

# *Two Faces, One Goal: Exploring Msmes In Indonesia And Malaysia Through Financial Governance And Ecopreneurship Lenses.*

Dewi Sarifah Tullah<sup>1</sup>, Ratih Puspitasari<sup>2</sup>, Sudradjat<sup>3</sup>, Kusuma Dewi<sup>4</sup>, Sutarti<sup>5</sup>, Fatimah Abdillah<sup>6</sup>, David HM Hasibuan<sup>7</sup>, Annaria Magdalena<sup>8</sup>, Ani Mekaniwati<sup>9</sup>, Sintia Andriana<sup>10</sup>, Risna Yuniar<sup>11</sup>, Gladys Julien<sup>12</sup>, Jan Febrian<sup>13</sup>, Sefa Salma<sup>14</sup>, Elvyra Shanaz Zaliyanty<sup>15</sup>, Florencia Gina Saputri<sup>16</sup>, Rina Yuriana<sup>17</sup>, Eriza Rizky<sup>18</sup>, Dicky Lesmana<sup>19</sup>, Eka Larasati<sup>20</sup>

Accounting Department<sup>1,3,4,5,12,13,14,15,16,17,18,19,20</sup>, Accounting Magister Program<sup>2,7,10,11</sup>, Manegement Magister Program<sup>6</sup>,  
Management Department<sup>8</sup>, Bio Entrepreneurship Department<sup>9</sup>  
Institut Bisnis dan Informatika Kesatuan  
Indonesia

Corresponding Author: Dewi Sarifah Tullah. E-mail: dewisarifah@ibik.ac.id



**Abstract**—This study aims to analyze the role of financial governance and ecopreneurship in enhancing the competitiveness of MSMEs in Indonesia and Malaysia. The research employs a quantitative approach by distributing questionnaires to 125 MSME actors residing in Bogor City (Indonesia) and Bukit Bintang (Malaysia). The collected data were analyzed using descriptive statistics and the Mann-Whitney U test. The findings indicate that MSMEs in both countries have implemented financial governance practices, with a higher average score observed among MSMEs in Indonesia. On the other hand, the implementation of ecopreneurship is also more prominent in Indonesia, while MSMEs in Malaysia remain in the neutral category for most indicators. Nonetheless, community-based performance remains a challenge in both countries. This study recommends the need for continuous support from both the government and the private sector to raise awareness and enhance ecopreneurship practices as well as strengthen financial governance, in order to promote sustainability and overall competitiveness of MSMEs.

**Keywords**— MSMEs; financial governance; competitiveness; sustainability; ecopreneurship

## I. Introduction

MSMEs (Micro, Small, and Medium Enterprises) dominate the domestic industrial sector and play a vital role in the economies of developing countries by expanding employment opportunities, reducing unemployment rates, and boosting economic growth [1]. In Indonesia, MSME actors in 2023 accounted for up to 99% of all business units, contributing 61% to the Gross Domestic Product [2]. Meanwhile, in Malaysia, MSMEs made up 96.9% of all business units in the same year [3]. As a result, both the Indonesian and Malaysian governments continue to promote the empowerment of MSMEs, both in terms of financing and business capacity development. In Indonesia, empowerment efforts are carried out through the provision of credit to micro-entrepreneurs at the grassroots level who have not yet been facilitated by the Kredit Usaha Rakyat (KUR) [4]. On the other hand, Malaysia's empowerment initiatives have primarily been implemented through the establishment of the National SME Development Council (NSDC), which focuses on formulating general policies and development strategies for MSMEs across all business sectors [5].

The increasing number of business actors, along with the rise in industry competition, tends to push MSMEs to develop competitive advantages as a strategy to sustain their existence [6]. One of the potential competitive advantages for MSMEs lies in their financial governance. Financial governance refers to a series of systematic processes undertaken by business actors to plan, acquire, store, manage, and evaluate financial information [7]. Effective financial management should be based on governance principles that emphasize transparency and accountability, which in turn can enhance profitability performance and ensure business sustainability. Efficient financial governance ensures that resources are managed wisely, supporting programs that are both sustainable and beneficial to the local community [8]. This involves not only managing cash by separating personal and business finances but also managing overall assets to generate profit [9], [10]. However, in reality, financial governance is still often overlooked or misunderstood by many MSME actors [11].

In addition to financial governance, environmental issues remain a global concern that should be a top priority, even though they are often overlooked. In contrast to the rising trend in the number of MSMEs in developing countries, environmental management issues no longer appear to drive the urgency for MSMEs to adopt the concept of ecopreneurship, which integrates environmentally based actions into business practices in line with the triple bottom line approach [1]. Ecopreneurship, or ecological entrepreneurship, refers to a set of thoughts and actions undertaken by entrepreneurs to generate profit while simultaneously minimizing the negative impact of business activities on the environment [12]. In fact, the concept of ecopreneurship, which supports environmental sustainability, should be considered a shared responsibility among all stakeholders, including MSME actors [13].

Based on the aforementioned background, this study is conducted with the following objectives:

1. To examine the state of financial governance among MSMEs in Indonesia and Malaysia.
2. To assess the implementation of ecopreneurship by MSMEs in Indonesia and Malaysia.
3. To identify the differences in financial governance conditions of MSMEs between Indonesia and Malaysia.
4. To identify the differences in ecopreneurship implementation by MSMEs between Indonesia and Malaysia.

## II. Research Method

Data collection for this study was carried out through both online and offline distribution of questionnaires to MSME actors in Indonesia and Malaysia. In Indonesia, the questionnaires were distributed by undergraduate accounting students from the Institute of Business and Informatics Kesatuan to MSME actors located in Bogor City and Regency, West Java. Most of the respondents were MSMEs under the guidance of the Institute of Business and Informatics Kesatuan. The distribution process lasted for six months, from September 2024 to February 2025. Meanwhile, in Malaysia, the distribution of questionnaires was conducted over three days, from July 19–21, 2024, by graduate accounting students from the same institute, targeting MSME actors based in Bukit Bintang. The total number of respondents was 125 MSMEs, consisting of 59 MSMEs domiciled in Indonesia and 66 MSMEs domiciled in Malaysia. The data obtained from the questionnaires were then processed using SPSS Version 25 for descriptive analysis and further difference testing.



Fig. 1. Location of Questionnaire Distribution in Indonesia



Fig. 2. Location of Questionnaire Distribution in Malaysia

### III. Result and discussion

The data analysis obtained from the distribution of questionnaires to MSME actors in both countries, namely Indonesia and Malaysia, can be explained as follows:

TABLE 1. Frequency Distribution of Respondents Based on Characteristics

Characteristics	Frequency	Percentage
<b>Domicile</b>		
Indonesia	59	47,2%
Malaysia	66	52,8%
<b>Gender</b>		
Male	42	33,6%
Female	83	66,4%
<b>Age</b>		
1-20 years	5	4%
21-30 years	21	16,8%
31-40 years	33	26,4%
41-50 years	37	29,6%
51-60 years	21	16,8%
No answer	8	6,4%
<b>Business Type</b>		

Food and beverage products	99	79,2%
Textile and fabric products	12	9,6%
Toys and accessories products	1	0,8%
Handicraft products	4	3,2%
Others	9	7,2%
<b>Job Qualification</b>		
Owner/Director/General Manager	90	72%
Supervisor	2	1,6%
Sales	2	1,6%
Staff/Employee/Worker	18	14,4%
Others	13	10,4%
<b>Number of Employees</b>		
None	19	15,2%
1-5 people	68	54,4%
6-10 people	12	9,6%
11-15 people	7	5,6%
16-20 people	9	7,2%
>20 people	10	8%

Based on the results of the frequency distribution, the majority of respondents (52.8%) are MSME (Micro, Small, and Medium Enterprises) actors domiciled in Malaysia, while 47.2% are domiciled in Indonesia. In terms of gender classification, the majority of respondents (66.4%) are female, while 33.6% are male. Based on age classification, most respondents are over 30 years old, with the highest distribution being 29.6% in the 41–50 age group and 26.4% in the 31–40 age group. When categorized by job qualification, the majority of respondents (72%) are business owners, directors, or general managers of the MSMEs. Regarding the type of business run by the respondents, the majority (79.2%) are engaged in the food and beverage sector, and most (54.4%) employ between one and five workers.

#### A. Normality Test

The normality test for data with a sample size greater than 50 is conducted using the Kolmogorov-Smirnov test with a significance level of 0.05.

##### 1) Financial Governance Aspect

The test results show that the financial governance data of MSMEs in both countries are not normally distributed (p-value < 0.05).

TABLE 2. Normality Test of the Financial Governance Aspect

		Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	DOM	Statistic	df	Sig.	Statistic	df	Sig.
FIN_GOV	Indonesia	.170	59	.000	.923	59	.001
	Malaysia	.117	66	.025	.966	66	.064

a. Lilliefors Significance Correction

##### 2) Ecopreneurship Aspect

On the other hand, the ecopreneurship data of MSMEs in Malaysia are normally distributed (p-value > 0.05), in contrast to the ecopreneurship data of MSMEs in Indonesia, which are not normally distributed (p-value < 0.05).



TABLE 3. Normality Test of the Ecopreneurship Aspect

Tests of Normality							
	DOM	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
ECOPR	Indonesia	.127	59	.019	.967	59	.116
	Malaysia	.102	66	.087	.963	66	.047

a. Lilliefors Significance Correction

## B. Mann-Whitney U Test

Based on the results of the normality test, this study uses the Mann-Whitney U test to examine differences between two independent datasets that are not normally distributed.

### 1) Financial Governance Aspect

The test results indicate a significant difference in financial governance between MSMEs in Indonesia and Malaysia (p-value < 0.05).

TABLE 4. Mann-Whitney U Test for the Financial Governance Aspect

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The distribution of FIN_GOV is the same across categories of DOM.	Independent-Samples Mann-Whitney U Test	.001	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

### 2) Ecopreneurship Aspect

The test results indicate a significant difference in ecopreneurship between MSMEs in Indonesia and Malaysia (p-value < 0.05).

TABLE 5. Mann-Whitney U Test for the Ecopreneurship Aspect

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The distribution of ECOPR is the same across categories of DOM.	Independent-Samples Mann-Whitney U Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

## C. Respondents' Perceptions of the Research Variables

Descriptive statistical analysis conducted on the questionnaire data provides information in the form of average (mean) scores for each indicator of the tested variables, namely financial governance and ecopreneurship. The research instrument, which was a questionnaire, was quantified using a Likert scale with the following descriptions: (1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; and (5) Strongly Agree. Accordingly, the respondent index is presented as follows:

TABLE 6. Respondent Score Interval Index

No	Interval	Category
1	1,00 – 1,80	Very Low
2	1,81 – 2,60	Low
3	2,61 – 3,40	Neutral
4	3,41 – 4,20	High
5	4,21 – 5,00	Very High

## 1) Financial Governance Aspect

TABLE 7. Financial Governance Test Results for MSMEs in Indonesia and Malaysia

No	Statement	Average Score – Indonesia MSMEs	Category	Average Score – Malaysia MSMEs	Category
1	The entity/business has prepared a financial plan	4,02	High	3,61	High
2	The entity/business records daily financial transactions	4,22	Very High	4,35	Very High
3	The entity/business has prepared and implemented a budget as an operational reference	4,05	High	3,56	High
4	The entity/business separates personal and business finances	4,14	High	4,06	High
5	The entity/business uses an accounting system to record financial transactions	3,83	High	3,68	High
6	The entity/business prepares periodic financial statements	3,73	High	3,73	High
7	Financial statements are prepared based on EMKM-compliant standards	3,64	High	3,21	High
8	Complete and systematic financial statements are available	3,92	High	3,19	Neutral
9	Available financial statements are analyzed for decision-making purposes	3,95	High	3,38	Neutral
10	The entity/business maintains good cash flow control	3,88	High	3,48	High
11	The entity/business has an emergency fund	4,08	High	2,98	Neutral
12	The entity/business has a financial risk management strategy	3,81	High	2,97	Neutral

Based on the analysis, the test results show that MSMEs in both Indonesia and Malaysia have implemented financial governance, albeit in a relatively simple manner. MSME actors in both countries recorded the highest average score in the financial governance aspect related to daily financial transaction recording. This indicates that MSME actors in both countries are already aware of the importance of maintaining consistency in bookkeeping, monitoring cash flow, and detecting financial issues.

However, there is a difference in the average scores of the financial governance aspect between MSMEs in the two countries. The assessment of financial governance among Indonesia-based MSMEs generally shows high scores. In contrast, the financial governance assessment of Malaysia-based MSMEs displays more variation, as evidenced by neutral scores in several aspects. This difference may stem from varying government policies and differing levels of awareness regarding the importance of financial governance among MSME actors in the two countries. The distinction in financial governance aspects between the two countries is further supported by the empirical data from the difference test presented in Table 7 above.

## 2) Ecopreneurship Aspect

TABLE 8. Ecopreneurship Test Results for MSMEs in Indonesia and Malaysia

No	Statement	Average Score – Indonesia MSMEs	Category	Average Score – Malaysia MSMEs	Category
1	Ecopreneurship posture	4,1	High	2,92	Neutral
		3,81	High	3,14	Neutral
		4,02	High	2,74	Neutral
		4,05	High	2,73	Neutral
2	Ecopreneurship	4,08	High	3,17	Neutral
		4,22	Very High	3,18	Neutral
		4,14	High	3,17	Neutral
3	Consumer behavior	4,15	High	3,06	Neutral
		4,08	High	3,14	Neutral
		4,19	High	3,09	Neutral
4	Community-based performance	3,73	High	2,88	Neutral
		4,05	High	2,86	Neutral
		3,86	High	2,85	Neutral
5	Green competitiveness	4,08	High	3,23	Neutral

		4,05	High	2,94	Neutral
		4,10	High	3,15	Neutral

Based on the analysis, the ecopreneurship assessment of MSMEs in Indonesia and Malaysia shows quite different results. The assessment of ecopreneurship aspects among Indonesia-based MSMEs generally yields high average scores. In contrast, all ecopreneurship aspects among Malaysia-based MSMEs show neutral average scores. This difference may be attributed to variations in government policies as well as differing levels of urgency and awareness regarding the importance of ecopreneurship among MSME actors in the two countries.

Furthermore, the community-based performance aspect in MSMEs from both countries recorded the lowest average scores. This indicates that efforts by MSMEs to operate in a way that actively involves and benefits the local community have not been fully optimized. The differences in ecopreneurship aspects between the two countries are also supported by empirical data from the difference test presented in Table 8 above.

#### IV. Conclusion

This study, based on data collected through the distribution of questionnaires, highlights the importance of financial governance and ecopreneurship in enhancing the competitiveness of MSMEs in Indonesia and Malaysia. The analysis results indicate that although both countries have relatively implemented financial governance well, there is a difference in the level of implementation, with Indonesian MSMEs generally scoring higher than those in Malaysia.

In terms of ecopreneurship, MSMEs in Indonesia demonstrate a higher level of awareness compared to those in Malaysia, which remain in the neutral category across almost all assessment indicators. This disparity may be attributed to differences in government policies and the level of awareness among MSME actors regarding environmental sustainability. For example, in Bogor, local government regulations restrict the use of plastic bags, impacting policies that reduce the use of plastic in shopping centers, modern stores, and traditional markets. The implementation of this policy has significantly reduced plastic waste and serves as a nature conservation strategy in Bogor—an effort aimed at promoting environmental sustainability [14], [15].

However, in both Indonesia and Malaysia, the community-based performance aspect remains a challenge, indicating that the involvement of MSMEs in generating social impact for local communities has yet to reach its full potential. Therefore, further support from both government and the private sector is needed to strengthen the implementation of ecopreneurship and financial governance, in order to develop more competitive and sustainable MSMEs.

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