


Exploring the Determinants of Social Environmental Sustainability in New Business Initiation in Indonesia

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Article Info	ABSTRACT
<p>Article history:</p> <p>Received May, 2025 Revised May, 2025 Accepted May, 2025</p> <hr/> <p>Keywords:</p> <p>Sustainability, Stakeholder Engagement, Regulatory Frameworks, Cultural Values, Indonesian Start-ups</p>	<p>This study explores the determinants of social and environmental sustainability in new business initiation in Indonesia using qualitative analysis based on insights from five informants, including entrepreneurs, policymakers, and environmental experts. Four key dimensions—stakeholder engagement, regulatory frameworks, cultural values, and resource availability—emerged as critical to sustainability practices. Findings highlight that effective stakeholder engagement fosters trust and accountability, cultural values such as gotong royong align with sustainability principles, and regulatory frameworks offer guidance but face enforcement challenges. Limited access to financial and technological resources remains a significant barrier. The interplay of these determinants underscores the need for integrated strategies to promote sustainability in Indonesian start-ups. The study contributes to understanding how local context shapes sustainable entrepreneurship and offers actionable insights for policymakers and entrepreneurs.</p> <p><i>This is an open access article under the CC BY-SA license.</i></p> 

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1. INTRODUCTION

The pursuit of sustainability has become a cornerstone of modern business strategies, particularly in emerging economies like Indonesia, where rapid industrialization and economic growth have intensified environmental and social challenges. New business initiation represents a critical phase in which entrepreneurs make foundational decisions that can significantly impact their enterprise's alignment with sustainability principles. Social and environmental sustainability—defined as the integration of ecological preservation, social equity, and

economic viability—has emerged as a vital framework for addressing global and local issues such as climate change, resource depletion, and social inequality. Entrepreneurs in these regions are increasingly aligning their business models with sustainability principles to drive economic growth while mitigating environmental and social impacts, thereby supporting the UN's Sustainable Development Goals (SDGs) and capitalizing on the growing consumer demand for sustainable products and services. Sustainable entrepreneurship is pivotal in addressing poverty, unemployment, and

environmental degradation by leveraging local knowledge for long-term solutions [1], though entrepreneurs often face challenges such as limited access to finance, infrastructure deficits, and regulatory hurdles that require strategic planning and innovation [1], [2], sustainable business strategies enhance profitability while safeguarding the environment and society through resource efficiency, waste reduction, and the use of renewable energy [3], and these approaches predict long-term resilience and financial success by aligning with shifting consumer and corporate preferences towards sustainability [4]. Nevertheless, entrepreneurs continue to face significant economic, regulatory, social, technological, and environmental obstacles, including high initial costs and inconsistent policy environments [2], though these are counterbalanced by emerging opportunities driven by consumer demand for eco-friendly products and innovations in technology [2].

Indonesia, as the largest economy in Southeast Asia, holds a unique position to balance its economic growth ambitions with sustainability imperatives; however, many new businesses, particularly startups, face significant challenges in adopting sustainable practices during their formative stages due to factors such as regulatory frameworks, resource limitations, and cultural norms. The regulatory environment in Indonesia greatly influences corporate social responsibility (CSR) practices, where compliance with environmental laws is crucial for maintaining corporate reputation and performance, although businesses often struggle with inadequate regulatory support and resources [5]. Enhancing education on CSR and promoting stakeholder collaboration are recommended strategies to foster sustainable business practices [5]. Access to finance and infrastructural constraints remain substantial barriers for sustainable entrepreneurship in emerging economies like Indonesia, and addressing these issues requires regulatory reforms and appropriate incentives [1]. Cultural and personal motivations also play a pivotal role, with personal values, social influences, and environmental awareness

driving the emergence of sustainable technopreneurs in the country [6]. In response, the National Entrepreneurship Movement has emphasized the need for sustainable entrepreneurship to enhance Indonesia's global competitiveness [7]. Furthermore, the integration of social and environmental considerations into business planning is essential not only to mitigate negative impacts but also to create long-term stakeholder value and align with national development goals such as the United Nations Sustainable Development Goals (SDGs). In this context, social entrepreneurship emerges as a vital instrument for addressing socio-economic and environmental challenges, and its effectiveness hinges on the presence of a supportive ecosystem and access to diverse funding sources [8].

This study seeks to explore the determinants of social and environmental sustainability in new business initiation in Indonesia, offering insights into how entrepreneurs navigate this complex terrain. Through qualitative analysis based on interviews with key stakeholders—entrepreneurs, policymakers, and sustainability experts—the research aims to uncover the motivations, barriers, and enabling factors that influence sustainable practices. By understanding these dynamics, the study contributes to the growing body of knowledge on sustainable entrepreneurship and provides actionable recommendations for fostering a more sustainable business ecosystem in Indonesia.

2. LITERATURE REVIEW

2.1 Social and Environmental Sustainability in Business

The integration of social and environmental sustainability into business practices is increasingly seen as vital for long-term success, as it balances social equity, environmental protection, and economic growth without compromising future generations. Embedding sustainability early offers competitive advantages such as stronger brand reputation, cost efficiency, and

access to new markets—benefits driven by eco-friendly operations, fair labor, and community contributions. Sustainable strategies combine environmental, social, and economic goals to drive profits while protecting broader ecosystems [3]. Key practices include resource efficiency, waste reduction, and renewable energy adoption, which provide both financial and environmental returns [3]. Social sustainability, though often overlooked, includes diversity, equity, and social cohesion, which enhance employee satisfaction and organizational performance [9]. Sustainability has also become central to strategic business planning, reflecting a shift toward long-term goals that align with environmental and social responsibilities [10], [11]. Firms that prioritize these principles often achieve greater resilience and financial success, appealing to both investors and stakeholders [3].

2.2 Determinants of Sustainability in New Business Initiation

The adoption of sustainability practices in early business development is shaped by stakeholder engagement, regulatory frameworks, cultural values, and resource constraints. Engaging stakeholders—such as customers, investors, suppliers, and communities—plays a pivotal role in shaping comprehensive sustainability strategies that address economic, social, and environmental dimensions, while also enhancing corporate reputation and promoting alignment with environmental stewardship and social equity [12], [13]. Regulatory frameworks like Indonesia's "Properas" support sustainability efforts, though enforcement gaps and complex compliance processes often limit their effectiveness, despite the growing use of disclosure and reporting systems to promote awareness [14]. Cultural values, such as Bali's "Tri Hita Karana," provide a meaningful foundation for sustainability, yet integrating traditional wisdom with modern business practices demands innovation and ongoing adaptation [15]. Additionally, resource constraints—including limited access to capital, technology, and skilled labor—pose

significant challenges for start-ups; however, adopting resource-efficient practices and renewable energy can still enhance financial performance and reputation [15]–[17].

2.3 Research Gap

While existing literature provides a robust understanding of the general principles of sustainable entrepreneurship, there is limited focus on the specific determinants influencing new business initiation in the Indonesian context. Previous studies have often concentrated on large enterprises or specific industries, neglecting the unique challenges and opportunities faced by start-ups. Additionally, the interplay between cultural values, regulatory frameworks, and resource availability in shaping sustainability practices in Indonesia remains underexplored.

2.4 Conceptual Framework

Based on the review of literature, this study adopts a conceptual framework that examines the determinants of social and environmental sustainability through four key dimensions: stakeholder engagement, regulatory frameworks, cultural values, and resource availability. These dimensions provide a structured lens to analyze how new businesses in Indonesia integrate sustainability into their operations.

By addressing these gaps, this research aims to contribute to the discourse on sustainable entrepreneurship, offering practical insights for entrepreneurs, policymakers, and scholars.

3. METHODS

A qualitative research approach was chosen to obtain rich, descriptive insights into the experiences and perspectives of stakeholders involved in the initiation of new businesses, particularly regarding social and environmental sustainability. Rather than aiming for generalization, this study seeks to deeply understand the factors influencing entrepreneurs' sustainability-related decisions. The research objectives are: (1) to identify key determinants of social and environmental sustainability in new business initiation in Indonesia, (2) to understand the

roles of stakeholders, regulatory frameworks, cultural values, and resource availability in shaping sustainability practices, and (3) to examine the challenges and barriers faced by entrepreneurs in adopting sustainable business models. Data were collected through semi-structured interviews, which balance structured inquiry with the flexibility to explore participants' experiences in depth. Five informants were purposively selected based on their expertise: two sustainable entrepreneurs, one policymaker, one environmental sustainability advisor, and one expert in social sustainability and CSR. This small but focused sample size supports in-depth exploration without compromising analytical clarity (Patton, 2002). Interviews, conducted in-person or virtually depending on availability, lasted 45–60 minutes and were guided by questions addressing stakeholder engagement, regulatory support, cultural influences, resource access, and implementation challenges. All interviews were recorded (with consent) and transcribed verbatim for analysis.

Thematic analysis was employed to examine the interview data, following Braun and Clarke's (2006) six-phase process. First, the researcher familiarized themselves with the data through repeated reading of transcripts. Next, initial codes were generated by identifying key statements related to the study's focus areas. These codes were then grouped into themes based on recurring patterns. The identified themes were reviewed and refined to ensure they accurately represented the data and aligned with the research objectives. Each theme was clearly defined and named before the final step—writing the report—was conducted to present findings linked directly to the research questions. To enhance the credibility of the results, member checking was carried out, where participants reviewed summaries of the thematic findings to confirm their accuracy and relevance. This feedback loop helped ensure that the researcher's interpretations remained faithful to participants' intended meanings and experiences.

4. RESULTS AND DISCUSSION

4.1 Stakeholder Engagement

All five informants emphasized the critical role of stakeholders in shaping sustainable practices during new business initiation. Entrepreneurs highlighted that engaging with stakeholders such as customers, local communities, and suppliers helped them identify sustainability priorities. One informant, an environmental expert, pointed out that businesses with strong stakeholder networks were more likely to adopt green practices early on.

For example, an entrepreneur shared, "We regularly involve community leaders in decision-making processes, which has helped us understand local environmental concerns and align our business goals with community expectations."

4.2 Regulatory Frameworks

Three informants mentioned that Indonesia's regulatory environment supports sustainable practices but noted inconsistencies in enforcement. While government programs and incentives, such as tax benefits for green businesses, were acknowledged, some entrepreneurs felt overwhelmed by the complexity of regulatory compliance.

A policymaker stated, "The government has introduced initiatives to promote sustainability, but limited resources and regional disparities in enforcement remain significant challenges."

4.3 Cultural Values

Cultural and societal values emerged as a strong determinant of sustainability. The informants highlighted how traditional practices and local wisdom, such as *adat* and *gotong royong* (communal cooperation), influenced their sustainability efforts. For example, one entrepreneur described incorporating local traditions into their supply chain to strengthen community relationships while reducing environmental impact.

However, another informant noted a tension between traditional practices and modern business demands: "While local customs guide us, integrating them with

efficient business models is a constant balancing act."

4.4 Resource Availability

Limited access to financial and technological resources was identified as a barrier to implementing sustainability practices. Two entrepreneurs mentioned relying on personal funds and partnerships with NGOs to support their sustainability initiatives. The environmental expert noted that a lack of affordable green technologies constrained the adoption of environmentally friendly practices by new businesses.

One entrepreneur remarked, "The initial cost of adopting green technologies is high, and without external support, it's challenging to maintain sustainable practices."

4.5 Discussion

The findings of this study reinforce the importance of stakeholder engagement as emphasized by stakeholder theory, which highlights the influential role of stakeholders in shaping business decisions. In the Indonesian context, where community-based values are deeply rooted, engaging stakeholders not only enhances accountability but also helps identify sustainability priorities. Effective engagement fosters trust and long-term collaboration, enabling businesses to navigate complex sustainability challenges. Stakeholder involvement is essential for aligning business goals with societal needs and is further supported by internal capacities like innovation and digitalization, particularly for MSMEs.

Regulatory frameworks are another critical determinant, providing the foundation for sustainable business practices. However, weak enforcement and complex compliance mechanisms continue to hinder their practical effectiveness in Indonesia (Bernardus et al., 2024). Government policies also shape the entrepreneurial ecosystem, influencing the development of incubators and business networks that support sustainability (Bernardus et al., 2024). Simplifying regulatory requirements and strengthening enforcement at the regional level may significantly improve the

implementation of sustainability policies among new businesses.

Cultural values such as Tri Hita Karana and gotong royong offer a unique advantage by aligning traditional wisdom with sustainability goals. These cultural principles promote harmony with nature and community, which are consistent with the principles of sustainable development. Nevertheless, integrating these values into modern, competitive business practices remains a challenge that requires creative adaptation and continuous learning [18]. When effectively harnessed, cultural values can also bridge the gap between regulatory expectations and community-based sustainability efforts.

Resource availability remains a pressing constraint for many start-ups, particularly in terms of access to finance, technology, and skilled labor [19]. Such limitations often hinder the adoption of sustainable practices; however, partnerships with NGOs, government bodies, and private investors offer potential solutions [18]. The study also reveals the interconnectedness of all these determinants—where strong stakeholder collaboration can offset resource deficits, and cultural alignment can reinforce regulatory compliance. Understanding this interplay is essential for crafting holistic, context-sensitive strategies that enable the successful integration of sustainability in new business initiatives.

5. CONCLUSION

This study identifies stakeholder engagement, regulatory frameworks, cultural values, and resource availability as key determinants influencing social and environmental sustainability in new business initiation in Indonesia. The findings highlight the importance of integrating local wisdom and community-based approaches with innovative practices to balance tradition and modern business demands. Although regulatory frameworks provide foundational support, inconsistent enforcement undermines their effectiveness and demands urgent improvement. Addressing resource

constraints through strategic collaboration with government agencies, NGOs, and private investors is essential to enable sustainable practices. The interplay among these factors suggests that a holistic approach—combining cultural insights, stakeholder engagement, and resource accessibility—can significantly enhance sustainability outcomes for start-ups.

These insights offer practical implications for entrepreneurs, policymakers, and support organizations in building a more

sustainable entrepreneurial ecosystem. Emphasizing context-sensitive strategies that align with local values and operational realities can improve the adoption of sustainable business practices. For future research, a deeper exploration of sector-specific sustainability challenges or the use of mixed-method approaches could further validate and expand these findings, offering broader guidance for effective sustainability integration in emerging economies.

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