

CHAPTER I

INTRODUCTION

A. Background

Indonesia is faced with various problems of damage to environmental pollution. Environmental pollution that is getting worse is the impact of ecological processing that is not following what has been set. This is in line with the Qur'an Surah Al-a'raf verse 56, which says that:

وَلَا تُفْسِدُوا فِي الْأَرْضِ بَعْدَ إِصْلَاحِهَا وَادْعُوهُ خَوْفًا وَطَمَعًا إِنَّ رَحْمَتَ اللَّهِ قَرِيبٌ مِنَ الْمُحْسِنِينَ

And do not cause corruption in the land after it has been set in place and pray to Him with fear and hope. Indeed, the mercy of Allah is near to the doers of good.

One example of this problem is global warming. Global warming is causing an increase in greenhouse gas effects. Now global emancipation is a severe problem. The problem arises due to the company's operational activities that cause soil pollution and land, air, water to damage the ecosystem. This topic is one of the crucial issues that raises the debate among the world's leaders and institutions about prevention, impact, and solutions to maintain the environmental sustainability.

Currently, many companies are competing in their respective fields with positive and negative risks from the community in the environment, one of which is a manufacturing company. Problems arise due to the company's operational activities that cause soil pollution and land, air, water to damage ecosystems. Business between companies causes consumers to have a high opinion in choosing their needs. To meet the high standards of consumer desire, all companies will compete to provide the most excellent treatment to increase productivity

effectively, efficiently, provide fast, easy service, and create innovations to stay superior, compete, and survive locally and globally.

GSCM is different from SCM. Supply chain management is the approach used to achieve more efficient interconnection between organizations ranging from suppliers, manufacturers, distributors, retailers, and customers. This means that the production of goods can be done in the right quantities, at the right time, and in the right place to achieve the minimum cost of the overall system and achieve the desired level of service (Larson, 2001). Companies can enter the consumer arena with financial chains and know the results and financial information from any side. This is in line with the purpose of Supply Chain Management, which is to increase the overall value produced and meet customer needs and demands. This component is an essential factor to achieve competitive advantage and excellent and effective performance. On the other hand, the purpose of the supply chain is to streamline the overall cost (booking costs, storage costs, raw material costs, transportation costs, etc.) (Chopra, S., 2013).

Meanwhile, green supply chain management (GSCM) is considered an environmental innovation. The concept of GSCM is to integrate ecological thinking into supply chain management (SCM). GSCM aims to minimize or eliminate waste, including hazardous chemicals, emissions, energy, and solid waste along the supply chain. These include product design, resources and material selection, manufacturing processes, final product delivery, and end-of-life products management (Srivastava, 2007).

B. Problem formulation

Following the background described earlier, the formulation of the problem that will be discussed in this study is as follows:

1. Does GSCM practices positively and significantly effect sustainability performance?
2. Does the environmental collaboration moderates the relationship between GSCM practices and sustainability performance?
3. Does GSCM practices positively and significantly effect environmental collaboration?
4. Does environmental collaboration positively and significantly effect sustainability performance?

C. Research Objectives

The objectives of this study are as follows:

1. To analyze the effect of GSCM practices having a positive effect on sustainability performance
2. To analyze the effect of GSCM Practices having a moderate on sustainability performance through environmental collaboration
3. To analyze the effect of GSCM practices having a positive impact on environmental collaboration.
4. To analyze the effect of Environmental collaboration having a positive impact on sustainability performance.

D. Research Benefits

1. Theoretical benefits:

This research is expected to help as a theory development related to green supply chains, especially in implementing green supply chains in MSMEs in the special region of Yogyakarta.

2. Practical benefits:

a. For the Academician

This research is expected to increase knowledge and reading resources for the academic community and can be used to reference the expected impact of business benefits on green supply chain.

b. For MSME's

This research can be used as a guide for SMEs in the special region of Yogyakarta towards their readiness to implement green supply chain.

c. For the future researchers

This research can be used to develop academics and contribute knowledge about the Effect of Environmental Collaboration in the Relationship of GSCM to Sustainability Performance on MSMEs in the Special Region of Yogyakarta.