



EXPLORATION OF INNOVATION IN SUSTAINABILITY TO FINANCIAL PERFORMANCE IN THE PERSPECTIVE OF SMEs

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Abstract. Today, we are living in the rapid changing environment. This changing has been pushed every corporation have to anticipated in the form of proper way and innovative actions. Innovations in business should be in the frame work of going concern of living worlds. This study aims to give an explorations regarding the innovation of sustainability to financial performance in the perspective of SMEs actor. Based on general opinion, SMEs have some limitations such as in the quality and quantity of human resources, the capital to run business and so on. By knowing the perspective of SMEs actors regarding the innovation in sustainability to financial performance, such as sales, profit we could derived proper policy and programs to promote the environmental awareness keep sustained in the crisis time. There are a great expectation of contribution of the SMEs to accelerated achievement of recovery pasca covid-19 pandemic. The methods of this study qualitative study and try to finds the answer by descriptive analysis approach and review some literature and recent study regarding the topic. Next, to confirm the findings by indepth interviews to some key informants such as Kepala Desa, Tokoh Desa, SMEs actors, . The study revealed the innovation of sustainability moderately affected the some indicators of financial performance. Hope will give the contribution either practical aspects but also literature aspects. There are some opportunity for future study regarding innovation in sustainability to financial performance such as, sales, profit, omzet and so on. The next future directions is study on the sample cross coutry to increase generalizations of the conclusions.

Keywords: Innovation, Sustainability, Financial, Performance, SMEs

1 Introduction

Recently, Sustainable Development Growth (SDGs) becoming an important think in the global view. This statement in line with global warming and crisis energy issue lately. In order to sustain every aspect of human life included in business entity processing, Environmental aspects should take into considerations in order to held the business in the long run or sustain in every conditions. In other word, in the long run means that any entity can provide either services or products to customers. Especially in the covid-19 pandemic started at the beginning of 2020 till now the situation not yet full secure, we called it people in the conditions of new normal era (OECD, 2020) In

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the new normal era public still comply with tight health protocol to keep in the good health conditions. In the new era normal, hopefully economy in the recovery situations, and especially for Indonesia, government has a great expectations on the role of SMEs to its huge contributions to support and accelerated economic recovery.

SMEs as a business entity also supported to do its business and at the same time has awareness on environment to keep sustain in the future. According to Xia et al [1] efficiency and socio environmental based play significant role to improve entity sustainability performance. However, Facts showed entities awareness on developing of sustainability has been slow [2]. It means the study about sustainability in innovations way is very critical think since earth affected of so many crisis such as energy crisis, global warms and also food crisis and many more. Related to the meaning of sustainability there always various terminology parallel with the happening of this terminology [3]. So, in the condition more famous of terminology of sustainability not guaranteed the awareness of that terminology to entity in running it business as well as SMEs.

Study regarding business entity, Endiana et al [4] stated the accounting sector of business entity can elevate environmental conservation through cost of environment activities and parallel with support performance of any entities. Based on this findings of previous study, expected good impact of SMEs performance if SMEs also take into considerations regarding sustainability, where as terminology of sustainability consists of three aspects, social, economy and environmental aspects. Additionally, according to Chang et al [5] sustainability awareness also support or improve customer loyalty. It means innovative in sustainability aspects expected to push customer to come and order again the product or services provided by SMEs to the customers. It is believes that customer loyalty on product or services provided by SMEs will increase if SMEs disclose how awareness the SMEs on environment protections. The awareness of environment context of SMEs such as cost to maintain the process of production of the product in the condition protect environment and never make the environment in the bad conditions. Endiana [4] proposed Corporate Sustainability Management System which assists entity to allocate cost to maintain environment in the proper way. Additionally, Kafa et al.[6] suggests entity to develop supply chain management processes to support condition to attain entity sustainability.

Innovation in sustainability needs a creativity among SMEs actor to promote economy aspects of SMEs, social aspects of SMEs and Environmental aspect of SMEs business. we provided some prior study regarding the article topics into some chapters, consists of SMEs Performance, Innovation in term of SMEs and sustainability in term of environmental awareness of SMEs Actor. And there are supported by innovation in sustainability. SMEs Financial Performance. In other words, innovation in sustainability expected supported financial performance of the SMEs. Regarding the definitions of sustainability has been various terminology. This study focused on innovation in sustainability on the environment aspect only. The prior study stated there are strong attention that strong focused of innovation on economic dimension of process delivery services or product to customers in term of revenue and margin target

level, market share or customer satisfactions [7] [8] [9]. Actually, definition regarding terminology of sustainability much more than above explanations [10]. Based on the prior narrations, this study try to explore how innovation in sustainability support or assists the achievement of financial performance of SMEs. This article initially introduction, next research methods and next results and findings and discussion, conclusions and references

2 Research Methods

The methods of this study qualitative study and try to finds the answer by descriptive analysis approach and review some literature and recent study regarding the topic. Next, confirm the findings by indepth interviews to key informant such as Kepala Desa, Tokoh Desa, SMEs actors

Unit analysis. SMEs actors in the small village and with the huge potential potential resources. Key informant and the list of questions. As stated small villages selected based on the low economic growth in this village although the natural resources very rich not only of agriculture but also for animals of this small village. However the economy of the small Village is not inline with the potential economy they have.

List Questions to key informant. Innovations of Sustainability of SMEs in this small village, we list guidelines of the following questions to key informan :

Related to economy aspect of innovations sustainability

Related to social aspect of innovations sustainability
Related to environment aspect of innovations sustainability. And also list questions to explore innovation on sustainability

3 Results

Based on observations and literature review regarding the topics which is innovations of sustainability to performance of SMEs in the small village of West Sumatera, namely Air Masin. Prior study stated that Suliki village is one of the village in the “Indonesia Daerah Tertinggal”.

We explore innovative business model fit to SMEs in small village in Air Masin and focused on sustainabilty “orientation” represented by global chalengges demand and social market. In this small village of SMEs tends to mix between traditional business and the social economy sector. Business model innovations also elaborate some cases of green innovations and eco-innovations, such as in grass roots green innovations [11].

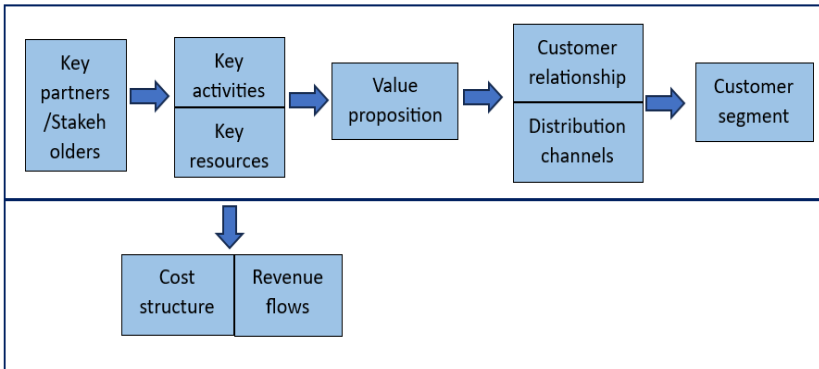


Figure 1. canvas business model (sources : adapted from Joyce & Paquin, 2016)

The title of Figure 1 is Canvas business model describes the business a proposed model among firms and other entities, it means this model of business possible applied to SMEs. This Canvas business model might applied to SMEs on the stages plan of business and elaboration of innovation to catch any business opportunity of several dimensions. Key partner or key stakeholders of SMEs, after this steps, entity develop value propositions to maintain customer relationship and distribution channel which proper and fit to the segment of customers. Collaboration of innovation in Sustainability is a critical factor since global crisis and global warming. In spite of, Small Village of Air Masin location in the remote area, the economic potential actually is very big. Based on indepth interview and observation to the Village, we found the village still have idle land to make it productive for instance by plant the sustain plantation that have economic value.

Table 1 Profile SMEs

No	SMEs owner name	Business	services
1	Ni Rona	Prayer cloth and orange plantation and fishing area	Product and service & Plantations
2	Nasrul	Orange plantations & Chilli plantations	Product
3	Da Seri	Orange plantations & Cow	Product
4	Ni sarasi	Prayer cloth and orange plantation	Product & plantations
5	Ni Iret	Prayer cloth and orange plantation	Product & Plantations
6	Rahmi	Prayer cloth	Product
7	Ni Yul	orange plantation	Plantations
8	Bu Elih	orange plantation	Plantations
9	Bu ermawati	orange plantation	Plantations
10	Susi	Donut	Product

11	Yesi	Cake	Product
12	Yani	Meat ball, chicken mie	Product
13	Lusi	Meat ball, chicken mie	Product
14	Bu Pina	Various fried snacking	Product

Table 1 shows profile business of SMEs, there are consists of products such as clothes for prayer, plantations such as oranges, chilli and also area for fishing adn also cow. As a remote area, the problem of SMEs in this small village is distribution of product to customer. This study elaborate the situation of SMEs uses Canvas Business Model to identified innovation in Sustainability toachieved financial performance of SMEs. The capital to invest in SMEs veri small so, we can classified as Micro, Medium and small entities (MSMEs).

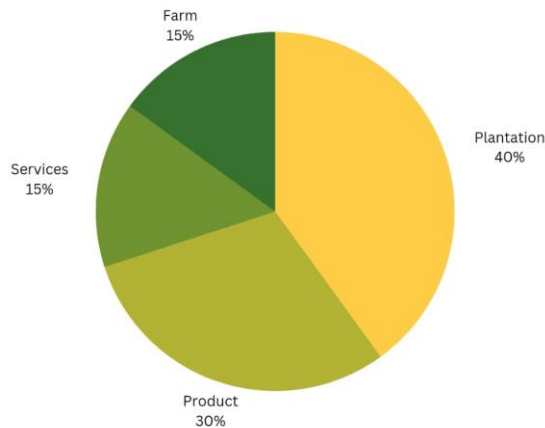


Figure 2. SMES Business

Figure 2 describes types of SMEs business, and from the pie chart we can say that majority the SMEs is in plantations business (40%), due to remote area and still have a large area to plant various kinds of plsnts and finally sold to customer. Plantations consists of orange in large amount and cilli in a fewer amount. The next is product (30%) consists of product culinary and non culinary, where culinary full of fried snack, cicken mie, and meat ball, cake etc. Product non culinary consists of cloth for prayer. And the rest (15%) each consists of services and farm. Services provided fishing area for visitors.

The result started from identification business model and next indept interview response from key informant, actor SMEs, local government, customer and ancestors. The product and services divided into 3,

1. Product non culinary to customers such as clothes to pray

Key partners/stakeholders : vendor provide raw material,

Key Activities : processing the raw material into goods in process and finally become finished goods

Key Resources: raw material

Value proposition : business by heart and environment awareness.

Customer relationships

Distribution channels ;

Customer segment ; low to middle

Based on indepth interview to key informant of SMEs actor with business clothes prayer, the product is one of the traditional local wisdom cloth prayer. Market for this product not only for area West Sumatera Province but also sold to outside West Sumatera Province, such as Jakarta. And the demand to clothes prayer increasing in higher amount and at the same time needs additional workers. According to SMEs actor one of the critical problem is about brand and patent.

4 Findings & Discussions

SMEs actors expected that Performance of SMEs in the small village of West Sumatera, namely Air Masin, village of Suliki, West Sumatera Province will be supported by innovation in sustainability, so this result in line with prior research stated that innovation on sustainability supported financial performance of SMEs [7] [8] [9]. Based on indepth interview regarding the innovation of sustainability, SMEs beliefs that through innovation in protecting the environment as one of the component of sustainability, the sales of products will increase in the future. Since the customer feel secure if the buyer has a great concern regarding the sustainability of human life. This result support previous study stated that entities should creative and innovative related to sustainability context [12]. However, the knowledge of SMEs about environment awareness at the level moderate, this happened due to level of education of SMEs owner or actors majority in the junior high school. even in the digital era,

Prior study stated that Suliki village is one of the village in the “Indonesia Daerah Tertinggal”. Demographic data of small Village Air Masin is far away from Village of Suliki, and based on data initially Suliki is including of one of the “Indonesia Daerah Tertinggal”, which people live without electricity. Currently, the village still have limitations regarding the infrastructure that make this village in digital progress very slow.

5 Conclusions

Performance of SMEs in the small village of West Sumatera Province, namely Air Masin supported by innovation of sustainability of SMEs actors according to SMEs perspectives.. Prior study stated that Suliki village is one of the village in the “Indonesia Daerah Tertinggal”. The findings of the study come up to some implications such as practical implications, theoretical implications and policy implications. Practical implication said that SMEs actor of small Village should upgrade the quality of human resources, not only in the context of knowledge but also on skill to do their business. Theoretical implications stated that to achieve financial performance of SMEs needs

innovation in sustainability which consists of aspect economy, social and environmental.

Finally in the context of policy maker, local government develop long term planning regarding socialization, training and skill or practical training to upgrade the quality of human resources in the SMEs of that small village in west sumatra province. As SMEs in the remote area with limitations of infrastucture, so needs innovation in sustainability. For future study, research on empirical study cross country can increase the aspek of generalizations of the conclusions.

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