ENVIRONMENTALLY FRIENDLY CORPORATE GOVERNANCE DESIGN IN MSMEs: A SYSTEMATIC LITERATURE REVIEW

Sarsiti Sarsiti [1], Eni Minarni [2], Ari Tihar [3]
Faculty of Economics, Universitas Surakarta, Indonesia[1]
Faculty of Economics, Universitas Tulungagung, Indonesia [2]

sitiunsa76@gmail.com [1]
eminarni944@gmail.com [2]
aritihar06@gmail.com [3]

Received: January, 2024; Accepted: January, 2024; Published: March, 2024

ABSTRACT

Companies are seen as a critical factor in overcoming the challenge of global warming. A balance between economic growth and the environment is guarded in Green governance. The context of green corporate governance is complex and generally linked to the country. Corporate governance shapes and determines the established order in which a business operates. This systematic literature review aims to analyze how implementing environmentally friendly corporate governance can affects the sustainable performance, obstacles, and practices of MSMEs. Systematic literature review using data obtained from online data. The articles obtained from EMERALD, MPDI, Taylor and Francis, SPRINGER, JIE, AMBR, SSRN, JDA, ETHICONOMI, ACCRUAL, Journal of Proceedings, JAM, and there are 41 selected articles by using the keyword search "environmentally friendly corporate governance/green corporate governance." The results of the analysis show that (1) environmentally friendly corporate governance from articles have a positive effect on the sustainable performance of MSMEs, (2) The lack of attention regarding the implementation of environmentally friendly corporate governance in MSMEs. They are seen as still having limitations in terms of internal resources and recommend that limited research related to environmentally friendly corporate governance on the sustainability performance of MSMEs be an agenda for future research.

Keywords: Environmentally Friendly Corporate Governance, sustainability performance of MSMEs
JEL Classification: A1, H1, O1

INTRODUCTION

Corporations have a crucial role in addressing substantial environmental obstacles (George et al, 2016). Green corporate governance prioritizes the equilibrium between economic expansion and the preservation of the environment [(Li, et. al, 2018; Lim, and Eun, 2018); Van Zeijl-Rozema, et. al., 2008]. The concept of ecologically sustainable governance are intricate and often associated with the nation [Cooke, 2015]. The governance environment influences and dictates the established framework under which the firm functions.

Based on a survey conducted by the Asian Development Bank (ADB), over 50% of micro, small, and medium enterprises (MSMEs) closed their operations temporarily when the pandemic begin started in 2020. The scenario has exemplifies the absence of effective governance for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, potentially exacerbating the ongoing MSME crisis. Rinaldo and Puspita (2018) found that micro, small, and medium enterprises (MSMEs) without sufficient governance need improvement and are prone to ultimate failure. Jaswadi et al (2015) established a correlation between the size of MSMEs and the need for governance. The fundamental tenets of exemplary corporate governance are openness, accountability, independence, responsibility and fairness. This concept was adopted by the large businesses mostly. Both findings indicate that MSMEs need robust governance. Effective governance can enhance the performance of MSMEs, leading to their further growth (Van Den Berghe et al, 2011; Mariani and Panaro, 2012; Htay and Salman, 2013; Sarah, 2017; La Rosa and Bernini, 2018; Hussain and Hadi, 2018; Daw, 2020; Sakhdari et al, 2020; Kurniawati et al, 2018 in Rinaldo, et al, 2023; Usman et al, 2020). The study of corporate governance has become an essential research topic because to its association with several worldwide failures [Aguilera, RV; Marano, V.; Haxhi, I., 2019]. Corporate governance is the practice of taking into account which is concerns for all stakeholders, society and the environment including, while making decisions [Chandrakant, and Rajesh, 2022, Husted, 2019)].

Corporations have a vital role in tackling significant environmental challenges (George et al, 2016). Green corporate governance aims to achieve a balance between economic growth and environmental conservation (Li, et. al., 2018; Lim, and Eun, 2018; Van Zeijl-Rozema, et. al., 2008). The notion of environmentally sustainable governance is complex and often linked to the country [Cooke, 2015]. The governance environment exerts influence and determines the established framework under which the organization operates.

According to a poll done by the Asian Development Bank (ADB), more than 50% of micro, small, and medium companies (MSMEs) temporarily ceased their activities when the pandemic began in 2020. This situation had illustrate that the lack of efficient governance for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, which might worsen the existing MSME crisis. Rinaldo and Puspita (2018) discovered that micro, little, and medium companies (MSMEs) without adequate governance need enhancement and are susceptible to eventual collapse. Jaswadi et al (2015) identified a relationship between the magnitude of Micro, Small, and Medium Enterprises (MSMEs) and the need for governance. The core principles of exceptional corporate governance are transparency, answerability, duty, autonomy, and equity. Both findings suggest that MSMEs need strong and effective governance. Improved governance can boost the performance of micro, small, and medium enterprises (MSMEs), leading to their further expansion. This has been supported by various studies which is conducted by Van Den Berghe et al (2011), Mariani and Panaro (2012), Htay and Salman (2013), Sarah (2017), Hussain and Hadi (2018), Sakhdari et al (2020), La Rosa and Bernini (2018), Usman et al (2020), Daw (2020), and Kurniawati et al (2018) as cited in Rinaldo et al (2023). The investigation of corporate governance has emerged as a crucial area of study due to its correlation with several global failures [Aguilera, et. al, 2019]. Corporate governance refers to the considering process the stakeholders interests, includ e of them are society and the environment, while making choices [Chandrakant, and Rajesh, (2022), Husted, BW, (2019)].

Indonesian MSMEs has a substantial impact on the country's economic development, employment generation, and equitable distribution of income (Center of

Data and Information of the Ministry of Cooperatives and MSMEs, 2020). MSMEs that use sustainable governance practices tend to exhibit higher efficiency resource in terms of energy and raw material utilization. J. Smith et al (2017) posited that enhancing firm reputation may foster consumer trust. S. Johnson et al (2015) may more readily adhere to ever more rigorous environmental standards. A study conducted by A. Brown et al in 2019 found that increased innovation may lead to the development of goods or services that have a greater focus on environmental sustainability. R. Chen et al (2018). Micro, Small, and Medium Enterprises (MSMEs) have constraints in terms of both financial and human resources when it comes to adopt sustainable environmentally practices that need substantial upfront investments. R. Chen and colleagues (2018). Micro, Small, and Medium Enterprises (MSMEs) are faced with immediate and critical business concerns, such as ensuring a highly competitive market of their survival or fulfilling urgent customer needs. Y. Wang et al (2018). Several micro, small, and medium enterprises (MSMEs) need assistance in quantifying the influence of eco-friendly practices on their sustainability performance, which hinders their capacity to see immediate advantages (Z. Liu et al, 2017). Some consumers in some industries or marketplaces exhibit low sensitivity towards sustainability concerns, therefore rendering environmentally friendly activities, also known as green practices, ineffective in yielding substantial advantages (M. Zhang et al, 2019). MSMEs have ambiguity over environmental rules, hence they lack the need to embrace eco-friendly activities due to the absence of explicit fines or incentives. The authors of the study are N. Lee et al (2015).

Sustainable performance refers to a situation when the economic success of a corporation is no longer the only factor taken into account in reaching objectives, but also includes social and environmental accomplishments (Bombiak & Marciniuk-Kluska, 2018). Sustainable performance pertains to a company's capacity to attain enduring prosperity while mitigating adverse environmental and social consequences. Corporate sustainability refers that a company's capacity to sustain in long-term development of successfully satisfying the expectations of stakeholders (Neubaum, DO; Zahra, SA, 2006; Montiel, I.; Delgado-Ceballos, J., 2014). Specifically, a company that aims to endure and maintain expansion must prioritize achieving its business goals, enhancing its market standing, achieving consistent profit growth, and expanding its presence in both current and prospective markets. The purpose of this is to guarantee the long-term viability of the firm [Montiel, I.; Delgado-Ceballos (2014), Sharma, S.; Henriques, I (2005)]. Corporate sustainability performance is a measure used to evaluate how well a company integrates economic, environmental, and social factors into their operations and the potential impact of these factors on company and society as a whole [Lourenço, IC; Branco, MC; Curto, J.D.; Eugénio, T. (2011)]. The objective of this study were to examine the impact of ecologically conscious adopting corporate governance on the sustainable performance of micro, small, and medium enterprises (MSMEs), as well as the challenges and strategies involved.

METHOD

A research method to develop a systematic review of literature *is named Systematic Literature Review* (SLR). The SLR are following well-defined three phases steps: (1) planning, (2) implementing, and (3) reporting (Martins et al, 2022). The Systematic of Literature Review (SLR) method was used in this research to identify, to review, and to evaluate on related and relevant research in answering the questions. SLR increases the transparency of the literature review process if they are compared to traditional literature reviews. SLR tranparency in study selection can minimize subjectivity and enabling structured/systematic literature identification and selection (Martins et al, 2022).

This systematic literature review consists of several stages: the article selection method. Articles were obtained from online which include the journals EMERALD, MPDI, Taylor and Francis, SPRINGER, JIE (Journal of Innovation and Entrepreneurship), AMBR, SSRN, JDA-Jurnal of Accounting Dynamics, ETHICONOMICS, ACCRUALS, Journal of Proceedings, JAM-Multiparadigm Accounting Journal, KHE-Knowledge Horizons Economics, JEBAV-Journal of Economics, Business, and Ventura Accountancy. The search was carried out use the keyword "Green Corporate Governance." In the Identification stage, a total of 70 articles were obtained. At the Eligibility stage, eligible articles were obtained (41), and irrelevant articles were obtained (29). Then, in the Including stage, articles that are accessible and relevant to the research are selected.

RESULTS AND DISCUSSION

1. Environmentally friendly corporate governance

Governance refers to the framework and organization put in place to oversee and manage a firm. Hence, the establishment of governance structures, rules, norms, procedures, practices, processes, and performance assessment systems is crucial to promote effective corporate governance and facilitate the attainment of sustained long-term success for the organization. This pertains to the interconnection of the primary constituents of the organization, including the executive Board, Board of directors, shareholders, and other stakeholders (Samlal, 2020). Rehman and Hashim (2021) assert that sound corporate governance is an essential need for the uninterrupted operation of a corporation. The relationship between corporate governance and economic development is favorable. Consequently, inadequate processes of corporate governance may lead to crises in Asia, Russia, and South America (Assankutty et al, 2019).

In contrast, effective corporate governance may enhance a company's performance and bolster its value via several ways (Yu et al, 2020; Ho, 2020). Environmentally friendly corporate governance refers to aim a set principles institutional that to reconcile the conflict between people and environment. Green governance activities refer to measures taken to guarantee that decision-making processes prioritize on sustainability operational across economic, social, and environmental dimensions (Mahmood & Orazalin, 2017; Post et al, 2011).

2. Sustainability performance

The topic of sustainability has garnered growing interest among scholars (WCED, 1987; Brundtland report, 1987). Society's apprehensions over environmental difficulties and the fast evolution of external environment factors have compelled all parties involved to contemplate reorganization in order to confront the challenges at hand (Higgins & Kopi, 2016). The prevailing definition of sustainability is the ability to fulfill the requirements of the current generation without jeopardizing the capacity of future generations to fulfill their own requirements (WCED, 1987, p. 43).

The prevailing viewpoint on sustainable performance is Elkington's (1998), which encompasses the performance of natural environment, society, and economic, aligning with the triple bottom line idea. Economic performance pertains to the financial outcomes achieved, which focuses on mitigating environmental harm and safeguarding against the depletion of resources. Social performance encompasses the welfare and satisfaction of workers, consumers, and stakeholders. In the same vein, Yong et al (2019) said that in emerging nations like Malaysia, the need of addressing green (environmentally friendly) concerns arises from escalating energy and resource use. As an example, the stated percentage of carbon dioxide (CO2) emissions from the People's Republic of China is 7.42%. Prior studies have demonstrated the significance of incorporating sustainability into various aspects of businesses, such as supply chain management (Vachon & Klassen, 2008; Mathivathanan et al, 2018; Taylor & Vachon, 2018; Danese et al, 2019;), product development (Buchert & Stark, 2019; Gould et al, 2019;; Paulson & Sundin, 2019), innovation (Inigo & Albareda, 2019; Neutzling et al, 2018; Pedersen et al, 2018), integrated management systems (Magon et al, 2018), operations management (De Burgos Jimenez & Céspedes Lorente, 2001; Magon et al, 2018), information technology (Yusliza, Othman, & Jabbour, 2017), and project management (Mavi & Standing, 2018; Martens & Carvalho, 2017).

3. MSMEs

Regulations regarding MSMEs were regulated in government regulation number 7 of 2021. This regulation refers to the convenience, protection and empowerment of cooperatives and MSMEs. The Law at number 11st of 2020 (Job Creation Law) was published on February 16th 2020 along with 48th other government regulations.

The existence of the UMKM PP has made several changes to the provisions in the Law at number 20 of 2008 concerning micro, small and medium enterprises that were in effect previously.

The grouping criteria for MSMEs in articles 35th to 36th of PP UMKM are based on business capital or annual sales proceeds. The criteria for MSMEs are as a table follows:

Table 1. Criteria for MSMEs

Criteria	Micro businesses	Small businesses	Medium Enterprises
Business capital	a maximum of IDR 1,000,000,000.00 (one billion rupiah)	more than IDR 1,000,000,000.00 (one billion rupiah) up to a maximum of IDR 5,000,000,000.00 (five billion rupiah), excluding land and buildings where the business is located.	more than IDR 5,000,000,000.00 (five billion rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) excluding land and buildings where the business is located.
Annual sales proceeds	a maximum of IDR 2,000,000,000.00 (two billion rupiah)	more than IDR 2,000,000,000.00 (two billion rupiah) up to a maximum of IDR 15,000,000,000.00 (fifteen billion rupiah)	more than IDR 15,000,000,000.00 (fifteen billion rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

Source: Secondary Data, 2023

Micro, Small, and Medium Enterprises (MSMEs) exist in a wide range of different forms and dimensions [European Commission, 2017]. The organizations exhibit a wide range of diversity and face various obstacles and possibilities when it comes to take activities that prioritize sustainability [Koirala, S., 2019]. The definitions of MSMEs vary among countries, reflecting the economic, cultural, and social practices of each nation. These definitions were often determined by either the value of assets or the number of workers [Chege, SM; Wang, D., 2020, OECD, 2000]. According to the European Commission (2003), MSMEs were characterized by employing less than 250 people, having a revenue below 50 million euros, and possessing a total balance sheet not exceeding 43 million euros.

Corporate governance refers to the whole interaction and dynamics between the management of a corporation, its directors, shareholders, and other stakeholders. The company's sustainability success will be determined by the application of effective governance. Nevertheless, excellent corporate governance is often seen as applicable mostly to big corporations (Le & Nguyen, 2022; Das et al, 2020; Frimpong et al, 2022; Antonio et al, 2020; Daud, 2023). Numerous research have been undertaken to uncover the consequences of establishing governance in major corporations (Wang et al, 2023). Despite the enormous contribution of Micro, Small, and Medium Enterprises (MSMEs) to the Indonesian economy, they are still seen as not needing effective corporate governance.

Micro, Small, and Medium Enterprises (MSMEs) have a crucial role in effectively managing scarce global social and environmental resources [Chege, SM; Wang, D., 2020, Moore, S.B.; Manring, S.L., (2009), Zhu, Q.; Zou, F.; Zhang, P., (2019)]. MSMEs have a crucial role in fostering equitable and sustainable development, serving as the primary source of business and employment [Organization for Economic Cooperation and Development. OECD, (2019)]. Erdin and Ozkaya (2020) contend that MSMEs have a crucial impact on sustainable economic growth and provide a substantial contribution to economic development in the places where they operate, by jointly evaluating the quality of life and industrial advancement. Furthermore, studies indicate that Micro, Small, and Medium Enterprises (MSMEs) have a significant influence on the environment [Koirala, S., (2019)].

According to Westman et al (2019), MSME enterprises have the potential to address challenges associated with sustainable development in society and promote the transition towards sustainability. The increasing impact of globalization and technical advancements has diminished the significance of economies of scale in several sectors, hence strengthening the role of small businesses [OECD, 2000]. Nevertheless, the task of engaging all micro, small, and medium enterprises (MSMEs) in the creation of sustainable solutions to attain prosperity within a constantly evolving and competitive setting is a significant challenge [Chege, SM; Wang, D. (2020), OECD, 2000]. Existing research has identified many barriers to the implementation of sustainability management activities for MSMEs. The lack of an institutional framework, the lack of perceived business advantages from sustainable practices, and the lack of frameworks and guidelines to assist MSMEs, particularly in terms of planning, monitoring, and evaluating the sustainability of their businesses, are observed in different geographical regions [Das, M.; Rangarajan, K.; Dutta, G., 2020; Kundurpi, A. et al 2021].

Research conducted by Westman et al (2019) has shown that some organizational features have the potential to impact the adoption and implementation of sustainable practices. MSMEs and big enterprises exhibit distinct economic, organizational, and behavioral features due to their significant size disparity [Spence, LJ, 2007]. MSMEs has distinct attributes that set them apart from bigger MSMEs (Perrini, F.; Russo, A.; Tencati, A., 2007). These businesses often have owners who manage and personalize them, are self-reliant, capable of handling several tasks, have little financial resources, and operate largely on personal ties and informality. They are concentrated in local production systems, intricately linked to local communities, and possess restricted access to financial resources. The authors of the cited work are Perrini, F.; Russo, A.; Tencati, A, 2007; Kiefer, CP; Del Río Gonzalez, P.; Carrillo-Hermosilla, J., 2019. Small and medium-sized enterprises (MSMEs) rely heavily on the choices made by individual managers, as opposed to larger corporations [30, Koch, J.; Gerdt, SO; Schewe, G., 2020]. Variances in ownership result in fundamental disparities in management strategies towards sustainability [Preuss, L.; Perschke, J., 2010]. Studies indicate that owner-managers have a crucial impact on the fundamental basis of sustainability practices in micro, small, and medium enterprises (MSMEs), making them significant figures in the wider social and cultural context [Hammann, EM; Habisch, A.; Pechlaner, H., 2009].

Most micro, small, and medium enterprises (MSMEs) have not fully embraced sustainability management tools and frameworks, since these tools are primarily built for larger corporations and do not cater to the unique requirements of MSMEs [Das, M.; Rangarajan, K.; Dutta, G., 2020]. Jenkins [2006] (p. 241) asserts that the adoption of sustainable principles in business operations, as comprehended by major corporations, cannot be easily adjusted to fit the needs of micro, small, and medium enterprises (MSMEs). The concept of green corporate governance often requires clarification for scholars and managers, and the diverse economic and legal characteristics of various nations intensify this misunderstanding. Environmental governance has advanced at varying rates across different nations globally (Rinhu, 2021). Ualison et al (2023) argue that there is still room for improvement in the adoption of environmentally friendly corporate governance in MSMEs. Reza (2022), Abdul et al (2021), Faozi et al (2020), Raisa et al (2019), Neetu et al (2018), and Yudawisastra et al (2023) have all observed that MSME actors face constraints in terms of internal resources, including limited access to information technology, limited innovation capacity, a lack of intention to implement environmentally friendly governance, and financial limitations. Despite the existing constraints, it is crucial to implement environmentally conscious corporate governance in MSMEs via a continuous and extensive learning process, as it will provide advantageous outcomes for MSMEs, particularly in terms of attaining sustainable performance. The primary driver of business sustainability is in enhancing organizational performance and reputation, fostering collaborations among companies and stakeholders, enhancing organizational environmental management, and optimizing human resources.

The author of this Systematic Literature Review has focused primarily on the article by Martins et al (2022), Yao et al (2023), Wang et al (2023), Rinhu et al (2021), and Aguilera et al (2021). These articles emphasize the significance of adopting Green Corporate Governance in MSMEs to enhance sustainability performance. Martins et al (2022) said that the integration of Corporate Governance and Sustainability in the performance of the MSME group remains an underexplored area that requires more attention from scholars. According to Wang et al (2023), the use of methods such as green financing, green corporate governance, and corporate social responsibility initiatives is employed in China to enhance the comprehension of MSME players and attain sustainable performance.

In order to accomplish the objective of achieving both carbon reduction and shared prosperity in China, it is imperative to implement environmentally conscious corporate governance, as emphasized by Yao et al (2023). Environmental legislation, particularly market-based regulation, serves as the principal mechanism for promoting sustainable economic development. Green corporate governance encompasses the integration of environmental, socioeconomic, and governance (ESG) factors.

Effective corporate governance may lead to long-lasting and stable performance (Paul et al, 2014). Funding challenges are a significant reason why governance is crucial for MSMEs, as highlighted by Nizar Dwaikat et al (2020). The analysis reveals that the literature on corporate governance and sustainability is progressing from abstract approaches to more strategic and practical investigations. Its theoretical foundations can be traced back to key studies in stakeholder theory, agency theory, and socio-political theory (Valeria Naciti; Fabrizio Cesaroni; Luisa Pulejo; (2021). Environmentally friendly governance refers to the conduct and tactics that demonstrate how companies allocate rights and obligations in relation to sustainability concerns. There are many indicators of corporate governance that we can summarize as follows:

Table 2. Indicators of Corporate Governance Summary

No	Researcher	Indicator	Applied
1.	Chairina, Chairina, and Bambang Tjahjadi, (2023). Mahmood & Orazalin, 2017; Tang et al (2018); Hussain et al (2018); Fu et al (2019)	Green Governance, namely: a. women on the Board of directors; b. managers in charge of formulating, implementing, and supervising the company's sustainability strategy; c. Size of the Board of Directors; d. Percentage of independent Board of Commissioners; e. sustainability committee	Registered Company
2	Wang et al (2023)	Green Corporate Governance, namely: a) Ownership b) stand-alone or part of a business c) owned or controlled by the government, d) owned or controlled by a foreign company, e) CEO's relationship with the largest shareholder, f) the bank's main creditor g) have a labor union.	MSMEs
3	Aguilera, Ruth V., et al (2021), Novandi et	(1) Transparency is the transparency of financial reports through the separation	MSMEs

	al, (2018	of company and personal finances, transparency of employee rights and obligations; (2) Accountability is the function of human resources, marketing function, financial function, and operations function (3) Responsibility is the legality of business, management waste, and product certification, (4) Independence is profitability and autonomy in managing the business, (5) Justice is equality of career opportunities in the company and a fair compensation system.	
4.	Isaac Akomea-Frimpong, et al(2022)	Corporate governance, namely: a. Percentage of women on the Board of directors; b. Number of independent councils; c. Number of Board of Directors; d. Ownership percentage	MSMEs
5	Elshaer, Ibrahim A. et al 2023	Green management utilizes organizational innovation to attain sustainability, minimize waste, uphold social responsibility, and gain a competitive edge via learning and growth. Variables: Economic performance is quantified by metrics such as input costs and energy consumption, while finance is assessed using indicators like return on investment (ROI) and profitability. Environmental performance is evaluated based on factors such as energy conservation, waste reduction, and efficient resource use. Social performance, on the other hand, focuses on the impact on the community.	MSMEs
6	Dito Rinaldo, et al 2023	Transparency, indicators: a. There is a work contract between the company and the worker b. Separation of personal and company assets Accountability: a. Financial function (completeness of financial reports, existence of company emergency reserves separates from personal finances, existence of a financial planning system, existence of financial	

	performance assessment standards). b. Marketing function (presence of a defined target market segment, promotion, pricing strategy, appropriate product distribution, product strategy development program available). c. Operations function (low level of dependency on specific suppliers, there are established procedures and standards for each job, appropriate technology is available, business data is managed methodically, standards are set for each inventory) d. Human resource function (formal recruitment and selection system, continuous and formal employee training and development programs available, company performance depending on the competence of assigning employees, official job descriptions and specifications available, formal evaluation system available) Responsibility In the form of: MSME legal entity, MSME product certification, compliance with MSME taxes, MSME concern for the environment and society. Independence In the form of: the role of the family in managing obligations and needs proportionally and not dominating; the extent to which financial management is autonomous; low level of corporate debt Justice In the form of: A comprehensive career path applies in each job in a structured manner for all workers; the existence of a structured and fair reward and punishment system. There is equal opportunity for employees to express ideas according to their abilities

Source: Secondary Data, 2023

CONCLUSION

The chosen publications in this Systematic Literature Review yielded the following conclusions:

1. Green Corporate Governance is a framework for achieving Sustainable Development, with one of its indicators being the consideration of environmental, social, and governance (ESG) factors by listed corporations.
2. Previous research has limited the implementation of environmentally conscious corporate governance to large-scale enterprises. Despite of the substantial contribution of Micro, Small, and Medium Enterprises (MSMEs) to the global economy, they are still seen as not needing effective corporate governance.
3. The necessity for increased focus on the implementation of environmentally sustainable corporate governance in MSMEs arises from the existing constraints within these enterprises, including limited on internal resources such as access to information technology, innovation capabilities, willingness to adopt environmentally friendly governance practices, and financial considerations.
4. It was crucial to implement environmentally responsible corporate governance for MSMEs by a continuous learning process in order to achieve sustainable of performance and reap the associated benefits. The primary driver of corporate sustainability is in organizational performance enhancing and reputation, fostering collaborations between companies and stakeholders, enhancing organizational environmental management, and optimizing human resources.
5. The priority of companies in Indonesia, in this case MSMEs, should not only focus on economic profits, but by implementing environmentally friendly corporate governance, social and environmental management should also be considered.
6. Researchers should focus on comparing standards for environmentally sustainable corporate governance practices across major corporations and micro, small, and medium enterprises (MSMEs).

ACKNOWLEDGEMENT

We would like to say thanks the parties involved in writing and publishing this article. The following parties are involved:

1. We would like to say thank the University of 17 August 1945, which has provided a platform for University students to write and publish the journals.
2. Thank you to journal publisher such as **EMERALD, MPDI, Taylor and Francis, SPRINGER, JIE, AMBR, SSRN, JDA, ETHICONOMI, ACCRUAL, Journal of Proceedings, JAM exc,** in the field of Green Corporate Governance who have provided in-depth knowledge literature related to research.
3. We also cannot forget to say a big thank you to our fellow students who have helped in the success of writing so that it ran smoothly.

REFERENCES

Abdul, W., Shahzad Hussain, Hasan Hanif, Hamid Mahmood & Qaisar Ali Malik, (2021). Corporate social responsibility and firm performance: The moderation of investment horizon and corporate governance; *Cogent Business & Management*, 8(1), 1-20.

Adelaide Martins, Manuel Castelo Branco, Pedro Novo Melo & Carolina Machado, (2022). Sustainability in Small and Medium Enterprise: A systematic Literature Review and Future Research Agenda. *Sustainability-MPDI,* 14, 64-93.

Aguilera, Ruth V., J. Alberto Aragón-Correa, Valentina Marano & Peter A. Tashman (2021). The Corporate Governance of Environmental Sustainability: *A Review and Proposal for More Integrated Research. Journal of Management.* Vol. XX No. X, Month XXXX 1 –30. https://doi.org/10.1177/0149206321991212

Alena, K., Marie Docekalova, Petr Nemecek, and Iveta Simberova, (2011). Sustainability: Environmental, Social and Corporate Governance Performance in Czech SMEs. *Sustainability-MPDI*, 3, 1-6.

Andreas & Zarefar, (2022). Corporate Governance and Sustainability in Indonesia: The Moderating Role of Institutional Ownership. JDA, 14(2), 98-109.

Antonio Corvino, Federica Doni & ilvio Bianchi Martini, (2020). Corporate Governance, Integrated Reporting and Environmental Disclosure: Evidence from the South African Context, sustainability, *Sustainability*-MPDI, 12, 1-19.

Chege, S.M.; Wang, D., (. 2020). The influence of technology innovation on SME performance through environmental sustainability practices in Kenya. *Technol. Soc*, 60, 101210. [CrossRef]

Cooke, P., (2015). Green governance and green clusters: Regional & national policies for the climate change challenge of Central & Eastern Europe. J. *Open Innov. Technol. Mark. Complex*. 2015, 1, 1–17.

Das, M.; Rangarajan, K.; Dutta, G., (2020). Corporate sustainability in SMEs: an Asian perspective. *Emerald*, 14(1):109-138.

Daud, R., Inten Meutia, Shelly F Kartasari & Emylia Yuniarti, (2023). Corporate Governance and Sustainability Report in Indonesia: SystemLiterature Review Approach. *AKRUAL*, 14(2), 161-175.

European Commission. (2017). User Guide to the SME Definition; Enterprise and Industry Publications; *European Commission*: Brussels,Belgium, Available online:https://ec.europa.eu/regional_policy/sources/conferences/state-aid/sme/smedefinition guide_en.pdf (accessed on 10 July 2020).

European Commission. Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium-sizedenterprises. Off. J. Eur. Union 2003, L124/36, 1–6. Available online:https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32003H0361(accessed on 10 July 2020).

Faozi A. Almaqtari, et al (2020). Corporate governance in India: A systematic review and synthesis for future research. *Cogent Business & Management*, 7(1), 1-56.

Frimpong, I., A., Ikenna Elias Asogwa & Emmanuel Junior Tenakwah, (2022) Systematic Review Of Sustainable Corporate Governance Of Smes: Conceptualisation And Propositions, Corporate Ownership & Control. *Springer*, 19(3), 74-91.

Gao, Y.; Tsai, S.-B.; Xue, X.; Ren, T.; Du, X.; Chen, Q.; Wang, J. (2018). An empirical study on green innovation efficiency in the green institutional environment. *Sustainability* 10, 724. [CrossRef]

George, G., Howard-Grenville, J., Joshi, A., & Tihanyi, L. (2016). Understanding and tackling societal grand challenges through *management research.Academy of Management Journal*, 59: 1880-1895.

Hammadi, F. M., and Haitham Nobanee. (2019). Sustainability and Corporate Governance: A Mini-Review. *SSRN*, 3, 1-25.

Jones, M., & Cooper, C., (2016). Green Governance in SMEs: A Systematic Review of the literature, *Corporate Social Responsibility and Environmental Management*

Karen, Handley and Courtney Molloy (2022). SME corporate governance: a literature review of informal mechanisms for governance. *Emerald*, 30(7). 310-333.

Koirala, S. (2019). SMEs: Key Drivers of Green and Inclusive Growth; OECD Green Growth Papers. No. 2019/03; *OECD Publishing*: Paris, France,

Le, Thanh Tiep & Nguyen, Van Kha. (2022). The impact of corporate governance on firms' value in an emerging country: The mediating role of corporate social responsibility and organisational identification. *Cogent Business & Management (Taylor & Franncis)*, 9, 1-124.

Lee, S.-D. (2018).Wintering Habitat use pattern of red-crowned cranes in the Korean Demilitarized Zone. J. OpenInnov. *Technol. Mark. Complex*, 4, 58. [CrossRef]

Li, X., Weian Li, &Yaowei Zhang, (2020), Family Control, Political Connection, and Corporate Green Governance. *Sustainability*-MPDI, 12, 1-18.

Li, W.; Xu, J.& Zheng, M. (2018). Green governance: New perspective from open innovation. *Sustainability*, 10, 3845. [CrossRef]

Lim, H., & Eun, J. (2018).Exploring Perceptions of Sustainable Development in South Korea: An Approach Based on Advocacy Coalition Framework's Belief System. J. *Open Innov. Technol. Mark. Complex*, 4, 54. [CrossRef]

Nawal Abdalla Adam & Ghadah Alarifi. (2021). Innovation practices for survival of small and medium enterprises (SMEs) in the COVID-19 times: the role of external Support. *Journal of Innovation and Entrepreneurship*, 10(15), 1-22.

Organisation for Economic Co-operation and Development. Small and Medium-Sized Enterprises: Local Strength, Global Reach. OECD Policy Rev.: 2000. Available online:https://www.oecd.org/cfe/leed/1918307.pdf(accessed on 10 July 2020).

PP No. 7 Tahun 2021. Tentang Kemudahan, Perlindungan Dan Pemberdayaan Koperasi Mikro, Kecil Dan Menengah.

Rahayu, Sri Mangesti and Wita Ramadhanti. (2019). Corporate governance, intellectual capital, and performance of Indonesian public companies. *Journal of Economics, Business, and Accountancy Ventura*, 21(3), 323-332.

Raisa Almeyda and Asep Darmansyah. (2019). The Influence of Environmental, Social, and Governance (ESG) Disclosure on Firm Financial Performance. *Journal of Proceedings*, 5, 278-290.

Reza, Widhar Pahlevi. (2022). Implementation of Islamic corporate governance and competitive advantage in SMEs: A systematic literature review approach. *Asian Management and Business Review*, 2(1), 13-23

Rinaldo, Dito, Puteri A. Sari, Wiendy P. Sari & Rediawan Miharja (2023). The Development of Good Micro, Small and Medium Enterprises Governance Indicators. *Etikonomi*, Volume 22 (1), 2023: 93 – 118. https://doi.org/10.15408/etk.v22i1.25625.

Sari, N., Rizqa Anita & Agus Seswandi. (2023). Studi Literatur Mengenai: Good Corporate Governance. *Prosiding Seminar Nasional SPs Unilak (SeNasPU) 2023*, 82-86.

Ualison, R. O., Rodolfo Pombo Menezes &Vicente Aprigliano Fernandes. (2023); A systematic literature review on corporate sustainability: contributions, barriers, innovations and future possibilities; Environment, Development and Sustainability. *Springer*, 10, 1-35.

Van Zeijl-Rozema, A.; Cörvers, R.; Kemp, R.; Martens, P., (2008). Governance for sustainable development: A framework. Sustain. Dev. 16, 410–421. [CrossRef]

Venkatraman, N. & Camillus, J.C., (1984). Exploring the concept of "fit" in strategic management. *Acad. Manag. Rev*. 9, 513–525.

Wang, L., Amin Ur Rehman, , Zhaocheng Xu, Fiza Amjad & Shams Ur Rehman. (2023). Green Corporate Governance, Green Finance, and Sustainable Performance Nexus in Chinese SMES: A Mediation Moderation Model. *Sustainability-MPDI*, 15, 1-17.

Wang, X.; Sun, C., Wang, S., Zhang, Z. & Zou, W. (2018). Going Green or going away? A spatial empirical examinationof the relationship between environmental regulations, biased technological progress, and green total factor productivity. Int. J. Environ. Res. Public Health , 15, 1917. [CrossRef]

World Bank. Governance and Development; World Bank: Washington, DC, USA, 1992.

Werastuti, D. N. (2022). Apakah Good Corporate Governance Berperan Dalam Meningkatkan Kinerja Keberlanjutan? *Jurnal Akuntansi Multiparadigma*, 13(1), 153-163.

Yao, R., Yingqun Fei, Zhong Wang, Xin Yao & Sasa Yang. (2023). The Impact of China's ETS on Corporate Green Governance Based on the Perspective of Corporate ESG Performance. *Sustainability-MPDI*, 20(3), 1-16.

Yadav, Neetu, Kritesh Gupta, Leela Rani & Deewanshi Rawat. (2018). Drivers of Sustainability Practices and SMEs: A Systematic Literature Review; *European Journal of Sustainable Development*, 7(4), 531-544. Doi: 10.14207/ejsd.2018.v7n4p531.

Yudawisastra, H. G., Mokhamad Anwar , Sulaeman Rahman Nidar & Yudi Azis. (2023). The Emergence of Green Management and Sustainability Performance for Sustainable Business at Small Medium Enterprises (SMEs) in the Culinary Sector in Indonesia, *International Journal of Sustainable Development and Planning*, 18(5), 1489-1497.

Yun, J.H.J., (2015). How do we conquer the growth limits of capitalism? Schumpeterian dynamics of open innovation.J. Open Innov. *Technol. Mark. Complex*. 17, 1–26. [CrossRef]

Yun, J.H.J.; Won, D.K.; Park, K.B. (2018). Entrepreneurial cyclical dynamics of open innovation. *J. Evol. Econ*.,28, 1151–1174. [CrossRef]

Zarinah, Abdul Rasit, Maisurah Zakaria,, Marshita Hashim, Aliza Ramli, and Muzrifah Mohamed. (2019). Green Supply Chain Management (GSCM) Practices for Sustainability Performance: An Empirical Evidence of Malaysian SMEs. *International Journal of Financial Research*, 10(3). 371-379.