

# Chapter 11

## Climate Change and the Sustainable Small and Medium-Sized Enterprises

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### ABSTRACT

*Small and medium-sized enterprises (SMEs) play an essential role as the key driver in national economic resilience. In developing countries, they contribute to most of the GDP every year. Like a coin with two sides, the rise of SME productivity accidentally caused the increase in global pollution. Now, the SMEs are urged to adjust and set the best strategies to encounter the circumstances. This chapter shares a broader perspective, literature studies, and documentary analysis on the definition and category of SMEs, the involvement of United Nations' Sustainable Development Goals (SDGs), green practices and strategies, and the issue of building sustainable SMEs in relation with climate change. It is also completed with some case studies in SMEs in Indonesia, Africa, United Kingdom, and many more. The chapters set the tone for the rest of the chapters examining the implications of the issues discussed for climate change and the sustainable financial factor.*

### INTRODUCTION

Climate change has been one of the notable topics of discussion since 1990. Humans and their economic activities are the most contributing agent in the last 30 years (Ahmed, 2020; Albritton, 1992; Georgieva, 2009; Hamann et al., 2017; Helmer & Hilhorst, 2006; Kannan & Boie, 2003). The advances in technology and the industrial revolution have become triggers for decisions in the economic sphere to use natural resources and ignore their effects on natural conditions. On the other hand, like a domino effect, the impact of climate change cannot be postponed. It can slowly be felt through the depletion of

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the ozone layer, changes in agricultural patterns, drought, natural disasters, which have an impact on humanitarian issues such as poverty and hunger that also have an impact on the health sector and the economy (Intergovernmental Panel on Climate Change, 2001).

Since 1988, the attention to climate change has been echoed through meetings and policies, such as in the 1988 Montreal Protocol. Then globally, the United Nations continues to provide education and awareness through the 1988 Toronto Conference on “The Changing Atmosphere: Implications for Global Security” and the Hamburg Congress (United Nations, 1990). In 2015, United Nations proposed a universal agenda concern with ending poverty, protecting the planet and improving the lives, and prospecting everyone through a concept called The Sustainable Development Goals (SDGs) (United Nations, 2021). The SDGs program that starts with ‘*no poverty*’ and ends with ‘*partnership for the goals*’ means building sustainable development in all countries needs to start with equal distribution of consumption that will have a cooperative partnership in growth, social inclusion, and environmental protection.

In 2021, the Sustainability Development Goals (SDGs) agenda will arrive at its fifth goal. In fulfilling the goal, there is a concept of collaboration that is called four pillars. They consist of 1) state-owned sector 2) private sector 3) Social sectors (NGOs) 4) Fourth Sector (Rubio-Mozos et al., 2019). The first until third pillars have been the most significant pillar for some developed countries. However, for the developing country, the fourth sector has an essential role in being the backbone of economic resilience. It is Small Medium-sized Enterprises (SMEs).

Small Medium-sized Enterprises (SMEs) define as terminology that refers to small businesses, and they are categorized based on business scope, assets, and a number of employees. For the developing country, SMEs have contributed actively to the national Gross Domestic Product (GDP). Some developing countries rely significantly upon them, such as Indonesia, which contributes to 60%, Sub-Saharan Africa, which contribute to 58%, Morocco to 40% and Lebanon to 146% to the national GDP (Africa Economic Outlook, 2014; BPS-Statistic Indonesia, 2021; Hadj, 2020; The Consultation and Research Institute, 2005; and World Bank, 2008).

The good news on how SMEs have made a very significant contribution to countries’ economies, like a coin with two sides, SMEs’ high productivity accidentally becomes a contributing factor in climate change, such as the increase in carbon dioxide emissions, global pollution, and the rise of demand and supply from the raw material. This dilemmatic position of the SMEs is needed to analyze so that sustainable SMEs can be built and the climate change issue can be halted.

Thus, this chapter’s objectives share a broader perspective, literature studies, and documentary analysis on the definition of SMEs, the role of SMEs in the Sustainable Development Goals (SDGs), green practices and strategies, and the issue of how to build a sustainable SMEs in relation with climate change issue (controversy, problem, solutions and recommendations). It is also completed with some case studies in SMEs in Indonesia, South Africa, Germany and many more. The chapter sets the tone for the rest of the chapters examining the implications of the issues discussed for climate change and the sustainable financial factor.

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