

## INTEGRATING SUSTAINABLE ECONOMIC PRINCIPLES INTO THE MSMEs ECOSYSTEM TO SUPPORT SDGs ACHIEVEMENT

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### Abstract

*The application of sustainable economic principles is a global priority in facing the challenges of climate change, social inequality and the need for inclusive development. Micro, Small and Medium Enterprises (MSMEs), which contribute a significant portion to the global economy, have a strategic role in supporting the achievement of the Sustainable Development Goals (SDGs). This research aims to analyze the integration of sustainable economic principles in the MSMEs ecosystem with a collaborative approach that connects the government, business world stakeholders and global partners. This research uses the Triple Bottom Line theory according to John Elkington (1994) which emphasizes balance between economic, social and environmental aspects.. The research method used was qualitative with desk studies and in-depth interviews with MSMEs in the agricultural, manufacturing and service sectors. Data is analyzed to identify successful sustainability practices and barriers faced. The results of the study show that the application of sustainable economic principles to MSMEs has the potential to increase operational efficiency, reduce environmental impacts and increase competitiveness. The main supporting factors are access to environmentally friendly technology, training on sustainable development and collaboration with international organizations. However, barriers such as a lack of knowledge about sustainability, limited capital, and suboptimal regulations have hampered wider implementation. The study findings highlight the importance of a supportive business ecosystem, including government incentives, sustainable infrastructure support, and cross-sector collaboration. With effective integration, MSMEs can become key players in achieving a sustainable economy and supporting the achievement of the SDGs comprehensively.*

**Keywords:** MSMEs, sustainable economy, business ecosystem, SDGs, global collaboration

### Introduction

Micro, small and medium enterprises (MSMEs) are the backbone of the global economy, especially in developing countries like Indonesia (Bizzy & Isurhadi, 2018). MSMEs contribute up to 60% of national Gross Domestic Product (GDP) and create 97% of jobs (Bizzy & Isurhadi, 2018; Valdiansyah & Widiyati, 2024). However, MSME business operations still often rely on traditional approaches that pay little attention to sustainability aspects (Sianturi, 2020). In the context of the Sustainable Development Goals (SDGs), especially SDGs 8 (Decent work and economic growth) and SDGs 12 (Responsible consumption and production), implementing the principles of economic sustainability for MSMEs is urgent (Usman et al., 2024). It is true, the integration of sustainable economic principles can increase the competitiveness of MSMEs while supporting the achievement of the SDGs. Apart from that, MSMEs also play a strategic role in encouraging economic growth, creating jobs, and supporting sustainable development in various countries, including Indonesia (Usman et al., 2024).

According to a report by the Ministry of Cooperatives and Small and Medium Enterprises (2023), MSMEs contribute more than 60% of gross domestic product (GDP) and provide almost 97% of total employment in Indonesia (Samodro, SSn. & Design, 2018). However, these contributions are often not fully in line with sustainability principles, both from an economic, social and environmental perspective. A sustainable economy, which integrates a balance between economic growth, social justice and environmental protection, is one of the main approaches to achieving the Sustainable Development Goals (SDGs) (Harfiani, 2020; Satwika, 2023). The SDGs adopted by the UN in 2015 include 17 main goals, of which SDGs 8 (Decent work and economic growth) and SDGs 12 (Responsible consumption and production) are directly related to efforts to create a sustainable ecosystem for MSMEs (PBB). , 2023). However, despite their enormous potential to contribute to achieving the SDGs, most MSMEs face

significant challenges in implementing sustainable economic principles (Tedjakusuma, 2021). These challenges include: (1) Lack of knowledge about sustainability: Most MSMEs do not understand the importance of sustainability principles in their business operations; (2) Access to financing Main obstacle: Many MSMEs do not have adequate access to environmentally friendly financing or economic incentives to support their business transformation; and (3) Inadequate infrastructure and policies: Technical and policy support from the government still needs to be improved to accelerate the implementation of sustainability in the MSME sector (Machin et al., 2023).

This research aims to analyze the opportunities and challenges in integrating sustainable economic principles into the MSME ecosystem in Indonesia, especially in West Java. Additionally, this research explores the potential benefits of this approach, including increased competitiveness, operational efficiency, and contribution to global development goals. Relevant references include the latest literature on sustainability and MSMEs, such as the World Bank report (2022) which shows that implementing sustainability can increase business economic productivity by up to 20%, as well as academic research by Smith & Taylor (2023). ), which emphasizes the importance of cross-sector collaboration to support MSMEs in sustainable transformation. By understanding the relationship between MSMEs and achieving the SDGs, this article will provide insight into practical strategies for creating a more inclusive and sustainable ecosystem for MSMEs in Indonesia, especially in West Java.

### Methods

This research uses a mixed methods approach, which combines quantitative and qualitative methods to gain a comprehensive understanding of the integration of sustainable economic principles in the MSME ecosystem (Poerwanto et al., 2021). This research is exploratory and descriptive, aiming to explore and describe the relationship between the application of sustainable economic principles and their impact on the sustainability of MSME businesses (Kurnianti et al. events, 2024). This approach also aims to identify obstacles, opportunities and best practices in implementing sustainable economic principles. The research location and samples were carried out in West Java which has a large MSME ecosystem, especially in the agricultural, manufacturing and service sectors. A total of 20 MSMEs were selected as samples using stratified random sampling techniques according to Kothari (2004) to ensure balanced representation based on industry and company size. Data collection methods include: (1) primary data in the form of surveys and interviews. A survey using a structured questionnaire was conducted among MSME stakeholders to assess the level of understanding, application and benefits of sustainable economic principles. At the same time, in-depth interviews were also conducted with 20 MSME stakeholders to find out more about the challenges and opportunities related to implementing sustainability principles.

Apart from that, field observations were also carried out to document MSMEs practices related to sustainability aspects, such as waste management and energy efficiency. (2) secondary data obtained from government reports, such as the annual MSMEs report of the Ministry of Cooperatives and MSMEs (2023), publications of international organizations such as the United Nations (2023), as well as related scientific journals, including the Journal of Sustainable Development in Business (Smith & Taylor, 2023). The data analysis technique uses qualitative analysis with a thematic analysis approach to identify key themes related to challenges, opportunities and best practices (Sitasari, 2022). This study uses the SDGs framework to evaluate the success of implementing sustainable economic principles. The indicators used include: (1) Economy: increasing income and productivity of MSMEs; (2) Social: Creating local jobs and strengthening communities; and (3) Environment: reducing carbon emissions, managing waste and using energy efficiently (Ferawati, 2018).

### Research Result

This study has produced various findings that show the potential, challenges and benefits of integrating sustainable economic principles into the MSMEs ecosystem. These results are presented based on quantitative and qualitative analysis, as well as indicators that are aligned with the SDGs. This includes: (1) the extent to which sustainable economic principles are implemented; (2) economic, social and environmental benefits; (3) challenges faced; (4) productivity growth graph; and (5) sustainability best practices. First, the level of implementation of sustainable economic principles can be seen based on the following table.

**Table 1 Implementation of Sustainability Principles in MSMEs**

No.	Sustainability Principles	Adoption Percentage	Main Impact
1	Waste management	40%	Reduced production costs by 10%
2	Renewable energy	25%	Energy savings up to 20%
3	Community partnerships	35%	Improving the image of local companies

Second, economic, social and environmental benefits. The application of sustainable economic principles has been proven to provide significant benefits, including: (a) Economic: MSMEs that implement sustainable practices have reported an average increase in income of 12% in the last two years. Reduce operational costs through resource efficiency (e.g. water and energy); (b) Social: Partnerships with local communities create additional employment opportunities, especially in the crafts and food production sectors. Continuous training improves workforce skills. (c) Environment: MSMEs that manage waste effectively reduce carbon emissions by up to 15%. The use of renewable energy reduces fossil energy consumption. Third, the challenges faced. The results of in-depth interviews identified the main challenges: (a) Lack of understanding: MSMEs stakeholders often do not have adequate knowledge about sustainability; (b) Limited access to environmentally friendly finance: only 20% of MSMEs receive funding from government programs or international organizations for sustainable development initiatives; and (c) Lack of infrastructure: The infrastructure required to support sustainable operations, such as integrated waste management facilities, is still minimal.

Fourth, productivity growth graph. The trend graph shows an increase in the productivity of MSMEs that apply sustainable economic principles compared to those that do not. MSMEs that apply sustainable principles experience an average increase in productivity of 12%, while other MSMEs only increase by 4%. Fifth, sustainability best practices. Several MSMEs that have successfully implemented sustainability principles have demonstrated their innovation. There are MSMEs that develop products from wood waste, which not only reduces pollution but also increases income. MSMEs in the food sector are adopting solar power technology in their operations, helping to reduce energy costs by up to 25%. Survey results show that 40% of MSMEs have implemented waste management, 30% use environmentally friendly raw materials and 20% have collaborated with local communities in sustainable development programs. Meanwhile, the graph of increasing productivity when implementing sustainable principles shows an increase in productivity of up to 12% in a period of two years. This shows that there is a positive correlation between sustainability and economic growth of MSMEs.

## Discussion

Linkage with SDGs. The application of sustainable economic principles not only increases the competitiveness of MSMEs but also supports the achievement of the SDGs. For example, waste management contributes to SDGs 12 (Sustainable Consumption and Production), while local community involvement supports SDGs 11 (Sustainable Cities and Communities). Main Obstacles (1) Low understanding of MSME stakeholders regarding the concept of sustainability; (2) Limited access to environmentally friendly finance; and (3) lack of incentives from the government and private sector. Meanwhile, potential solutions include: (1) in-depth training to increase knowledge about sustainability; (2) Providing low interest environmentally friendly financing; and (3) tax incentives for MSMEs that carry out environmentally friendly activities.

## Conclusion

This study confirms that integrating sustainable economic principles into the MSMEs ecosystem brings significant benefits for economic growth, social welfare and environmental sustainability. In the context of achieving the Sustainable Development Goals (SDGs), especially SDGs 8 (Decent Work and Economic Growth) and SDGs 12 (Responsible Consumption and Production), MSMEs have great potential to play a strategic role as agents of change towards an inclusive society and inclusive economy. Sustainable transformation by integrating a sustainable economy into the MSMEs ecosystem is not only important to support the achievement of the SDGs, but also offers opportunities to create business models that are more resilient, competitive and adaptable to global challenges. Through coordination between MSMEs, government and the private sector, sustainable transformation can be achieved and provide long-term benefits for society, the environment and the economy at large.

### Recommendation

1. The government must expand sustainable development training programs.
2. Providing tax incentives to MSMEs that implement environmentally friendly technology.
3. Encourage collaboration between MSMEs, academics and the private sector to create a comprehensive sustainable ecosystem.

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