The Relationship of Green Marketing Innovation and Job Protection on Competitive Advantage of Micro, Small and Medium Enterprise (MSME): Mental Accounting as Moderating

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Abstract

Micro, small, and medium enterprises (MSMEs) contribute to the economy and community welfare. MSMEs need to make various efforts to create competitive advantage in order to maintain the sustainability of their business. This research aims to provide empirical evidence of the relationship between environmentally friendly marketing innovation, job protection, and accounting mentality as moderating variables for increasing competitive advantage. The research objects are MSMEs of Batik, Weaving and Craft products in Pekalongan, Indonesia. This research uses a quantitative approach by distributing questionnaires to MSMEs. The research instrument uses a questionnaire taken by purposive sampling. Analysis technique using regression analysis. Research data was analyzed using the WarpPLS tool. The results of the research are that job protection has an influence on competitive advantage. However, green marketing innovation has no effect on creating MSME competitive advantage. Finally, Mental accounting is able to strengthen the relationship between green marketing innovation and job protection on the creation of MSME competitive advantage.

Keywords: Competitive Advantage; Green Marketing Innovation; Accounting Mentality

Introduction

Micro, Small and Medium Enterprises (MSMEs) are economic activities that absorb a lot of labor, root the people's economy, and encourage economic growth. Micro, Small and Medium Enterprises (MSMEs) were built with the aim of developing the economy, reducing poverty rates, creating job opportunities, and efforts to increase added value to the national economy that is able to compete. The important role of MSMEs (Halim, 2020) must be supported by competitive advantages for MSMEs through innovation and creativity to be able to maintain business continuity (Rosli, 2012). Measuring competitive advantage for MSMEs uses dynamic capabilities, innovation and global orientation.
indicators. Dynamic capabilities include firm management, HRD, and marketing that must be possessed by resources in business organizations.

Law Number 20 of 2008 regulates Micro, Small and Medium Enterprises (MSMEs). According to (Ministry of Economic Affairs-RI, 2022) MSMEs are able to absorb around 96.9% of the total national workforce absorption and are able to provide 60.5% of gross domestic receipts (GDP). The potential of MSMEs in driving the economy must be considered through changes in business methods and continuous innovation to increase their competitiveness. MSMEs must be able to make products that are unique (different), of good quality, easy, simple to use and operate, so that consumers who need them buy them. Increasing competitiveness in micro, small and medium enterprises (MSMEs) can be done through aspects of marketing, financial management, improving managerial human resources (HR) and information technology support.

Micro, small, and medium enterprises (MSMEs) include the agricultural, livestock, industrial, trade and batik industries, which are one of the superior products of MSMEs. The batik industry in Indonesia which is quite well known is Yogyakarta, Solo, Pekalongan and Cirebon batik. The batik industry is a micro, small and medium industry which is the livelihood of some people, especially in coastal areas. Pekalongan has the characteristic of being an icon of the city of batik. Batik products and their derivatives such as crafts and weaving are products produced by MSMEs in Pekalongan. The distribution of Batik, Craft and weaving micro, small and medium enterprises (MSMEs) is in batik trading centers such as the Sentono batik market center, Banjarsari market, Kauman batik center and Pesindon batik center.

MSMEs must have competitiveness to create added value. One way is to innovate in the marketing sector (Yeung, 2021) by introducing unique products and competitive prices. The increase in consumers and demand for environmentally friendly products encourages business people, companies, and marketers to care more about preserving nature and the environment by implementing environmental issues as a marketing strategy. Concern for the environment is considered an innovation for the development of the business world because it is a potential innovation. Consumer interest in environmental awareness provides opportunities for companies to implement green marketing and increase sales. Consumers who care about the environment will be willing to pay for environmentally friendly products according to their beliefs (Tarabieh et al., 2021; Majeed et al., 2022).

Product sales will increase when MSME businesses are supported by productive human resources. A productive workforce certainly requires adequate wages, incentives, and bonuses for the welfare of the workforce. MSME actors must also consider job protection for their businesses and workers. Job protection includes participation in labor social programs and health programs. MSME workers should receive 3 (three) aspects of protection, namely economic aspects, health aspects and work safety aspects, without giving greater importance to one aspect. Job protection creates a more productive work culture (Jensen, 2021).

Law Number 13 of 2003 concerning employment and Law Number 2 of 2022 concerning Job Creation, provide equal rights to all workers. Workers in the MSME sector have the same rights as workers to obtain job protection. Existing work protection programs in Indonesia include work accident insurance, death insurance, old age insurance and health care insurance. When workers in the MSME sector get access to job protection, their performance will increase towards the better. Because work protection provides a sense of security and comfort at work.

Several other efforts to maintain the capability and sustainability of MSME businesses are through product marketing innovation, rejuvenation of product machines, application of accounting or technology to maximize work. MSME players often focus on business operational activities so that they forget to record transactions and make financial reports. Financial reports that are not available have an
impact on MSME players who will have difficulty evaluating their operational performance. Awareness and knowledge of accounting will help provide financial reports even in simple form.

The preparation and availability of financial reports in MSMEs requires an accounting mentality from MSME players. Mentality is the ability to survive and continue to strive to maintain the continuity of one's business. Mental accounting is an activity carried out by individuals or organizations concerned with providing account codes, grouping, recording and evaluating financial activities to assist in the decision-making process. Mental accounting is used as a financial planning tool so that every expenditure used is based on business needs, not desires.

MSME players who apply mental accounting practices in running their business means that MSME players already have calculations of possible business expenses such as product innovation costs, marketing innovation costs and other costs. An accounting mentality will put a business on a good business development path, because business expansion is based on financial performance data. This helps MSME players to make appropriate economic decisions. The commitment of MSME players in carrying out financial management provides opportunities for competitive advantage.

The business value of MSME actors can be seen when the business experiences an increase in sales and profits over time, the innovations made make the product easy to remember and provide economic benefits for the business, as well as economic decisions based on accounting records and information. Creating a competitive advantage for MSMEs is not easy. An in-depth study of the factors that can influence the creation of competitive advantages for MSMEs is needed. The aim is to provide empirical evidence regarding factors that can encourage and determine the competitiveness of MSMEs, especially MSMEs, in Batik products.

**Literature Review**

**Resource Based Theory**

Resource-based theory is an approach to achieving competitive advantage (Bromiley & Rau, 2016; Hitt et al., 2016; Khan et al., 2019; Massaro et al., 2018). In resource-based theory, there are two types of resources, namely tangible and intangible, which play a major role in achieving higher company performance (Wood et al., 2018). The intangible resources considered most important to a company's success are company reputation, product reputation, employee knowledge (Khan et al., 2019). Resource based theory focuses on things that can make resources superior and become a company's unique assets that cannot be imitated by competitors (Khan et al., 2019).

**Competitive Advantage**

Batik is an intangible and unique heritage belonging to Indonesia. Creating business value through competitive advantage for MSME players will provide opportunities for higher profitability (Anwar et al., 2018) and pay attention to environmental volatility (Bellamy et al., 2019). Competitive advantage can be created by producing quality products (Latifah et al., 2020), good business management (Bel, 2018) and innovation (Wozniak et al., 2019). MSME players will try to carry out various innovations such as innovation and marketing activities (e-marketing) (Wijaya et al., 2020), innovation in the field of marketing transactions (e-commerce) (Etter et al., 2019), maintaining relationships with customers (e-business) (Alqaraleh et al., 2022), green marketing innovation and providing job protection for workers and MSME players to feel comfortable. Innovations carried out by MSME players must also be balanced with an accounting mentality in managing business finances so that they are able to be competitive.
Green Marketing Innovation

Innovation is a form of strategy that helps maintain business sustainability and is a strategy to increase competitiveness. MSMEs must manage their resources to be competitive (Moen & Servais 2002; Mort & Weerawardena, 2006), even though the resources they have are very limited. The creation of innovation is directed at cost efficiency, new useful knowledge, the creation of new products, new knowledge, new production processes and work procedures in order to produce long-term competitiveness. Innovation in marketing can make MSMEs lead market share and have better financial performance (Khan et al., 2021; Lebdouai & Chetioui, 2020).

Consumer interest in environmental awareness provides opportunities for companies to implement green marketing and encourage the increase of environmentally friendly products (Peattie & Crane, 2005). Environmentally friendly marketing can be a form of innovation created to increase brand image, but also provide added value to businesses and consumers who are willing to pay more. Environmentally friendly marketing has the aim of producing output that is more environmentally friendly by reducing waste and increasing contribution to the environment. Green marketing innovation is carried out by marketing products that are considered safe, products are designed to have minimal negative impact on the physical environment and production, product packaging and promotion are responsive to ecological problems.

Job Protection

The growth of Micro, Small and Medium Enterprises (MSMEs) is always accompanied by an increase in the number of workers working in the MSME sector. The large number of MSME workers creates demands for workers whether their rights as human beings are fulfilled or not fulfilled. Several factors cause workers' rights to not be fulfilled, including a lack of knowledge regarding workers' rights, the deliberate intention of MSME actors not to follow existing regulations regarding their obligations in fulfilling workers' rights, unstable business conditions which are an obstacle to fulfilling workers' rights, labor rights and the lack of government role in supervising MSME businesses.

Protection for workers who work in the MSME sector is regulated in Law No. 13 of 2003 concerning Employment and Law no. 2 of 2022 concerning Job Creation. Workers and MSME actors based on the above law must pay attention to work safety, work welfare and health. The labor social security program is basic protection for workers and their families which provides compensation in the event of a work accident, death insurance and old age security. Adequate job protection for workers and MSME players will provide a sense of security and comfort at work thereby increasing business productivity and increasing the competitiveness of MSMEs.

Accounting Mentality

Accounting is a business language that seeks to obtain maximum profits (Lamberton, 2015). Mental accounting is individual or organizational behavior related to identifying transactions, grouping account codes and evaluating financial activities. Mental accounting is a financial planning tool for MSMEs so that every expenditure is used based on business operational needs and not personal needs. Mental accounting behavior must be accompanied by commitment and resilience in facing uncertainty or business risks. Being careful in managing finances, focusing on business finances and future business development is a form of mental accounting (Donnelly et al., 2012). The accounting mentality means that MSME players will always learn from existing things and try to be better to encourage competitive advantage in the field of business finance.
This research has four hypotheses as follows:

H1: Green Marketing Innovation has a significant positive influence on the Competitive Advantage of MSMEs

H2: Job protection has a significant positive influence on the Competitive Advantage of MSMEs

H3: Accounting mentality strengthens the relationship between green marketing innovation and the Competitive Advantage of MSMEs

H4: Accounting mentality strengthens the relationship between work protection and the Competitive Advantage of MSMEs

**Methodology**

This study uses a quantitative approach. This type of research is causality which looks for cause and effect relationships (Sugiyono, 2016). The research data used is primary data. The research method uses a survey method by distributing questionnaires to Batik and craft MSMEs. The research objects are Batik and Craft MSMEs in Pekalongan. Research data was taken using specific criteria (Kaliyadan & Kulkarni, 2019) consisting of: (1) business duration of at least 1 year, (2) having a workforce, (3) sales turnover of at least 3 million per month, (4) participating in the program employment protection (Labor Social Security).

The variables in this research include green marketing innovation using indicators consisting of (1) eco label (Ekowati & Saputra, 2015), (2) eco brand (Rahbar & Wahid, 2011), and green advertisement (Ekowati & Saputra, 2015). Then the work protection variable (Regulation of the Minister of Manpower of the Republic of Indonesia number 1 of 2016) has indicators (1) Work accident insurance, (2) Death insurance, (3) Old Age Security. Next, mental accounting has 4 indicators, namely (1) extraversion, (2) agreeableness, (3) conscientiousness, (4) emotional stability, (5) openness (Thaler and Shefrin, 1981). MSME business value variable (Correia et al., 2020) with indicators (1) Innovation, (2) Quality, (3) Price, (4) Delivery dependability, and (5) Time to market. Research data was taken using a questionnaire. The questionnaire instrument was calculated using a Likert scale of 1-5 scores (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree.
The data analysis method used in the research is Structural Equation Modeling (SEM) with WarpPLS software version 8.0. The reason for using PLS-SEM is because the characteristics of PLS-SEM data can be used for research with small samples and the data does not have to be normally distributed. PLS-SEM is an alternative variant-based approach by analyzing reflective indicator constructs that have been built not based on many assumptions and can explain the existence of relationships between latent variables that have single-item and multi-item measurements (Hair et al, 2014). Model fit is measured using Average Path Coefficient (APC), Average R-Square (ARS) and Average Variance Inflation factor (AVIF), Average adjusted R-squared (AARS), Average full collinearity VIF (AFVIF), and Giidness Tenenhaus. Hypothesis testing in this research was carried out by looking at the significance value.

**Result and Discussion**

The research data consisted of 80 respondents from Batik and Craft MSMEs in Pekalongan, Central Java, Indonesia. The characteristics of MSME actors as respondents in this research can be explained as follows (Table 1). First, the type of business run by MSMEs consists of 78 respondents who are Batik product MSMEs and 2 MSMEs have craft businesses. Second, these MSMEs have been running their businesses for generations. MSMEs with business experience of more than 10 years were 33 respondents. Third, the monthly turnover obtained by MSME actors is above 16 million per month for 44 respondents, 11-15 million per month for 11 respondents. Fourth, 56 respondents had a high school education background and 12 respondents had a bachelor's level education.

Table 1. Respondent Characteristics

<table>
<thead>
<tr>
<th>Respondent Characteristics</th>
<th>Information</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Batik</td>
<td></td>
<td>78</td>
</tr>
<tr>
<td>Craft</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td></td>
<td>80</td>
</tr>
<tr>
<td><strong>Length of Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-3 Year</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>4-6 Year</td>
<td></td>
<td>19</td>
</tr>
<tr>
<td>7-9 Year</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>&gt; 10 Year</td>
<td></td>
<td>33</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td></td>
<td>80</td>
</tr>
<tr>
<td><strong>Sales per month</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-5 Million</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>6-10 Million</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>11-15 Million</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>&gt; 16 Million</td>
<td></td>
<td>44</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td></td>
<td>80</td>
</tr>
</tbody>
</table>

Source: processed data 2023.

Average Path Coefficient (APC) 0.170 dan P = 0.011, Average R-Square (ARS) 0.272 dan P < 0.001 and Average adjusted R-squared (AARS) 0.234 dan P < 0.001, Average Variance Inflation factor (AVIF) 1.518 and Average full collinearity VIF (AFVIF) 1.332 dan is lower than the criteria acceptance limit, namely ≤5, so it can be concluded that this research model does not have vertical collinearity problems. Giidness Tenenhaus 0.453 meaning that the predictive power of this research model is included in the large category because the value is ≥0.36.
Table 2. Hypothesis testing

<table>
<thead>
<tr>
<th>Variable</th>
<th>Path Coefficients</th>
<th>P-value</th>
<th>Rule of Thumb</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inovasi Green Marketing</td>
<td>0.022</td>
<td>0.393</td>
<td>P &lt; 0.05</td>
<td>Rejected</td>
</tr>
<tr>
<td>Job Protection</td>
<td>0.273</td>
<td>&lt; 0.001</td>
<td>P &lt; 0.05</td>
<td>Accepted</td>
</tr>
<tr>
<td>Accounting Mentality*Inovasi Green Marketing</td>
<td>0.172</td>
<td>0.020</td>
<td>P &lt; 0.05</td>
<td>Accepted</td>
</tr>
<tr>
<td>Accounting Mentality*Job Protection</td>
<td>0.212</td>
<td>0.0006</td>
<td>P &lt; 0.05</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: processed data 2023.

The Influence of Green Marketing Innovation on the Competitive Advantage of MSMEs

Green Marketing Innovation aims to produce output that is more environmentally friendly, reduces waste and optimizes costs used by the company. The results of data processing obtained a P-Value of 0.393 so that the first hypothesis was rejected. Green marketing innovation does not have a significant positive influence on the Competitive Advantage of MSMEs. Because most of the Batik product MSME players have not done much marketing of environmentally friendly products, such as using environmentally friendly raw materials, not fully using paper as product packaging and not many MSME players have registered product brand labels. MSME players focus more on producing products at affordable prices, able to compete with similar products in order to provide profits for their business. Environmentally friendly raw materials for batik products are still considered expensive and there are concerns that the selling price will be expensive. According to (Khan et al., 2021; Lebdaoui & Chetioui, 2020) innovation in the marketing aspect has an impact on controlling product market share. Businesses without innovation (Zhang & Zhang, 2022) result in the inability of businesses to survive and be competitive.

The Effect of Job Protection on the Competitive Advantage of MSMEs

Job protection has a P-value of 0.001, so job protection has a significant positive influence on the Competitive Advantage of MSMEs. MSME workers and actors are resources for MSMEs to achieve business success and even increase the value of their business. Job protection in the form of work safety guarantees, work welfare and health guarantees will actually make workers and MSMEs work safely and comfortably. Batik product MSMEs in Pekalongan have realized the importance of social security for workers for comfort in working. This makes the workforce and MSME players work productively and leads to business competitive advantage.

The Accounting Mentality Strengthens the Relationship between Green Marketing Innovation and the Competitive Advantage of MSMEs

The results of data processing obtained a P-Value of 0.020 and the third hypothesis was accepted. Batik MSMEs in Pekalongan are generally family-owned businesses. MSME players have realized the importance of carrying out financial planning, recording business transactions, compiling simple financial reports, which will provide a more comprehensive picture of the business's financial condition. When the financial condition of the business is stable and healthy, MSME players will be able to make economic decisions to carry out various innovations in the field of marketing environmentally friendly products. The impact is that sales volume increases, sales turnover increases and the product sticks in consumers' memories. The stability of business financial conditions provides encouragement for business actors to carry out marketing innovations and better business competitiveness.
The Accounting Mentality Strengthens the Relationship between Work Protection and the Competitive Advantage of MSMEs

The P-Value is 0.0006, meaning the fourth hypothesis is accepted. MSME players who carry out financial planning and have business financial reports will try to think about ways to minimize the risks of their business processes. MSME players will provide work protection for their human resources, such as work accident protection. Job protection aims to provide a sense of security and comfort for MSMEs and their employees at work. A sense of security and comfort will increase work productivity, such as better customer service, maintained product quality, and will be able to increase sales over time. The accounting mentality possessed by Batik product MSMEs in Pekalongan will enable them to allocate funds for employment social security for their workers. The allocation of job protection funds will contribute to the competitiveness of MSME businesses.

Conclusion

MSMEs are the drivers of the people's economy that absorb a lot of labor. MSMEs as the roots of the people's economy are required to have a competitive advantage. A business strategy (Peltola et al., 2022) is needed so that MSMEs can maintain business sustainability. The research results showed that job protection for workers and MSMEs has a significant positive influence on business value. Then mental accounting is able to strengthen the relationship between green marketing innovation and the business value of MSMEs. However, green marketing innovation is unable to influence the value of MSME businesses. Mental accounting is also able to strengthen the relationship between job protection and the value of MSME businesses.

MSME workers and actors who work with a sense of security, coupled with the ability to manage finances will make consumers satisfied with MSME products and the stability of the flow of money in MSMEs will be well maintained. MSME players need to look for breakthroughs related to better green marketing innovations so that they can be accepted by consumers. It can be concluded that creating business value requires support from comfort in working, good money flow management from MSME players.

This research is limited to Batik and Craft MSMEs in Pekalongan, Indonesia. In further research, the object of Batik MSME actors can be taken on a wider scale. The importance of business value for MSME players still needs to be re-examined from the aspect of digital marketing, use of cashless in transactions, technology adoption, entrepreneurial mentality and this is a research opportunity in the future. Further research can also be carried out using a qualitative research approach.

References


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