The Impact of Green Economy Implementation on MSMEs in Musi Rawas District and its Implications on Business Growth

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Abstract

This study aims to analyze the impact of implementing green economy principles on micro, small, and medium enterprises (MSMEs) in Musi Rawas Regency and examine its implications for business growth. Green economy emphasizes resource efficiency, waste reduction, and environmental sustainability without ignoring economic growth. The method used in this study is a qualitative-descriptive approach with data collection through interviews, observations, and documentation studies of several MSME actors who have implemented environmentally friendly practices. The results of the study indicate that some MSMEs that adopt green economy principles, such as the use of environmentally friendly raw materials and good waste management, experience an increase in business image, customer loyalty, and cost efficiency in the long term. However, limited access to information, technology, and financing are major challenges in implementing a green economy widely. The implications of these findings indicate that with the support of appropriate policies and ongoing training, the green economy can be a significant driver of MSME business growth in the region. Therefore, synergy between the government, business actors, and financial institutions is needed to strengthen the green MSME ecosystem in Musi Rawas Regency.

Article Info

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the main pillars of the Indonesian economy (Anatan & Nur, 2023; Herissuparman et al., 2024; Talim, 2024; Yatminiwati et al., 2021). Data from the Ministry of Cooperatives and SMEs shows that MSMEs contribute around 60% to Gross Domestic Product (GDP) and absorb more than 97% of the national workforce (Ramadani et al., 2025). This confirms the strategic position of MSMEs in driving economic growth and equalizing community welfare. In Musi Rawas Regency, MSMEs have a vital role in driving the local economy, especially in the agricultural, handicraft, and traditional trade sectors. However, the sustainability of MSMEs in this region faces various challenges, ranging from limited market access, limited capital, to adaptation to climate change and increasingly pressing environmental issues.

Climate change and global environmental degradation have driven a new paradigm in the business world that emphasizes the principle of sustainability (Hayati & Yulianto, 2020). The transformation towards a green economy is one of the strategic solutions that is considered capable of accommodating development needs while preserving the environment (Rahma & Sanctyeka, 2024). According to the United Nations Environment Programme (UNEP), a green economy is defined as an economy that results in increased human well-being and social equality, by significantly reducing environmental risks and ecological scarcity. (Fauzi et al.,

2025)Therefore, a green economy is not just an environmental concept, but also an economic model that upholds social and economic sustainability.

In the context of MSMEs, the application of green economy principles includes various aspects such as efficient use of resources, waste reduction, adoption of renewable energy, environmentally friendly product innovation, and the implementation of sustainable production systems (Hegab et al., 2023; Sulistyan et al., 2022). This implementation can not only reduce operational costs, but also increase the added value of products and open up opportunities for wider market access, especially among consumers who are increasingly concerned with sustainability issues. At the national level, the green economy transition is projected to have a very positive economic impact. The Indonesian government itself has initiated various programs to accelerate the transformation of MSMEs towards green businesses. Bank Indonesia, for example, developed a green MSME business model that groups business actors based on the level of adoption of environmentally friendly practices ranging from eco-adopters who are new to green practices to eco-innovators who have consistently implemented sustainable innovations (Darmawan et al., 2023). However, implementation in the field still encounters various obstacles. Lack of in-depth understanding of the green economy, limited access to technical training, and financial constraints are the main factors that hinder the acceleration of this transformation (Muttaqien & Sulistyan, 2022).

In Musi Rawas Regency, the reality shows that the development of MSMEs has not fully followed the green economy trend. Research by Maulana et al., (2022) shows that limited knowledge and insight into sustainable practices are the main obstacles for MSMEs. The post-COVID-19 pandemic conditions have further exacerbated this situation, where MSMEs must adapt to market changes and rapidly developing digital technology (Faizi et al., 2022). Unfortunately, most MSMEs in Musi Rawas still run their businesses traditionally without utilizing digital technology and marketplaces, which makes their products less competitive in today's digital economy era.

This phenomenon shows a significant digital literacy gap. Digital literacy is very crucial as part of the implementation of a green economy, because the ability to use information technology can open wider market access, increase business efficiency, and strengthen marketing networks. The study by Regif et al., (2023) confirms that MSMEs with high digital literacy are able to increase productivity and expand markets through online platforms, thereby encouraging sustainable business growth. Therefore, the government and supporting institutions need to provide digital training and provide easy and affordable access to technology, especially for MSMEs in remote areas such as Musi Rawas.

From a theoretical perspective, the application of green economy in MSMEs can be viewed through the lens of the concept of sustainable development. The Triple Bottom Line Theory is very relevant in explaining that business performance is not only measured from the aspect of financial profit (profit), but also from the social (people) and environmental (planet) aspects (Tjahjadi et al., 2021). This approach provides a comprehensive framework for assessing the success of MSMEs that do not only focus on profit, but also contribute to social welfare and environmental preservation (Muarif, 2025). By integrating these aspects, MSMEs can strengthen their competitiveness and long-term business resilience.

In addition, the Innovation Diffusion theory also provides important guidance on how green economic innovations can be adopted by MSMEs (Rogers et al., 2019). According to this theory, the adoption of innovation is influenced by factors such as the characteristics of business actors, perceptions of benefits, ease of use, and support from the surrounding environment, either through government policies, training, or supporting infrastructure. The application of this theory helps understand why some MSMEs are quicker to adopt green principles, while others are still reluctant or experience obstacles.

The implementation of a green economy has positive implications for the growth of MSME businesses (Phan, 2024). Integrating environmentally friendly practices not only helps MSMEs reduce production costs and improve operational efficiency, but also increases consumer confidence and expands business opportunities (Satpathy et al., 2025). MSMEs that are able to demonstrate a commitment to sustainability can position themselves as socially and environmentally responsible business actors, which is an added value in the modern economic

era (Permatasari & Gunawan, 2023). In addition, business resilience to environmental risks and market dynamics becomes stronger, ensuring business continuity in the future.

Considering the various aspects above, it is very important to conduct a comprehensive study on the impact of green economy implementation on MSMEs in Musi Rawas Regency. This study is expected to provide a clear picture of the level of green economy implementation, the obstacles faced, and the implications for business growth. The results of the study can later be used as recommendations for local governments, MSME actors, and supporting institutions in formulating effective, sustainable, and competitive green MSME transformation strategies in the global market.

2. Methods

This study uses a descriptive qualitative approach to explore in depth how the application of green economic principles is carried out by Micro, Small, and Medium Enterprises (MSMEs) in Musi Rawas Regency, and how it impacts their business growth (Assor & Rusdianti, 2023). This approach was chosen because it is considered capable of explaining social and economic phenomena contextually and in depth through the perspective of the research subjects. The research location is centered in Musi Rawas Regency, South Sumatra, with field studies being carried out from June to August 2025.

The selection of informants was carried out using purposive sampling techniques, namely selecting MSME actors who meet certain criteria, such as having run a business for at least two years and being aware of environmentally friendly practices, both in waste management, energy efficiency, and the use of sustainable raw materials. A total of 15 informants were interviewed from various sectors, such as crafts, processed foods, and local-based agriculture.

Data were collected through in-depth interviews with semi-structured guidelines, as well as direct observation of business activities. Researchers also conducted documentation and literature studies from trusted sources such as journals, policy reports, and institutional documents related to the green economy and MSMEs. Data analysis was carried out using the thematic analysis method, namely identifying the main themes from field data related to green economy practices and their impact on business growth, such as innovation, operational efficiency, market adaptation, and business sustainability.

To maintain the validity and credibility of the data, source and method triangulation techniques were used (Malta & Rusdianti, 2023). Research ethics were upheld by providing informed consent to all informants, maintaining the confidentiality of identities, and ensuring that data interpretation was carried out objectively and transparently. This approach is expected to provide a comprehensive understanding of the dynamics of the implementation of a green economy by MSMEs and how it affects the sustainability and development of their businesses contextually in the region.

3. Results and Discussion

The results of the study indicate that the understanding of Micro, Small, and Medium Enterprises (MSMEs) in Musi Rawas Regency towards the concept of a green economy is still relatively low conceptually, but several sustainability practices have been carried out intuitively. Although most MSMEs do not explicitly know the term "green economy", practices such as recycling production waste, reducing the use of plastic materials, and utilizing local and natural raw materials have begun to be applied in their business operations. This reflects that awareness of the importance of sustainability has been present practically even though it is not yet supported by adequate theoretical understanding.

The main driving factors for MSMEs in implementing environmentally friendly practices include cost efficiency and market demands. Several business actors stated that using local raw materials or agricultural waste not only saves expenses but also increases the attractiveness of products in the eyes of consumers who are increasingly concerned about environmental issues.

For example, handicraft businesses that utilize banana stem waste or corn husks have experienced increased demand due to the uniqueness and ecological value of their products. This reinforces the findings of previous studies which stated that consumer awareness of green products also influences MSME business decisions in adopting sustainable practices.

However, the implementation of green economy in Musi Rawas Regency still faces significant challenges. MSMEs admit that the lack of access to information, training, and technology is the main obstacle in consistently implementing environmentally friendly principles. Lack of literacy about sustainability, no government incentives, and limited capital for investment in efficient production equipment or waste management systems have caused many MSMEs to be unable to fully transform into green businesses. Some business actors even stated that they had never received formal training on sustainable business practices.

Nevertheless, the positive impacts of implementing green economy principles have begun to be seen. Several MSMEs who have implemented this approach more consistently claim to have experienced increased customer loyalty, operational cost efficiency, and market expansion. Products developed with an environmentally friendly approach have added value that can attract new consumer segments, especially those who care about health and environmental sustainability. Business actors in the processed food sector, for example, said that reducing the use of plastic and using natural ingredients made their products more in demand and received positive reviews, both directly and through social media. This shows that green economy practices not only have an impact on the environment, but can also directly improve the performance of MSME businesses.

Digital literacy has also proven to be an important factor in strengthening the implementation of a green economy in MSMEs. MSMEs who have basic skills in digital technology, such as the use of social media, e-commerce, and online marketing, show higher adaptability to consumer demands for transparency and environmental values. However, most MSMEs in Musi Rawas Regency are still limited in the use of digital technology, and still rely on conventional sales methods. This limitation is an obstacle for them in reaching a wider market and promoting the advantages of environmentally friendly products effectively. This condition shows the importance of integrating digital literacy training in MSME empowerment programs so that the transformation towards a green economy can run optimally.

The findings of this study provide important implications for the development of policies and strategies for empowering MSMEs in Musi Rawas Regency. Local governments and related institutions need to design systematic and sustainable green economy education and training programs, tailored to the local characteristics of MSME actors. In addition, sustainability-based incentives such as tax breaks, subsidies for environmentally friendly production equipment, or easy access to capital for green business actors need to be considered as part of the regional economic transformation strategy. It is also important to form a collaborative ecosystem between the government, private sector, financial institutions, and universities to assist MSMEs in implementing sustainable innovation. The existence of a green business model that can be imitated by other business actors can also accelerate the adoption of the green economy at the local level.

Overall, the results of this study confirm that the implementation of green economy in MSMEs in Musi Rawas Regency has great potential to encourage sustainable business growth. Although its implementation still faces many obstacles, the initial steps that have been taken by some MSMEs show a positive direction. With the right support from various parties, MSMEs in this area have a great opportunity to develop not only in terms of economy, but also in terms of social and environment, in line with the principles of sustainable development (Sustainable Development Goals/SDGs).

4. Conclusion

The implementation of green economy principles by MSMEs in Musi Rawas Regency shows a positive direction even though it is still in its early stages and faces various challenges. Some MSMEs have adopted environmentally friendly practices such as the use of local raw materials,

waste reduction, and energy efficiency, although they do not fully understand the concept of a green economy theoretically. These practices have been shown to increase cost efficiency, attract environmentally conscious consumers, and expand the market. However, limited digital literacy, access to technology, information, and financing are still major obstacles.

The implications of these findings underscore the importance of collaboration between the government, financial institutions, and the education sector in supporting the transformation of MSMEs towards a green business model. Support in the form of training, incentives, and access to capital will strengthen a sustainable and highly competitive business ecosystem, while also providing a real contribution to achieving the Sustainable Development Goals (SDGs).(Raditya & Azaria, 2024).

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