young entrepreneurs' tendencies or intentions in implementing green entrepreneurship in Indonesia was conducted to review the concepts presented in previous studies by Soomro et al. [23] and Alvarez-Risco et al. [7]. The context of the research area is an element of novelty in this research. Therefore, in this research, the research hypothesis is formulated as follows:

Hypothesis 1 (H1): Sustainability orientation factors affect the inclination towards green entrepreneurship.

Hypothesis 2 (H2): Continuing education factors affect the inclination towards green entrepreneurship.

Hypothesis 3 (H3): Conceptual development factors influence the inclination towards green entrepreneurship.

Hypothesis 4 (H4): Self-efficacy factors affect the inclination towards green entrepreneurship.

Hypothesis 5 (H5): Family support factors affect the inclination towards green entrepreneurship.

Hypothesis 6 (H6): Social support factors affect the inclination toward green entrepreneurship.

Hypothesis 7 (H7): State support factors affect the inclination towards green entrepreneurship.

4 Research Methods

This study used a quantitative approach with questionnaires distributed to young entrepreneurs. The sample was drawn using a quota sampling technique to 263 respondents from young entrepreneurs in the Jakarta area and the supporting capital cities, namely Bogor, Depok, Tangerang, and Bekasi. Quotas sample was determined based on the number of MSMEs in each region. Regions with many MSMEs will be represented by a more significant number of samples than other regions.

The survey instrument was divided into socio-demographic questions and research aspects questions. Descriptive and explanation quantitative data analysis was carried out using the regression method using SPSS and SmartPLS.

5 Analysis

5.1 Factors Analysis

A regression test was carried out, preceded by a correlation test to see whether there was a relationship between variables. The correlation coefficient (r) of the sustainability orientation (X_1) is 0.750, which can be concluded that there is a strong relationship between the X_1 and the tendency towards green entrepreneurship (Y). The results of the subsequent correlation test between the continuing education (X_2) and the Y variable show a result of 0.738, which shows a strong relationship between the X_2 and the Y . The conceptual development factors (X_3) show a correlation result of 0.775, which can be concluded that there is a strong relationship between the X_3 and the Y .

The self-efficacy (X_4) with a correlation test result of 0.832 shows a solid relationship between X_4 and variable Y . Family support (X_5) with a correlation test result of 0.724 shows a strong relationship between the variables. The test on social support (X_6) with a correlation test result of 0.750 shows a strong relationship between the variables. The last correlation test was carried out on the state support (X_7) with a correlation test result of 0.739, indicating a solid relationship between variables X_7 and Y .

The results of the correlation test indicate that the model in this study can be continued for testing using multiple regression tests. From the regression test results, the value of the coefficient of determination or R^2 is 0.801. It can be concluded that all predictor variables, namely continuous orientation, continuing education, conceptual development, self-efficacy, family support, social support, and state support, will influence 80.1% on the inclination of young entrepreneurs toward the concept of green entrepreneurship or entrepreneurship green. Based on the T-test results, the conceptual development support and family support factors have no significance in forming young entrepreneurial tendencies in implementing green entrepreneurship. For this reason, the regression equation can be described as follows:

$$Y = 1.678 + 0.255X_1 + 0.176X_2 + 0.577X_4 + 0.530X_6 + 0.326X_7$$

This regression equation shows that the variable X_4 owns the largest Beta (B) coefficient is the self-efficacy variable which can be concluded that changes in this predictor variable will contribute significant changes to the dependent variable. To be able to carry out hypothesis testing, a regression test was carried out (bootstrapping) using the SMART-PLS. Based on the results of this regression test, it can be concluded that:

Hypothesis 1 (H_1) is accepted, with a P value of $0.040 < 0.050$.

Hypothesis 2 (H_2) is accepted, with a P value of $0.050 < 0.050$.

Hypothesis 3 (H_3) is rejected, with a P value of $0.831 > 0.050$.

Hypothesis 4 (H_4) is accepted, with a P value of $0.000 < 0.050$.

Hypothesis 5 (H_5) is rejected, with a P value of $0.216 > 0.050$.

Hypothesis 6 (H_6) is accepted, with a P value of $0.003 < 0.050$.

Hypothesis 7 (H_7) is accepted, with a P value of $0.006 < 0.050$.

6 Discussion

There is a positive and significant impact of the Sustainability Orientation variable on the trend toward green entrepreneurship among youth in Pakistan [23]. The younger generation, which aims to create sustainability, will encourage practicing environmentally friendly business. Continuing education is also a variable that positively and significantly impacts trends toward green entrepreneurship [23]. Meanwhile, the self-efficacy variable is not a positive and significant predictor of the tendency for green entrepreneurship activities [23]. This variable can be explained by the tendency towards green entrepreneurship activities being heavily influenced by other actors who have a role as stakeholders. State Support Factors for the ability of young entrepreneurs to carry out green entrepreneurship produce a positive influence [7, 24]. This result is in line with the influence of other stakeholder groups, namely the Family and Social Environment, which significantly impact making choices to become entrepreneurs who implement green entrepreneurship [25, 26].

Regarding the analysis of stakeholders, the study states that implementing environmentally responsible business practices has opened up additional opportunities for entrepreneurs, which include developing new products, new business practices, recycling, and energy efficiency [12, 27]. Various accesses related to the role of stakeholders were found to be factors that hinder the development of green entrepreneurship, such as access to funding, knowledge, competencies, access to information, and government and private sector support [5, 12, 28].

The effect of self-efficacy, which is stated as the strongest predictor of green entrepreneurial intentions shown in this study, is in line with a previous study from Pakistan [23]. Research conducted by Alvarez-Risco [7] on 532 business school students in Ecuador provided a reference for a picture of green entrepreneurial intentions in Latin America. The research results show different results where the conceptual development variable significantly influences the formation of intentions to implement green entrepreneurship. In this study, sustainability education has a better significance in shaping the inclinations of young entrepreneurs and shows that there is significant growth in entrepreneurship.

7 Conclusion

Based on mapping the role of Stakeholders in encouraging the implementation of green entrepreneurship, the role of the social environment consisting of friendships and organizations can support young entrepreneurs to innovate and start to develop their business towards a green business. State support through programs for young entrepreneurs is essential to increase the ability of young entrepreneurial resources to have substantial capital in applying the principles of green entrepreneurship.

The research that has been conducted aims to find the factors influencing young entrepreneurs' intention or tendency to apply green entrepreneurship principles in building sustainable entrepreneurship. The relationship between variables is very relevant, so it is possible to understand how the influence between variables in this study can encourage young entrepreneurs to carry out green businesses based on the knowledge gained.

Skills are developed through the support provided by instilling a sustainability orientation, continuing education, conceptual development, self-efficacy, family support, social support, and state support. These aspects build the confidence of young entrepreneurs to develop green businesses that also contribute to the SDGs.

While the support in the family received by young entrepreneurs, even though it has not yet significantly formed a tendency towards implementing green entrepreneurship, is still needed to form from an early age an entrepreneurial spirit that is in favor of protecting the carrying capacity of the environment. The support for conceptual development provided through educational institutions, namely schools, and universities, has yet to show significant encouragement. Therefore, a comprehensive strategy is needed in the learning curriculum to encourage learning support activities that contain sustainable entrepreneurship.

This research is expected to increase the number and quality of sustainable national entrepreneurs, especially young entrepreneurs who are expected to multiply their role and impact in implementing the concept of green entrepreneurship in their business activities. The role of educational institutions, both schools and tertiary institutions, is essential in offering initial knowledge or concepts regarding green entrepreneurship. It needs to be optimized in order to create an early generation of young people who are entrepreneurs and implement green entrepreneurship.

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