

CHAPTER 1

INTRODUCTION

1. INTRODUCTION

In recent years, environmental sustainability has emerged as a critical global issue, compelling many enterprises, particularly Small and Medium Enterprises (SMEs), to adopt eco-friendly practices aimed at mitigating their negative environmental impacts (Rasheed et al., 2024). This is especially pertinent in the tourism sector, where SMEs constitute the backbone of the industry and face mounting pressure to embrace sustainable practices that not only reduce their ecological footprint but also enhance their competitiveness in an increasingly eco-conscious market. The concept of *enviropreneurship*, first introduced by Varadarajan (1992), represents the intersection of entrepreneurial innovation and environmental stewardship, advocating for the integration of green strategies into business operations. In Indonesia, where challenges in waste management and natural resource utilization are prevalent, *enviropreneurship* encourages tourism SMEs to adopt sustainable business models that can improve both environmental and economic performance.

Implementing environmentally responsible practices in the tourism sector yields significant benefits, not just for sustainability but also for the long-term viability of the industry. More SMEs are beginning to recognize the importance of integrating green practices into their business strategies, which can enhance tourism performance and competitiveness while simultaneously reducing operational costs through efficient waste management and green innovations. Studies indicate that *enviropreneurship* is increasingly relevant in addressing global environmental challenges, particularly in the SMEs sector (Dudin et al., 2019). The relationship between *enviropreneurship* and environmental performance highlights a mutually beneficial dynamic between innovative practices and sustainable business outcomes (Rasheed et al., 2024), enabling businesses to utilize green innovation and Green Supply Chain Management (GSCM) to enhance operational efficiency and environmental impact. In addition, research by Simmou et al. (2023) suggests that green innovation not only strengthens environmental performance but also becomes an important mechanism in linking social responsibility with environmental performance.

SMEs play a vital role in many countries, particularly within the tourism industry, contributing significantly to GDP and employment (Rajesh, 2004), including in Indonesia's economy. The development of SMEs in Indonesia in the transportation, accommodation, communication and cultural tourism sectors has increased every year. Based on data from BPS

(2020), SMEs in the transportation, accommodation, communication and cultural tourism sectors in Indonesia fluctuated in 2019 by 12.7%, before finally decreasing in 2020 by 8.5% due to the pandemic. In addition, the SMEs sector also contributes significantly to job creation and poverty alleviation (Dhiman & Arora, 2024a), employing around 97% of the Indonesian workforce and contributing more than 60% of the country's

GDP (BPS, 2020). This shows the importance of the tourism SMEs, to support the acceleration of a country's economic growth. Sustainability and environmental concerns are essential in leveraging tourism as a catalyst for reducing economic disparities between developed and developing nations (Jenkins, 1982). Tourism development, especially in remote and peripheral areas, generates new business opportunities that bolster local economies (Aldianto et al., 2020). However, without environmentally responsible management, tourism growth can lead to adverse impacts, including pollution and environmental degradation. Thus, integrating sustainability principles into destination development is crucial, encompassing both infrastructure improvements and support for SMEs in tourism. The Indonesian government has actively invested in infrastructure to support sustainable tourism, enhancing connectivity (Partelow and Nelson, 2020) while fostering the growth of eco-friendly SMEs—aligning with national goals for environmentally sustainable economic investment.

Despite their importance, many tourism SMEs struggle with long-term sustainability due to barriers such as limited access to capital, insufficient technological capabilities, and challenges posed by a globally interconnected market (Rasheed et al., 2024). Environmental sustainability has become a key factor for resilience, yet many SMEs lack the knowledge and resources to integrate sustainable practices into their operations, particularly in waste management and pollution control. The Indonesian government has initiated programs, such as the 'Kredit Usaha Rakyat (KUR) Hijau, to encourage SMEs to adopt environmentally friendly practices and support the UN Sustainable Development Goals (SDGs) (ESGI, 2024). However, meaningful adoption remains low, with many SMEs unable to comply with new regulations due to technical and financial constraints (Alfaiza et al., 2025).

Although an increasing number of tourism SMEs are striving to adopt enviropreneurship, its implementation still faces significant constraints, particularly regarding capital limitations and technical expertise. As noted by Keogh and Polonsky (1998), a strong commitment to environmental goals is essential, yet organizations often lack clarity in how to cultivate this commitment. Previous research has explored the impact of green supply chain practices and innovations on entrepreneurial sustainability, emphasizing the crucial role of GSCM in integrating sustainable practices into supply chains, thereby enhancing environmental

performance and creating new business opportunities (Rasheed et al., 2024). However, a gap remains in the understanding of enviropreneurship application within SMEs, especially in developing countries like Indonesia. Previous studies have primarily focused on larger enterprises, underscoring the need for more attention to enviropreneurial indicators specific to tourism SMEs.

In comparison to other countries such as South Korea or Japan, where SMEs receive robust support for sustainable innovation, Indonesian SMEs lag behind in this regard. For the growth of these enterprises, targeted support is essential, particularly in developing supply chain models that guide the adoption of green business strategies, enabling them to enhance competitiveness and sustainability. Given these challenges and opportunities, it is imperative for Indonesian SMEs to embrace an enviropreneurship approach that addresses environmental concerns while strengthening the tourism sector's competitiveness in the global market. Adopting GSCM can facilitate this integration, as it incorporates environmental considerations throughout the supply chain, reducing operational costs and minimizing ecological impacts. In the tourism sector, GSCM is crucial for resource efficiency and waste reduction, thereby enhancing both sustainability and business prospects.

Through the implementation of GSCM, Indonesian SMEs in tourism can position themselves as leaders in sustainable tourism, demonstrating how enviropreneurship can serve as a strategic key to achieving both environmental and business sustainability. However, realizing these innovations will require improved government support, technical training, and enhanced access to capital, particularly in the face of evolving regulations and market demands for increased environmental awareness. Ultimately, embracing enviropreneurship can provide a strategic foundation for tourism SMEs, facilitating optimal business performance while contributing to sustainable development in Indonesia.