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Green Entrepreneurship in Tourism Villages: Environmentally Friendly Businesses as a Local Economic Attraction

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Abstract: This study examines the implementation of green entrepreneurship in tourism villages as a strategy to enhance local economic attraction. Using a descriptive qualitative approach, this research analyzes 15 tourism villages in Central Java and Yogyakarta that implement environmentally friendly business practices. Data was collected through in-depth interviews, participatory observation, and document analysis. The results show that 87% of tourism villages implementing green entrepreneurship experienced a 34% increase in tourist visits over the past two years. Dominant environmentally friendly business practices include organic waste management (73%), handicraft production from recycled materials (62%), and organic culinary product development (56%). These findings indicate that green entrepreneurship not only provides environmental benefits but also serves as a differentiation factor attractive to millennial and gen Z tourists. This research contributes to the development of environmentally friendly business models in rural tourism sector.

Keyword: green entrepreneurship, tourism village, local economy, eco-friendly tourism, community empowerment

INTRODUCTION

The paradigm shift in global economic development toward the adoption of business models that integrate environmental, social, and economic aspects has spurred the emergence of the concept of green entrepreneurship. This phenomenon is becoming increasingly relevant in the tourism industry, particularly at the tourism village level, which holds significant potential for developing environmentally friendly businesses. Data from the Ministry of Tourism and Creative Economy shows that by 2023, there will be 4,674 tourism villages in Indonesia, a 36.7 percent increase from the previous year's 3,419. This significant growth reflects the enormous potential of the rural tourism sector in boosting local economies. Green entrepreneurship in tourism villages represents an innovative approach that combines entrepreneurial activities with environmental sustainability principles. This idea focuses not only on creating economic value but also considers the positive impact on local ecosystems and community well-being. In an era of increasingly concerning climate change and

environmental degradation, environmentally friendly business models are an attractive alternative for entrepreneurs in tourism villages.

A 2021 SMERU study revealed that 73% of young Indonesians are interested in entrepreneurship, and 81% are interested in running environmentally friendly businesses. This data indicates a positive trend among the younger generation towards environmentally sustainable business practices. This phenomenon aligns with changes in consumer behavior, particularly among millennials and Generation Z, who are increasingly concerned about environmental issues in their purchasing decisions. Tourism villages, as alternative tourism destinations, have a comparative advantage in developing green entrepreneurship. The availability of natural resources, strong local traditions, and social structures that support community collaboration are enabling factors in the development of environmentally friendly businesses. However, the implementation of green entrepreneurship in tourism villages still faces various obstacles, including limited knowledge of green technology, access to capital, and effective marketing strategies.

Empirical studies on green entrepreneurship in tourism villages in Indonesia are still limited, despite the sector's significant economic potential. Research conducted by the Ministry of Cooperatives and SMEs shows that 95 percent of 3,000 MSMEs support environmentally friendly business practices, but concrete implementation still requires systematic support from various parties. Therefore, this study seeks to fill this knowledge gap by analyzing the implementation of green entrepreneurship in tourism villages and its impact on local economic attractiveness. This study aims to analyze the implementation of green entrepreneurship in tourist villages, identify factors influencing the success of environmentally friendly businesses, and evaluate the economic impact of environmentally friendly business practices on the attractiveness of tourist villages. The results are expected to provide theoretical contributions to the development of green entrepreneurship models in the rural tourism sector and provide practical recommendations for stakeholders in developing environmentally friendly and economically viable tourist villages.

Literature Review

Green Entrepreneurship and Basic Concepts

Green entrepreneurship is defined as the process of creating new businesses that focus on environmental solutions and create economic value through environmentally friendly innovation (Dean & McMullen, 2007). This concept developed from the intersection of entrepreneurship theory and environmental management, where entrepreneurs not only seek maximum profit but also consider the positive impact on the environment. Schaltegger and Wagner (2011) expanded this definition by emphasizing that green entrepreneurship is an entrepreneurial contribution to the transformation of the economy toward a more environmentally friendly model. In research conducted by Berrone et al. (2013), green entrepreneurship is categorized into three main dimensions: environmental orientation, innovation capability, and stakeholder engagement. Environmental orientation refers to the entrepreneur's commitment to environmental protection, innovation capability relates to the ability to develop environmentally friendly products or services, while stakeholder engagement involves the ability to build networks with various parties that support environmental goals.

Tourism Villages and Community-Based Tourism

Tourism villages are a form of tourism that integrates attractions, accommodations, and supporting facilities within a community life structure that is integrated with local customs and traditions (Nuryanti, 1993). This concept developed in response to mass tourism, which often damages the environment and local culture. Timothy (2002) identified that

tourism villages possess unique selling propositions in authentic experiences, cultural immersion, and sustainable practices. The development of tourism villages in Indonesia shows a positive trend, with various models tailored to local potential. Research by Damanik (2013) revealed that the success of tourism villages is determined by four key factors: community readiness, product development, marketing strategy, and institutional support. Community readiness encompasses the community's readiness to manage tourism activities, while product development relates to appealing tourist attractions and facilities.

Green Economy and Local Development

A green economy is defined as an economic system that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcity (UNEP, 2011). This concept serves as a theoretical framework for analyzing the impact of green entrepreneurship on local economic development. Research by Barbier (2010) shows that implementing a green economy at the local level can increase community economic resilience, create new jobs, and reduce environmental degradation. In the tourism sector, a green economy is implemented through sustainable tourism practices that include efficient resource use, waste management, and community empowerment. Porter and Kramer (2011) introduced the concept of Creating Shared Value (CSV), which is relevant to green entrepreneurship in tourism villages. CSV emphasizes that businesses can create economic value through social and environmental problems. In tourism villages, CSV is implemented through the development of tourism products that optimize local potential while maintaining environmental sustainability.

Green Innovation and Competitive Advantage

Green innovation is a key element of green entrepreneurship, encompassing the development of environmentally friendly products, services, or processes (Chen et al., 2006). In tourism villages, green innovation can take the form of developing eco-friendly accommodations, organic food production, or waste-to-energy systems. Research by Schiederig et al. (2012) identified that green innovation has a positive impact on competitive advantage through cost reduction, differentiation strategy, and customer loyalty. The Resource-Based View (RBV) theory by Barney (1991) provides a theoretical perspective for understanding how green entrepreneurship creates competitive advantage. The environmentally friendly resources possessed by tourism villages, such as natural resources, traditional knowledge, and community social capital, can be a source of competitive advantage that is difficult for competitors to imitate.

Consumer Behavior and Green Tourism

Changes in consumer behavior toward environmentally friendly products and services are a key driver in the development of green entrepreneurship in tourism villages. Research by Vermeir and Verbeke (2006) shows that environmental concern has a positive influence on purchase intention, particularly among millennials and Gen Z. In tourism, green consumer behavior is manifested through the selection of destinations that implement sustainable practices. Han and Kim (2010) developed a Green Hotel Customer Satisfaction model that can be adapted for tourism villages. This model reveals that environmental attributes of accommodation, food service, and tourism activities significantly influence customer satisfaction and revisit intention. These findings indicate that green entrepreneurship not only provides environmental benefits but also increases the attractiveness of destinations.

METHOD

Research Design

This research uses a qualitative approach with a descriptive exploratory design to analyze the implementation of green entrepreneurship in tourist villages. The qualitative approach was chosen because it allows researchers to understand the green entrepreneurship phenomenon in depth and capture the complex nuances of the interactions between economic, social, and environmental factors within tourist villages. The exploratory descriptive design provides flexibility in exploring various dimensions of green entrepreneurship that may not have been identified in previous research.

Research Location and Timeline

The study was conducted in 15 tourist villages across Central Java Province and the Special Region of Yogyakarta from March to September 2024. Site selection was based on the following criteria: (1) having operated as a tourist village for at least three years, (2) having identified environmentally friendly business practices, (3) having accessible tourist visit data, and (4) community willingness to participate in the research. The tourist villages that are the research locus include Pentingsari Tourist Village (Yogyakarta), Candirejo Tourist Village (Magelang), Tembi Tourist Village (Bantul), and 12 other tourist villages with diverse characteristics.

Research Subjects

The research subjects consisted of three main categories: (1) 45 green entrepreneurs in tourist villages, (2) 15 village managers and community leaders, and (3) 120 tourists who had visited tourist villages with environmentally friendly practices. The selection of research subjects used a purposive sampling technique with the criteria of having been involved in green entrepreneurship activities for at least 2 years, having a good understanding of environmentally friendly business practices, and being willing to provide information openly.

Data Collection Techniques

Data collection was conducted using three main techniques. First, in-depth interviews with green entrepreneurs and village managers to obtain detailed information about environmentally friendly business practices, motivations, obstacles, and strategies. Second, participatory observation to directly observe the implementation of green entrepreneurship in the daily activities of tourist villages. Third, document analysis includes tourist visit data, business financial reports, and documentation of environmentally friendly practices.

Interviews were conducted using a semi-structured interview guide that covered key themes: motivations for starting green entrepreneurship, types of environmentally friendly practices implemented, perceived economic impacts, obstacles encountered, and future development strategies. Each interview lasted 60-90 minutes and was recorded with the informant's consent to ensure data accuracy.

Data Analysis Technique

Data analysis used thematic analysis techniques developed by Braun and Clarke (2006). The analysis process was carried out in six stages: (1) familiarizing with the data through repeated reading of interview transcripts, (2) generating initial codes to identify initial patterns in the data, (3) searching for themes by grouping similar codes, (4) reviewing themes to ensure consistency and relevance, (5) defining and naming themes to provide appropriate labels, and (6) producing the report by presenting the findings systematically.

To enhance validity and reliability, this study employed data triangulation by comparing information from various sources, method triangulation by combining interviews,

observations, and document analysis, and member checking by confirming the analysis results with key informants. Data analysis was supported using NVivo 12 software to facilitate systematic coding and categorization of data.

RESULT AND DISCUSSION

Profile of Green Entrepreneurship in Tourism Villages

The results of this study indicate that the implementation of green entrepreneurship in tourism villages has diverse characteristics but maintains a consistent pattern. Of the 15 tourism villages studied, 127 business units implemented environmentally friendly practices at varying levels of intensity. The classification of green entrepreneurship in this study was divided into three categories based on the level of implementation: basic green practices (67%), intermediate green practices (25%), and advanced green practices (8%).

Basic green practices include organic waste management, the use of small-scale renewable energy, and the production of crafts from recycled materials. Organic waste management was the most commonly implemented practice, with an adoption rate of 73% of the businesses observed. This practice not only reduces organic waste but also creates economic value through the production of compost and biogas for household needs.

Intermediate green practices include the development of organic culinary products, wastewater treatment systems, and environmental education programs for tourists. Organic culinary products are growing rapidly, with 62% of food and beverage businesses in tourism villages using local organic ingredients. The wastewater treatment system is executed through constructed wetlands and biofilters, which are not only environmentally friendly but also serve as educational attractions for tourists.

Advanced green practices include the development of renewable energy systems, carbon footprint monitoring, and certification of environmentally friendly products. Although only 8% of businesses have achieved this level, the resulting economic impact is significant, with an average profit margin increase of 45% compared to conventional businesses. One example of advanced green practices is the development of a solar panel system in Pentingsari Tourism Village, which is capable of generating electricity for the needs of all homestays and public facilities.

Factors Driving Green Entrepreneurship

An analysis of the factors driving the implementation of green entrepreneurship in tourism villages identified five main factors. First, increasing public environmental awareness in response to local environmental degradation. 78% of green entrepreneurs stated that environmental awareness was the primary motivation for starting an environmentally friendly business.

Second, market demand from tourists who are increasingly concerned about environmental issues is a strong economic driver. Data shows that 84% of tourists visiting the tourism villages in this study were millennials and Gen Z, who have a high preference for environmentally friendly products. This segment not only has good purchasing power but also a willingness to pay a premium for environmentally friendly products and services.

Third, government support through community empowerment programs and technical assistance plays a significant role in encouraging green entrepreneurship. The Tourism Village Development Program of the Ministry of Tourism and Creative Economy provided training and equipment assistance to 67% of the businesses studied. Furthermore, CSR programs from private companies also contributed in the form of technical assistance and market access.

Fourth, the availability of local resources that support environmentally friendly practices is a crucial enabling factor. The tourist villages studied possess abundant natural

resources in the form of biomass, clean water, and organic agricultural land that can be optimized for green entrepreneurship. Fifth, social capital and cooperation within village communities facilitate collaboration in implementing environmentally friendly practices.

The Economic Impact of Green Entrepreneurship

Economic impact evaluations show that green entrepreneurship significantly contributes to increasing the income of tourism village communities. The average income of green entrepreneurs increased by 34% compared to conventional businesses during the same period. This increase in income stems from three main sources: premium pricing for environmentally friendly products, increased sales volume, and product diversification.

Premium pricing provides a clear competitive advantage, with an average markup of 25-40% compared to conventional products. Organic culinary products can be sold at a 30% higher price, crafts made from recycled materials have a 35% higher profit margin, and eco-friendly homestays can charge 25% higher rates than the market average.

The increase in sales volume is driven by growing market demand from increasingly environmentally conscious tourists. Data shows that 67% of tourists visiting tourism villages with green entrepreneurship practices have a higher repeat visit rate than those visiting conventional tourism villages. Word-of-mouth marketing from satisfied tourists also contributes significantly to increased visits.

Product diversification is an effective strategy for increasing income through the development of derivative products derived from environmentally friendly practices. Compost from organic waste management is sold to local farmers, biogas is used to reduce operational costs, and craft products made from recycled materials are marketed as souvenirs typical of tourist villages.

Social and Environmental Impact

The implementation of green entrepreneurship not only provides economic benefits but also positive social and environmental impacts. From a social perspective, green entrepreneurship improves community social cohesion through collaborative programs such as waste banks, organic farming communities, and eco-friendly crafts groups. Community participation in green entrepreneurship activities reaches 73%, with a high level of satisfaction with the programs implemented.

Women's empowerment is a prominent social impact, with 58% of green entrepreneurs being women. Organic food processing, recycled craft production, and homestay management provide significant economic opportunities for women in tourist villages. This contributes to increasing gender equality and women's empowerment at the grassroots level.

From an environmental perspective, green entrepreneurship makes a significant contribution to improving the environmental quality of tourist villages. Organic waste reduction reached 65% through composting and biogas programs, the use of renewable energy reduced the carbon footprint by 23%, and organic farming practices increased local biodiversity. Water and air quality in tourist villages implementing green entrepreneurship showed significant improvements based on monitoring throughout the research period.

Green Entrepreneurship Development Strategy

Based on best practices identified in the research, several key strategies for developing green entrepreneurship in tourist villages are outlined. First, developing green innovation through research and development of environmentally friendly products tailored to local characteristics. Collaboration with universities and research institutions provides access to green technologies that can be adapted to the tourism village scale.

Second, capacity building through training programs and technical mentoring to improve the competency of green entrepreneurs. Training programs include technical skills in environmentally friendly production, business skills in business management, and marketing skills in promoting green products. Third, market access through digital marketing development and partnerships with travel agents focused on eco-tourism.

Fourth, developing financing schemes that support green entrepreneurship through green microfinance and impact investment. Microfinance institutions are beginning to develop financing products specifically for environmentally friendly businesses with competitive interest rates and flexible terms. Fifth, strengthening institutional support through the establishment of green entrepreneurship associations and partnerships with various stakeholders.

Obstacles and Solutions

Despite positive developments, the implementation of green entrepreneurship in tourism villages still encounters various obstacles. The main obstacles identified include limited knowledge of green technology, limited access to capital, and weaknesses in marketing strategies for environmentally friendly products.

Limited knowledge of green technology is a significant barrier, with 62% of green entrepreneurs reporting difficulty accessing environmentally friendly information and technology that aligns with their needs and financial capabilities. Recommended solutions include developing technology transfer programs through partnerships with universities and research institutions, as well as establishing green technology demonstration centers in tourist villages.

Limited access to capital is a structural barrier, with 54% of green entrepreneurs having trouble obtaining financing for developing environmentally friendly businesses. Proposed solutions include developing green microfinance schemes, crowdfunding platforms for environmentally friendly projects, and government subsidies for green technology investments.

Weaknesses in marketing strategies for environmentally friendly products hinder reaching the right target market. Recommended solutions include developing a green marketing strategy, digital marketing training for entrepreneurs, and establishing collective branding for environmentally friendly products from tourist villages.

CONCLUSION

This study found that green entrepreneurship in tourist villages has developed with diverse yet consistent patterns, positively impacting the local economy. The implementation of green entrepreneurship not only creates economic value through increased revenue and premium pricing but also contributes significantly to community empowerment and environmental improvement. Of the 15 tourist villages studied, 87% experienced a 34% increase in tourist visits in the past two years, with the average income increase for green entrepreneurs reaching 34% compared to conventional businesses.

The most dominant green entrepreneurship practices include organic waste management, adopted by 73% of businesses, craft production from recycled materials (62%), and the development of organic culinary products (56%). The major driving factors for green entrepreneurship include public environmental awareness, market demand from millennial and Gen Z tourists, government support, the availability of local resources, and the social capital of village communities. Meanwhile, the main obstacles faced include limited knowledge of green technology, limited access to capital, and deficiencies in marketing strategies for environmentally friendly products.

The economic mark of green entrepreneurship is not only measured by increased earnings but also by the product of economic multiplier effects through backward and forward linkages with other sectors in the village economy. Significant social impacts are evident in increased community participation, women's empowerment, and strengthened social cohesion. Environmental impacts include a 65% reduction in organic waste, a 23% reduction in carbon footprint, and an increase in local biodiversity.

Effective green entrepreneurship development strategies include developing green innovation, capacity building, market access, financing schemes, and strengthening institutional support. Implementing this strategy requires a multi-stakeholder approach involving the government, the private sector, academia, and the community within a synergistic partnership framework. The findings of this study contribute to the development of environmentally friendly business models in the rural tourism sector and serve as a reference for stakeholders in developing policies and programs that support green entrepreneurship in tourism villages.

This study recommends the development of an integrated green entrepreneurship ecosystem through strengthening linkages between business actors, improving supporting infrastructure, and developing broader market access. Recommendations for further research include the development of a green entrepreneurship measurement framework, comparative analysis of green entrepreneurship advantages between tourism villages, and longitudinal studies to measure the sustainability of the economic impact of green entrepreneurship in the long term.

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