Achieving Sustainable Development Goals (SDGs) by Effective Compliance of Good Corporate Governance

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STIE EKUITAS

Abstract. MSMEs are part of the type of business entity that supports the community's economy. The economic resilience of MSMEs shows how important the role of SMEs is in a regional economy. However, MSMEs still ignore good corporate governance. The purpose of this study is to determine the role of MSMEs in achieving SDGs by implementing GCG. This study uses descriptive verification and exploratory methods. The population of this research is palm MSMEs in Majalengka Regency of 68, with a sample of 40 MSMEs. The type of data from this research is primary data because the research was conducted through surveys, interviews, observations, and questionnaires. This study uses validity, reliability and regression method. The results showed that MSMEs were able to control the SDGs. However, there are still some MSMEs that have not implemented GCG properly. MSMEs with good governance can have an impact on supporting the SDGs.

Keywords: SDGs, GCG and SMEs

1 Introduction

Indonesia is a developing country that has a lot of potential natural resources. The availability of abundant natural resources provides an overflow opportunity for the community to manage to meet their needs. The more people who manage natural resources to meet the requirement will improve the economy of a country (Lopes de Sousa Jabbour et al., 2020; Verma, 2019).

The number of MSMEs in 2019 increased by 3% from the previous year, and the number of large industries decreased by 10% previously year (Badan Pusat Statistik, 2021). MSMEs can survive by supporting the country’s economy. (Auemsuvarn, 2019; Lopes de Sousa Jabbour et al., 2020). The more MSMEs operate in Indonesia, so the more labor absorption will be and reduce the number of unemployed. MSMEs have a very potential impact on an area (Endris & Kassegn, 2022). On the other hand, MSMEs have their challenges in exploring their business (Dwaikat et al., 2020).

The increasing business activity further increases the involvement of natural resources and human resources. The palm trees are one of the natural resources of the Majalengka community. It is very restricted. It is necessary to efficiently empower natural resources so it does not run
out (Ndubisi et al., 2021). Lack of natural resources and community knowledge is another problem in management of MSMEs (de Oliveira Neto et al., 2022). Many technological tools used for business purposes (Nguyen & Ngo, 2021). However, these business activities often ignore the environmental impacts caused by both the natural and the social environment. The resulting waste is treated first before being disposed of in a landfill so that it will cause environmental pollution in water, air, or land (de Oliveira Neto et al., 2022). In 2021 there has a landslide disaster in the environment of the sugar palm MSME actors as a result of the large amount of palm waste that does not well managed. Thus, the government needs to make regulations that direct business entities so that they do not focus on achieving profit but attention to social, economic, and environmental concerns (López-Pérez et al., 2017). It is by the objectives stated in the 17 SDGs goals.

The SDGs are not only applied to large companies, but the SDGs have begun to be socialized to MSMEs to achieve the SDGs to come true immediately (Auemsuvan, 2019; Biryukov et al., 2021; Lopes de Sousa Jabbour et al., 2020; Verma, 2019). The trend of implementing the SDGs on MSMEs has already been implemented in Russia (Biryukov et al., 2021). The achievement of the SDGs is not only borne by large companies. The business activities generated by each entity must pay attention to the objectives contained in the SDGs. It can be faced by almost all countries and can be overcome (Ferawati, 2018; Hari Kristianto, 2020; Hasanah & Setiyaningsih, 2019; Jarko, 2021; Martínez-Ferrero & García-Meca, 2020).

Good Corporate Governance (GCG) is a concept of corporate governance that regulates and oversees the company and balances all interests in achieving goals. The implementation of GCG is more often in large companies. Whereas MSMEs need to implement GCG to compete with large companies (Hasanah & Setiyaningsih, 2019; Jaswadi, 2017). GCG can be applied to MSMEs to increase performance, profits, and competitiveness. (Dwaikat et al., 2020)

The problems MSMEs include application financial management, information systems, human resource development, marketing strategies, business licenses, and monetary's information. MSMEs are business entities whose assets are relatively small. It is a challenge for MSME actors in acquire funding sources. Total assets that tend to be small have resulted in MSMEs only getting little funding because the guarantees are also small (Santoso, 2020). In addition, regulations, finances, and lack of infrastructure are problems for MSMEs (Dwaikat et al., 2020; Endris & Kasseg, 2022). GCG can be faced the problem. GCG implementation can have a direct impact on proper accounting implementation and disclosure of information trusted by stakeholders (Abor & Biekpe, 2007; Dube et al., 2011; Wulansari et al., 2017).

GCG is one of the corporate governance practices that need to be implemented by a business entity in carrying out business processes, one of which is MSMEs. However, there are still many MSMEs that have not implemented this concept. If MSMEs apply the GCG concept well, it will improve performance by the vision, mission, and goals (Abor & Biekpe, 2007; Amoateng et al., 2017; Dube et al., 2011; Hesty, 2020; Jaswadi, 2017; Rachma Agusti & Sanawiri, 2019; Ramzy et al., 2019; Salin, 2018; Supriyati et al., 2015).

A business entity can affect factors in GCG. First, government policies related to performance procedures, finances, and capacity building of human resources. This policy can used as a guide in GCG (Elmagrhi et al., 2017; Susilo, 2010). Second, the cultural climate and situation created within a business entity. The better the of a business entity will increase the implementation of GCG (Kurniawati et al., 2015). hird, the capabilities possessed by Human Resources...
Development. Business entities managed by qualified human resources will increase the implementation of GCG so that it will have an impact on the progress of the business entity. (Hesty, 2020). Fourth, is the form of business ownership. MSMEs are not only founded by one person but can be founded by several people. Thus, a division of business ownership is needed in determining the legality of a business. Business entities that are already legal are more trusted by many parties (Wardhana, 2018).

The many companies that are developing shows that GCG has been implemented properly. However, it is different from the implementation of GCG in MSMEs which is still limited (Dube et al., 2011; Lu et al., 2021). Lack of HR understanding of the importance of GCG is one of the obstacles experienced by MSMEs. Whereas better GCG can improve the quality of a business entity (Martínez-Ferrero & García-Meca, 2020).

MSMEs that manage their business by applying the five principles of GCG, namely transparency, accountability, responsibility, independence, and fairness provide benefits for many parties. Employees can work comfortably, owners of capital have easy access to company information, the community is not harmed, the environment is safe because they prioritize common interests, and so on. It supports MSMEs in realizing the goals contained in the SDGs. The better the implementation of GCG on MSMEs will impact the tendency of MSMEs to report SDGs in corporate sustainability reports (Martínez-Ferrero & García-Meca, 2020).

Research that discusses the role of MSMEs in achieving SDGs through the implementation of GCG has only little by researchers abroad. This research has not much done in Indonesia. Therefore, this research will be done on MSMEs as pillars of a country's economy. The GCG implemented is better by MSMEs, that it will increase the sustainability of MSMEs themselves and support the achievement of the SDGs.

The problem formulations of this research include: 1) How is GCG for MSMEs in Majalengka, 2) How is SDGs for MSMEs in Majalengka 3) How is the achievement of SDGs by implementing GCG for MSMEs in Majalengka 4) How is the relationship between SDGs and GCG for MSMEs in Majalengka. Thus, the objectives of this study are 1) To describe GCG on MSMEs in Majalengka, 2) To describe SDGs for MSMEs in Majalengka 3) To describe the achievement of SDGs by implementing GCG for MSMEs in Majalengka, 4) To describe the relationship between SDGs and GCG in MSMEs in Majalengka.

2 Methods

This type of research is included in quantitative research because it uses a research instrument in the form of a questionnaire. The types of data used are primary data with data collection techniques using questionnaires, interviews, and data collection from reference sources. This research is included in exploratory descriptive research because it describes the role of MSMEs in supporting the achievement of SDGs by implementing GCG. This research is still rarely carried out in Indonesia, so a more in-depth discussion is needed to explore the problems in this research.

This research is one of the regions in Majalengka district, namely Girimulya several registered sugar palm SMEs as many as 68 SMEs as the population. In determining the number of samples taken, the researcher used the solving formula as follows:
n = Number of Samples

N = Population

\( e = \) The error tolerance limit is assumed to be 10%

\[
n = \frac{N}{1 + N (e)^2}
\]

\( n = \frac{68}{1 + 68(10\%)^2} = 40 \)

Based on the calculation of the solving formula, the data sampled in this study was 40 SMEs. As for the sampling technique, the researcher used probability sampling. This technique is used for equal opportunities for all MSMEs. This type of sample selection uses simple random sampling.

This research uses a validity test and a reliability test. This test is used to ensure that data collection from the distribution of questionnaires is good and valid. A validity test is used to measure that the instrument used can measure the accuracy of the variables used for research. While the reliability test is used to measure the extent to which the answers given by the respondents are consistent, stable, and accurate. If both of these tests pass, then the data collected is suitable to be used as the basis for research. The method of regression analysis was used to test the relationship between the variables of this study. The following is the operationalization of the variables in this research:

<table>
<thead>
<tr>
<th>No.</th>
<th>Definition</th>
<th>Indicators</th>
<th>Scale</th>
</tr>
</thead>
</table>
| 1   | GCG is a rule that regulates the relationship between internal and internal stakeholders based on their rights and obligations (Abor & Biekpe, 2007; Dube et al., 2011; Endris & Kassegn, 2022) | a. Transparency  
b. Accountability  
c. Independent  
d. Justice (Jaswadi, 2017) (Dwaikat et al., 2020) | Likert |
<p>| 2   | SDGs are an agenda aimed at sustainable development to end poverty, reduce inequality and | No poverty, zero hunger, good health and well-being, quality education, gender equality, clean water and sanitation, affordable | Likert |</p>
<table>
<thead>
<tr>
<th>No.</th>
<th>Definition</th>
<th>Indicators</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>protect the environment (SDGs, 2017a)</td>
<td>and clean energy, decent work and economic growth, industry, innovation and infrastructure, reduce inequalities, sustainable cities and communities, responsible consumption and production, climate action, life below water, life on land, peace, justice and strong institutions, and partnerships for the goals (SDGs, 2017b).</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processed, 2022

3 Result and Discussions

3.1 Characteristics of Respondents

Based on the questionnaire distributed to MSME actors, 70% of MSME actors are male the rest are female. So, men still dominate because their main task is to earn income for their families.

When viewed from the age, MSME players aged 20-30 years are 15%, 31-40 years old are 43%, and more than 40 years old are 43%. Different types of age indicate that MSMEs aged 31-40 years and even more have entered a not very productive age, while those aged 17-30 years are still productive because they can keep up with the growing business competition. The role of MSMEs opens up opportunities for the community to contribute and will further benefit MSMEs (Singh et al., 2021). It is because a large number of people participating in MSME activities will give a positive image of them.

The education level of MSME actors in Girimulya is mostly elementary school graduates 43% and high school graduates 43%. Meanwhile, 15% of MSMEs have completed their education up to the undergraduate level. The provision of training, skills, ability to innovate, and use of technology is still low. This is due to the limited knowledge possessed by MSME actors. They analyze financial statements is useful in managing a company (Munteanu et al., 2020), he insight of the owners also strongly supports the progress of MSMEs (Nasrallah & El Khoury, 2022). This is because the intellectual capital owned can make MSMEs compete by using more mature strategies and planning. Thus, MSMEs can excel and survive (Adedeji et al., 2019).

70% of MSME actors who have been in business for more than five years have more experience so challenges and solutions to these businesses have been found. MSMEs aged 1-2 years and 3-5 years are only 8%. These MSMEs can further analyze and evaluation for business processes to improve the right strategy for their business. While MSMEs aged less than 1% are 15%. The MSMEs are still adapting to their business environment. MSMEs must determine the right strategy for any problems and challenges of their business. Sensitivity to the environment will be higher when MSME actors run their businesses for a long time (Singh et al., 2021).
The business cannot be separated from meeting the needs of everyone. The bigger business can meet the needs of the owners and even the needs of their employees. The average monthly income of MSMEs varies according to the market and the business strategy applied. MSMEs with an average income of less than IDR 1,000,000 as much as 15% rely more on consumers who pass through their place of business without carrying out other strategies in marketing their products. MSMEs that have an income of IDR 1,000,000 – IDR 5,000,000 are 35%. They already have customers to sell their products to consumers and provide a contact number that can be contacted if there are people who need their products. MSMEs that have an average income of IDR 5,000,000 - IDR 10,000,000 are 30%. Besides already having customers, they also store goods for other businesses in marketing their products. Meanwhile, MSMEs that have an income of more than IDR 10,000,000 is 20%. The MSMEs are usually distributors so the cash turnover is faster and the monthly turnover is higher. Their income will increase when there is support from the government and financial institutions in applying for capital (Aliu & Gakure, 2014; Santoso, 2020).

3.2 Instrument Test

The results for the validity test show that the calculated r value is more than the critical r, namely 0.3 so it can be concluded that the r data is valid. Then, the result for reliability with the following results:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Reliability Coefficient</th>
<th>Critical Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Corporate Governance</td>
<td>0.873</td>
<td>0.6</td>
<td>Reliable</td>
</tr>
<tr>
<td>Sustainable Development Goals</td>
<td>0.815</td>
<td>0.6</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Data processed, 2022

The coefficient value of 0.873 for GCG and 0.815 for SDGs is greater than the critical value of 0.6 indicating that the data collected is reliable. Thus the analysis can be carried out in the forward analysis.

3.3 Good Corporate Governance in MSMEs

The total score of 1972 is included in the sufficient category. The criteria for interpreting scores on the Good Corporate Governance variable can be seen in Figure 1 as follows.
Based on Figure 1 regarding the continuum line on the Good Corporate Governance variable. These results indicate that the respondents' responses are included in the sufficient category, indicated by the total score of 1972 in the range of 1467 – 2053. Based on these results, it can be concluded that the respondents' responses regarding the Good Corporate Governance variable are included in the sufficient category.

3.4 Sustainable Development Goals on MSMEs

The total score of 1158 is included in the sufficient category. The criteria for interpreting scores on the Sustainable Development Goals variable can be seen in Figure 2 as follows.

Based on Figure 2 regarding the continuum line on the Sustainable Development Goals variable. These results indicate that the respondents' responses are included in the sufficient category, in the range of 933 – 1307. Based on these results, it can be concluded that the respondents regarding the Sustainable Development Goals variable are in the sufficient category.

3.5 Achievement of SDGs by Implementing GCG on MSMEs

The results of data processing carried out on the GCG and SDGs variables can be formed in a simple linear regression equation as follows:

\[
Y = 9.298 + 0.425 X + e
\]  
(3)

Persamaan di atas dapat diartikan sebagai berikut:

\( a = 9,298 \) means that if the variable Good Corporate Governance (X) is zero (0), then the variable Sustainable Development Goals (Y) will be worth 9.298 units.
b = 0.425 means that if Good Corporate Governance (X) increases by one unit and the other variables are constant, then the variable Sustainable Development Goals (Y) will increase by 0.425 units.

Thus, MSMEs that implement GCG will have an impact on the achievement of the SDGs. If the MSMEs that implement GCG is 1%, the achievement of the SDGs is 0.425%. So the MSMEs implementing GCG will impact SDGs goals (de Oliveira Neto et al., 2022).

3.6 The relationship between GCG and SDGs in MSMEs

To see the strength of the relationship between GCG and SDGs, the researchers used the coefficient of determination with the following results:

Table 3. Results of the Coefficient of Determination

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.620*</td>
<td>.384</td>
<td>.368</td>
<td>5.52107</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Good Corporate Governance
b. Dependent Variable: Sustainable Development Goals

Source: Data processed, 2022

From the table, that Good Corporate Governance (X) has an influence of 38.44% on the Sustainable Development Goals (Y). While the remaining 61.56% was influenced by other factors not examined in this study. The relationship that occurs between GCGs and SDGs has a low relation. MSMEs are one of the business entities that drive the country’s economy. However, the problems experienced by MSME actors are a separate obstacle to the progress of their business. GCG has a low relationship to the SDGs because there is still a lack of facilitators in socializing the importance of GCG to MSMEs in achieving the SDGs (Biryukov et al., 2021). Other factors that can affect MSMEs in achieving SDGs include access to funding receipts, government support in improving MSMEs, business management skills, and especially finance as a condition for submitting capital acquisition from third parties. In addition, efforts to take initiatives for the sustainability of MSMEs can have an impact, including on the intellectual capital of MSME actors or employees (Adedeji et al., 2019).

The following are the results of the regression analysis carried out on the GCG and SDG variables.
Table 4. Partial Hypothesis Test

<table>
<thead>
<tr>
<th>Coefficients^a</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>9,298</td>
</tr>
<tr>
<td></td>
<td>Good Corporate Governance</td>
<td>.425</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Sustainable Development Goals

Source: Data processed, 2022

Based on the table, it can be seen that GCG has a positive relationship with the SDGs. The higher the implementation of GCG, the more the achievement of the SDGs. The resulting sig value of 0.000 is smaller than 0.05 indicating that GCG affects the SDGs. MSMEs that implement GCG well make a good contribution to the SDGs of a region (de Oliveira Neto et al., 2022; Endris & Kassegn, 2022; Santoso, 2020).

Good Corporate Governance consists of 5 principles between transparency, accountability, responsibility, independence, and justice. It can apply to MSMEs with micro, small, and medium-scale businesses. First, MSMEs that carry out business activities transparently with internal and external parties will gain more trust from related parties. Transparent business management can be a form of internal control (Munteanu et al., 2020). Thus, the stakeholders can remind each other if one of the parties deviates from the applicable procedures and rules. Second, MSMEs implement accountability in which all activities can be accountable. Third, responsibility. Business activities carried out by MSMEs are not only carried out for the benefit of MSMEs but must also pay attention to the parties involved as the responsibilities of MSMEs in paying taxes, MSMEs’ responsibility to the environment, MSMEs’ responsibilities in the welfare of the surrounding community and so on. Fourth, independent, in which MSMEs run their business according to their respective duties without being influenced by other parties. The parties involved, both owners of capital or employees, jointly carry out their obligations for the progress of MSMEs. Fifth, MSMEs must be fair to all parties involved. MSMEs that can apply the five principles of GCG will develop their business. Justice here also includes justice in providing opportunities without discriminating against gender (Singh et al., 2021). Because this does not only have an impact on the welfare of owners, employees, and investors. However, well-managed MSMEs will be able to contribute to the achievement of the SDGs in other aspects such as the environment, society, and economy. These three aspects are contained in the 17 goals of the SDGs.

Well-managed MSMEs can provide solutions to problems that arise so that they will increase the sustainability of MSMEs (Endris & Kassegn, 2022). These emerging challenges can be support by the practice of GCG in MSMEs to support progress and increase market competition (Dwaikat et al., 2020). The five principles of GCG in MSME governance can improve MSME’s ability to manage, survive and compete so that MSMEs can make a maximum contribution.
role is very important in poverty reduction, economic growth, social welfare, women's empowerment, and the supply chain as a whole. The application of good governance can also increase the value of MSMEs (Dwaikat et al., 2020)

4 Conclusion

The application of GCG to MSMEs in Majalengka is in the sufficient category because there is still a lack of socialization and guidance to actors regarding the importance of GCG in a business. The achievement of SDGs for MSMEs in Majalengka is also included in the sufficient category because of the impact of the lack of GCG implementation on MSMEs. The implementation of GCG in MSMEs shows a positive direction. The percentage of SDGs achievement is 0.425% if MSMEs that implement GCG is 1%. Thus, the greater the percentage of GCG implementation in MSMEs, the greater the percentage of SDGs achievement will be. From the results of hypothesis testing, it can be concluded that there is an influence of good corporate governance on sustainable development goals, which is 38.44%, while 61.56% is influenced by other factors not observed in this study.

The role of MSMEs is very supportive in achieving the SDGs. Therefore, support from all parties is needed so that the community can manage their business properly. The stronger the development of MSMEs in an area will further increase the ability of MSMEs to compete with other companies. Thus the achievement of the SDGs will be higher.

References

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