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# Investigation on the influence of green economy, social benefit, and economic benefit on business development and performance of sharia SME

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**ABSTRACT:** Sharia SME has a very important role in the economy and is one of the supporting factors in the development of the tourism sector. This study aims to examine and analyze the influence of green economy on business development and performance, the influence of social benefit on business development and performance, the effect of economic benefit on business development and performance, the influence of the green economy on social benefits, the influence of social benefits on economic benefits, and business development towards performance. Data analysis was done using Warp PLS. Research results show that the green economy has a significant effect on social benefits but has no significant effect on business development and performance. Social benefit has a significant effect on economic and business development benefits, but has no significant effect on performance. Economic benefit has no significant effect on business development and performance. While business development has a significant effect on performance.

*Keywords:* green economy, social benefit, economic benefit, business development, performance of sharia

## 1 INTRODUCTION

The tourism industry is one of the industries that affects our social life, environment, and the economy. The role of tourism in economic development is undeniable because tourism is one of the leading sectors that need to be empowered as a source of regional revenue. While the development and preservation of cultural arts also increase the economic sector of society.

In general, Indonesia has a predominantly Muslim population structure. In the user side, Indonesia should be a place for the development of Sharia economy, but in fact, it is still few people who participate in Sharia economic system, whether banking, financial institutions, and SMEs. If we see more carefully, the structure of Muslims in Indonesia also tiered, ranging from the level of understanding, and social and economic status. This difference greatly influences the development of Sharia economy in Indonesia, especially Sharia SMEs. Although Sharia SMEs contribute a very big role in the economy and one of the supporting factors in the development of tourism, but related to environmental issues, it is

pointed that Sharia SMEs have a significant contribution in the deterioration of environmental quality caused by waste generated in various forms, inefficient production processes both in the use of raw materials, energy, and the use of other auxiliary materials.

Schemerso<sup>6</sup> Hunt & Osborn (2001) say performance is the quantity and quality of achievement of tasks, whether conducted by individuals, groups or organizations. While Bernardin & Russell (2000) state performance is a record of acquisition resulting from the function of a particular job or activity during a certain period of work. While Gable M (2000) suggests performance indicators include: 1) quantity aspects of work, 2) quality of work, 3) timeliness, 4) cooperation, and 5) personal qualities.

Mahmud Machfoedz (2005) points out that business development is a trade done by a group of people who organized the trade in order to earn profits by producing and selling goods or services to meet consumer needs. Based on this definition, business sustainability is a condition or business condition, in which there are ways to maintain, develop and pro-

tect resources and meet the needs that exist within a business.

Islam emphasizes the importance of developing and enforcing an entrepreneurial culture in the life of every Muslim. A Muslim entrepreneur will possess the basic qualities that encourage to be a creative person and in carrying out his business or running activities on the company where he works. The basic properties of which are as follows:

- a. Always love and be aware of the provisions and changes. Provisions are found, among others, on the concept of aqidah; (Surat al-Anbiya: 125). While the changes are implemented on muamalah issues, including improving the quality of life; (QS.Ar-Ra'd: 11).
- b. Innovative and creative, which distinguishes it from others. The Qur'an places man as caliph with the task of prospering the earth and making changes and improvements; (Al-Hadith).
- c. Make a serious effort to benefit others.

Green Economy according to Cato (2009) has the characteristics of a green economy system that is a local-based economy. The green economy will leave an addiction to economic growth and lead to a steady-state economy. The indicators of the green economy are 1) sustainable economy, 2) beautiful environment, and 3) available Natural Resources (summarized from various sources)

The social benefit (Kotler 2001) is the impact or advantages to consumers of the business owned. But the purpose of this social benefit is not only to expect "feedback" in the form of sales, but to provide the joy or warmth of communication among consumers, even build a good image of the business being cultivated. In the business world, the main purpose of the establishment of a company is to gain profit by all means or strategy, how to sell its products in order to sell. According to Rina Antikainen (2014), the indicators of social benefits are increased attention to the health environment, efforts to prevent natural disasters, changes in commodity prices, job creation, poverty reduction, equitable income distribution, accessibility of services, and other facilities.

Economic benefits (Sukirno 2001) are measurable benefits in terms of money generated, such as net income, income, and others. How one measures economic benefit depends on what he analyzes. The economic benefits can be measured and used in business decisions, policy decisions, and market analysis. Businesses may use measures such as net income, net cash flow, or return on investment. The policymaker is likely to use consumer measures and producer surplus. Rina Antikainen (2014) emphasizes that economic benefit indicator is economic

growth, productivity improvement, competitiveness improvement, and innovation.

## 2 RESEARCH METHODS

This study analyzed the development of Sharia SMEs in improving the tourism industry in Riau and West Sumatra Provinces with research variables consisting of the green economy, social benefits and economic benefits to business development and performance. The population in this study were all players of Sharia SMEs engaged in food processing products whose business has been operating for more than 6 months, with purposive sampling technique. Data analysis was done by using an inferential statistic that is Partial Least Square. Hypotheses in this research are:

H1: Green economy has an effect on social benefits, means that good understanding of green economy will encourage the increase of social benefits.

H2: Green economy has an effect on business development, means that good understanding of green economy will encourage the increase of business development.

H3: Green economy has an effect on performance, means that good understanding of green economy will encourage the increase of performance.

H4: Social benefit has an effect on economic benefit, means that the greater social benefit will encourage the increase of economic benefit.

H5: Social benefit has an effect on business development, means that the greater social benefit will encourage business development.

H6: Social benefit has an effect on performance, means that the greater social benefit will encourage performance.

H7: Economic benefit has an effect on business development, means that the greater economic benefit will encourage business development.

H8: Economic benefit has an effect on performance, means that the greater economic benefit will encourage performance.

H9: Business development has an effect on performance, means that the greater business development will encourage performance.

## 3 RESULTS AND DISCUSSIONS

Data analysis using PLS obtained by the structural model as follows:

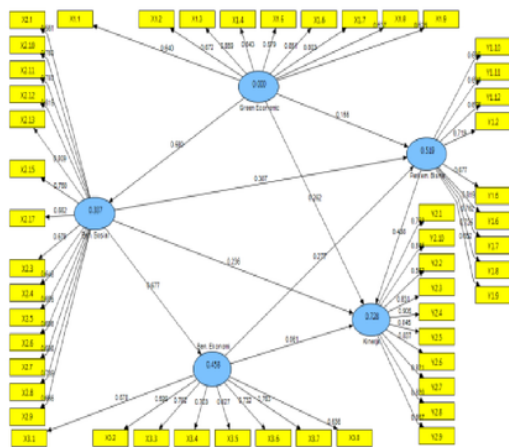


Figure 1 . Out Put WarpPLS

The results of hypothesis testing are as follows:

Table 1. Path Coefficients Variable

Variables	Original Sample (O)	T Statistics ( O/STERR)
X3 -> Y2	0.060503	0.313811
X3 -> Y1	0.276616	1.577070
X2 -> X3	0.676949	6.442400
X2 -> Y2	0.235815	1.230034
X2 -> Y1	0.387033	2.077315
X1 -> X2	0.580432	5.013025
X1 -> Y2	0.262073	1.613858
X1 -> Y1	0.155045	0.958062
Y1 -> Y2	0.437569	2.93128

Source: Processed Data

From the figure and table above, it can be seen the results of testing the structural model by looking at the influence between the following variables: Green Economy has a positive and significant impact on Social Benefit, with the path coefficient of 0.58. This indicates that the increase of the Green Economy will be followed by the increase of Social Benefit. The value of t arithmetic generated equal to 5.01 greater than t table of 1.96, indicating that the green economy has a significant effect on social benefits. In other words, a good understanding of Green Economy will encourage the increase of Social Benefit of *Sharia* SMEs in Riau Province and West Sumatera.

The threat of global warming has made customers and *Sharia* SMEs players are interested and appreciate environmentally friendly products. Consumers believe that if they like and buy products that are environmentally oriented, this will encourage *Sharia* SMEs to make improvements to the products, pack-

aging, and promotions made in various mass media. In an effort to respond to positive trends in eco-friendly products, the actors of *Sharia* SMEs start to improve and create various product innovation, production process, and packaging. The SME players should capture this strategic momentum to improve market share, income, and business growth.

Green Economy has no significant effect on business development, with a coefficient value of 0.155. The resulting t value of 0.96 is smaller than t table of 1.96, indicating that Green Economy has no significant effect on business development. In other words, a good understanding of Green Economy has not encouraged the development of *Sharia* business in Riau and West Sumatera.

The application of the green economy concept to the laws and regulations governing the protection and management of the environment as stated would be insufficient. It should be supported and applied to all other development sectors, more specifically to production activities that use natural resources as the raw materials of their activities. This is where the importance of the synergy of the three pillars, which consists of economic, social, and ecological development of sustainable economy takes place.

Green Economy has no significant effect on Performance, with a coefficient value of 0.262. The value of t arithmetic is 1.61 is smaller than t table of 1.96, indicating that Green Economy has no significant effect on performance. In other words, a good understanding of Green Economy has not encouraged the improvement of the performance of *Sharia* SMEs in Riau Province and West Sumatera. Green Economy, at the moment, becomes a new understanding that needs to be well understood by all doers of *Sharia* SMEs. The economic understanding of the green economy tries to combine human welfare and social balance by significantly reducing environmental risks and ecological scarcity.

Social benefit has a positive and significant impact on economic benefit, with the path coefficient value of 0.677. This indicates that the improvement of social benefit will be followed by an improvement of economic benefit. The value of t arithmetic generated by 6.44 is greater than t table of 1.96, indicating that social benefits significantly affect economic benefits. In other words, the greater the social benefit obtained, the more it will encourage the increase of economic benefit of *Sharia* SMEs in Riau Province and West Sumatera. Some experts argue and one of them is Cato (2009) says the green economy will leave an addiction to economic growth and lead to the steady-state economy. The green economy

will be a friendly economy where relationships and communities become a substitute for consumption and technology. The green economy provides a broader role for the informal economy and cooperative and community-based systems that support each other.

Social benefit has a positive and significant impact on business development, with the value of path coefficient of 0.387. This indicates that the improvement of social benefit will be followed by the improvement of business development. The value of t arithmetic is 2.08 greater than t table of 1.96, indicating that social benefits significantly affect business development. In other words, the greater the social benefit obtained, the more it will encourage the increase of business of *Sharia* SMEs in Riau Province and West Sumatera. Development issues are closely related to economic and environmental issues. Therefore, since the beginning of the paradigm of sustainable development emerged, it is necessary to anticipate the problems that arise, related to economic development activities with the environment. Any economic activities undertaken by SMEs will have an impact on economic, social and long-term development that will affect the development of Islamic *Sharia* SME business.

The social benefit has no significant effect on performance, with the path coefficient value of 0.236. The resulting t value of 1.23 is smaller than t table of 1.96, indicating that social benefits have no significant effect on performance. In other words, the greater the social benefits obtained does not boost the performance of SMEs in Riau and West Sumatera. SME activities that are valued in terms of social benefits are activities that are beneficial to the economic development of society as a whole. And business activities assessed in terms of financial benefit is a business that is valued in terms of capital investment or other investments provided for the implementation of the business.

Economic benefit has no significant effect on business development, with a coefficient value of 0.277. The value of t arithmetic generated at 1.58 is smaller than t table of 1.96, indicating that economic benefits have no significant effect on business development. In other words, the greater the economic benefit obtained does not boost the development of Islamic *Sharia* business in Riau and West Sumatera. The philosophy of development in our country must shift from economic development that pursues growth to development that synergizes economic, social and environmental development.

The economic benefit has no significant effect on performance, with the path coefficient value of 0.06. The value of t arithmetic resulting 0.31 is smaller than t table of 1.96, indicating that economic benefits have no significant effect on performance. In other words, the number of economic benefits obtained does not boost the performance of SMEs in Riau and West Sumatera. Economic development should be coupled with efforts to meet the needs of today's global society without reducing the ability to meet the needs of the community in the future.

Business development has a positive and significant effect on performance, with a coefficient value of 0.438. The value of t arithmetic generated by 2.79 is greater than t table of 1.96, indicating that business development has a significant effect on performance. In other words, the increasing business growth will boost the performance of SMEs in Riau and West Sumatera. The ability of SMEs in facing exposure to global competition flow needs to be considered further in order to remain able to survive for the sake of Indonesia's economic stability. In addition, the human resources factor also needs to be considered. The strategy of developing Islamic *Sharia* SMEs to survive can be done by increasing the competitiveness and development of human resources in order to have value and able to survive against the market.

## 2 4 CONCLUSION

Based on the result of the research, it is found that the Green Economy has no significant effect on the social benefit, Green Economy does not affect the business development, Green Economy has no effect on performance, social benefit has a significant effect on economic benefit, social benefit has a significant effect on business development, social benefit has no significant effect on performance, economic benefits have no effect on business development, economic benefits have no effect on performance, business development has a significant effect on performance and policy to be done by local government is to encourage *Sharia* SMEs by helping new businesses grow through providing access to facilities, equipment, training, education, counseling and capital guidance.

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