The Role of Downstreaming the MSME Industry and the Green Economy in Supporting National Economic Growth

Abstract

The downstream program issued by the Indonesian government is not only for the mining sector, but also other sectors including micro, small and medium enterprises (MSMEs).In the midst of the potential for downstreaming, there are various challenges that are still emerging, both the impact of downstreaming on the economy which needs to be expanded, as well as challenges related to production factors, as well as regulations in terms of implementing green industry. With the implementation of this green industry, it is hoped that it can increase competitiveness with environmentally friendly production processes and results. This research was conducted with the aim of analyzing the influence of downstream policies for the MSME industry and the implementation of a green economy on national economic growth.The analysis technique used is SEM (Stuctural Equation Modeling) which is operated through the AMOS 24 application. The test results found that the economic downstream policy, apart from supporting economic growth, also provides added value and diversification of Indonesia's superior export products. The downstreaming of various commodities also supports the Green Economy in Indonesia. This industrial downstream policy is also an important foundation for advancing the Indonesian economy in making leaps in Indonesia's economic growth globally. These findings can support the next Indonesian government to continue the industrial downstream policy until Indonesia becomes a developed country

Keywords: Downstream industry, green economy, economic growth, economic development
JEL Code:F63; O11; O13; O47; Q28.

INTRODUCTION

The President of the Republic of Indonesia said that the downstream program being promoted by the government is not only in the mining sector but also other sectors including micro, small and medium enterprises (MSMEs). The President also appreciated business actors who carried out downstream activities. The President also hopes that these processed products can fill the domestic market and are also ready to be exported abroad. The President also said that based on calculations from the National Development Planning Agency, the downstream program will increase Indonesia's per capita income to 10,900 US Dollars in the next 10 years, 15,800 US Dollars in 15 years, and 25,000 US Dollars when Indonesia reaches Golden Indonesia 2045. Therefore, President Jokowi hopes that the following Indonesian leaders can continue this downstream program(Ministry of Industry, 2016).

Currently downstreaming for MSMEs can be in line with two regulations that have been made by the government, namely Government Regulation Number 7 of 2021 and Government Regulation Number 8 of 2021(Ministry of Industry, 2016). In summary, the first rule contains convenience, protection and empowerment of cooperatives, convenience and empowerment of MSMEs.Meanwhile, the second regulation contains the basic capital of the company as well as registration of the establishment, changes and dissolution of companies that meet the criteria for micro and small businesses. UFor MSMEs to advance to class must be in line with the readiness of existing human resources. Apart from being the key to managing business processes, MSMEs are also assets for innovation and development(Iqbal & Suzianti, 2021).The micro sector is one of the providers of 97 percent of national employment, most of which are in the informal sector(Halim, 2020). Therefore, one strategy to encourage the downstreaming

of MSMEs is to improve the quality of employment opportunities.The Indonesian government also provides support to MSME players in terms of making it easier to obtain capital and in terms of developing business capacity.

In the midst of downstream potential, there are various challenges that are still emerging, both the impact of downstreaming on the economy which needs to be expanded, as well as challenges related to production factors, as well as regulations in terms of implementing green industry.(Achmad et al., 2020).At the national level, the industrial sector, apart from having benefits for the economic development of Indonesia as described above, industry also has various negative impacts, including impacts on the environment. Impacts on the environment often arise from production processes which result in depletion of natural resources, resulting in dependence on imported raw materials, damage and/or environmental pollution (water and air).(Al-Taai, 2021).WhereasAt the global level, there are demands for the implementation of industrial standards that focus on raw material, water and energy efficiency, energy diversification, eco-design and low-carbon technology with the aim of increasing productivity and minimizing waste(Dharmayanti et al., 2023). Environmental issues are currently one of the barriers to trade for market penetration in a country. This barrier is implemented by applying various kinds of standards, both international standards (ISO, ecolabel) and buyer requirements.(Al-Shetwi, 2022).Therefore, the business world needs to anticipate the obstacles imposed by several export destination countries for Indonesian products.

In September 2009 together with 20 other Asian countries, Indonesia signed the Manila Declaration on Green Industry in the Philippines. In this declaration, Indonesia stated its determination to establish policies, regulatory and institutional frameworks that encourage a shift towards efficient and low-carbon industries, known as green industries.(Bappenas, 2021). Green industry is an industry that in its production process prioritizes efficiency and effectiveness in the use of resources in a sustainable manner so that it is able to align industrial development with the preservation of environmental functions and can provide benefits to society.

With the implementation of this green industry, it is hoped that it can increase competitiveness with environmentally friendly production processes and results(Marota, 2017). The application of this green industry includes aspects of effectiveness and efficiency of natural resources and aspects of energy conservation. With limited natural resources and the environment, implementing a more efficient and effective green industry will create balance and harmony towards environmental preservation in the future.(Haque et al., 2021). Intensifying efficient product design can also save raw materials and slow down the process of exploiting natural resources.The application of green industry is carried out through the concept of clean production (cleaner production) through the 4R application, namely Reduce (reducing waste at the source), Reuse (reusing waste), and Recycle (recycling waste), and Recovery (separating a material or energy from a waste)(Da Rocha et al., 2017). Apart from that, clean production also involves efforts to increase the efficiency of use of raw materials, supporting materials and energy at all stages of production. By implementing the concept of clean production, it is hoped that natural resources can be better protected and utilized sustainably. In short, clean production provides two benefits, firstly efficiency in the production process; and second is to minimize the formation of waste, so that it can protect the environment.

This research was conducted with the aim of analyzing the influence of downstream policies for the MSME industry and the implementation of a green economy on national economic growth. This research is a development of previous research on the green economy(Al-Taai, 2021; Paransa & Sadewo, 2019; Suning et al., 2022; Wijayanti & Ramlah, 2022), this is because on average previous research only linked

the implementation of a green economy to sustainable development or business continuity. Therefore, this research develops it again with industrial downstream variables in MSMEs. This development is expected to complement scientific studies of the green economy, and provide empirical evidence of the existence of government policy (downstreaming of industry) for economic growth. Apart from that, this research was carried out because there are still several groups or organizations that are for or against the current industrial downstream policy, so it is hoped that the results of this research can provide a new synthesis that is useful for stakeholder decision making.

THEORETICAL FRAMEWORK

Downstream Industry, Green Economy, and Economic Growth

Currently, Indonesia's economic growth is slowly heading in a better direction. Although, it is still not enough to be said to be stable as a whole, the majority of people are now able to meet their needs when compared to the Covid-19 pandemic crisis.(Esquivias et al., 2022).Related to this, several factors that influence economic growth are:Human Resources,The reason is that these elements can improve or actually harm a country's trading ability. If the quality of human resources decreases drastically, then the next event will be the number of unemployed rising rapidly, business bankruptcy will occur and the poverty level will be much more worrying.(Tweneboa Kodua et al., 2022). The following situations are better known as economic downturns that will affect the consumption of products or services from certain companies.HAnother thing that influences economic growth is natural resources. The demand for natural resources in the form of exports has a major impact on the country's financial condition(Gamariel et al., 2022). Related to this, it needs to be understood that the amount of natural resource wealth must go hand in hand with an increase in human resources, so that economic growth can be achieved.(Sugiharti et al., 2017). An example of economic growth in this case is the balance of export strength and product quality. If the company gradually continues to make improvements, innovate and expand its business, then the condition of natural resources and human resources will move in balance.

As factors that influence economic growth, namely technological developments and education that need to be improved, so that the production of goods or services becomes more efficient(Rahman et al., 2022). Referring to the changing needs and lifestyles of global society which are now completely digital, the use of technology should be the company's main focus.Running hand in hand, economic growth and the socio-cultural sector also influence each other in its development(Amalia et al., 2023; Petrakis, 2013). Basically, economic growth is based on community activities which include viewpoints, behavior, and even work motivation.The Ministry of Industry in Indonesia is also starting to focus on continuing to improve the performance of the manufacturing industrial sector because it is the main driving force for national economic growth. Therefore, one of the strategic policies that continues to be implemented is downstream industry(Ministry of Industry, 2016).

Multiplier effectfrom industrial downstream activities that have been proven to be real, including increasing the added value of domestic raw materials, attracting incoming investment in the country, generating large foreign exchange from exports, and increasing the number of workforce absorption.(Nugraheni et al., 2021). However, several current challenges that need attention so that industrial downstream policies can run well, include the availability of competent human resources (HR), expanding international cooperation to fill new export markets such as Europe and Africa, providing incentive facilities, and strengthen negotiation skills and positions in an effort to face pressure from international trade and diplomacy.

On the other hand,The current high growth of MSMEs shows the high role of MSMEs in the economy, because the growth of MSMEs shows quite high potential for economic growth, thus providing business opportunities for the community to improve their welfare.(Ratnawati, 2020). The economic condition of a region can experience an increase or decrease by looking at changes in goods and services(Héraud, 2021). Economic activity is said to increase if economic conditions change continuously towards a better situation within a certain time(Woestho & Sulistyowati, 2021).

The Green Economy concept in the business world is currently being widely discussed because this concept is used to preserve the environment, for example replacing product packaging with environmentally friendly packaging, or replacing packaging that can be used repeatedly.(Al-Taai, 2021). Green Economy is an economic idea that aims to improve the welfare and social equality of society, as well as reduce the risk of environmental damage(Bappenas, 2014). The Green Economy Program aims to create an Indonesian economy that also focuses on environmental protection. This green economy can also be interpreted as an economy that produces low or no carbon dioxide emissions to the environment, saves natural resources, and is socially just.(Bappenas, 2021).

This program is designed to aim to increase Gross Domestic Product and living standards in a sustainable and fair manner, while also reducing pollution, building clean and resilient infrastructure, using resources more efficiently, and valuing natural assets that are often inaccessible. economics, although it has provided economic success and prosperity to humanity for centuries(Rounaghi, 2019). Apart from that, this program also acts as a facilitator that brings together the needs of various stakeholders, including the government, national and international investors, and project developers, so that green capital can flow.(Bappenas, 2021). Currently, some local MSMEs are already practicing the green economy with traditional values and local wisdom. By encouraging green economic practices, this will help economic recovery and expand job opportunities. Not only that, but also helps realize Sustainable Development Goals (SDGs)(Biby et al., 2023).

The elements of the Green Economy include Low Carbon, Green Growth, Green Technology, Green Energy, Green Products, Green Life, and Green Management(Bappenas, 2021; Shen et al., 2023). There are several benefits obtained by MSMEs in implementing the Green Economy concept, namely as an effort to preserve the environment through environmentally friendly product design and can create efficiency in raw materials, increase the economic value of products, and capture market opportunities for demand for environmentally friendly products.(Bappenas, 2021). The Green Economy concept can be measured from several indicators, namely green input, green process, green output, green marketing, and government policy(Sukhdev et al., 2015).

Green economy is a solution to deal with rapid economic growth accompanied by declining environmental quality and ecosystem damage(Brandl & Zielinska, 2020). This statement is also supported by several findings from previous research such as:(Al-Shetwi, 2022; Al-Taai, 2021; Aminata et al., 2022; He et al., 2022; Söderholm, 2020). The government needs to immediately implement green economy policies and increase individual awareness regarding environmentally friendly economic development, so that increased economic development can not only be felt now but can be prolonged and sustainable for future generations. From these explanations, the hypothesis of this research is as follows.

H1: Human resources have a significant effect on the social and cultural aspects of MSMEs
H2: Human resources have a significant effect on the downstreaming of the MSME industry
H3: Human resources have a significant effect on the economic growth of MSMEs
H4: Natural resources have a significant effect on the social and cultural aspects of MSMEs
H5: Natural resources have a significant effect on the downstreaming of the MSME industry

H6: Natural resources have a significant effect on the green economy of MSMEs
H7: Technological progress has a significant effect on the social and cultural aspects of MSMEs
H8: Technological progress has a significant effect on the downstreaming of the MSME industry
H9: Technological progress has a significant effect on the economic growth of MSMEs
H10: Social and cultural aspects have a significant effect on the economic growth of MSMEs
H11: The downstreaming of the MSME industry has a significant effect on the economic growth of MSMEs
H12: Green economy as a moderating variable in the relationship between socio-cultural aspects and downstreaming of the MSME industry and MSME economic growth

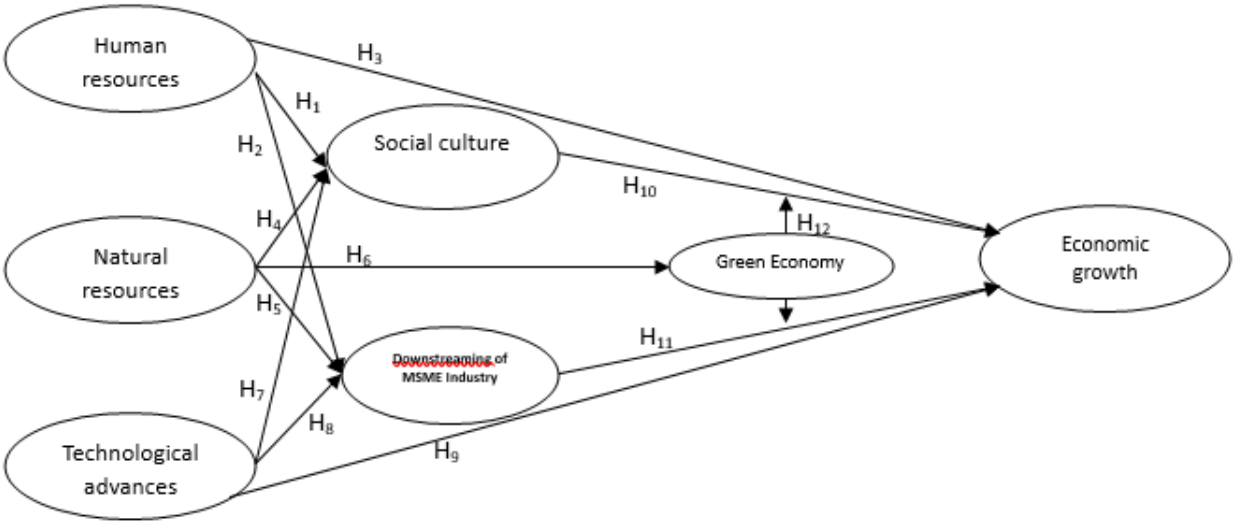


Figure 1. Research model framework

RESEARCH METHOD

This research uses data analysis that is adapted to the research pattern and variables studied. The model used in this research is a causality model and is to test the proposed hypothesis. Meanwhile, the analysis technique used is SEM (Stuctural Equation Modeling) which is operated through the AMOS 24 application. SEM is a multivariate statistical technique which is a combination of factor analysis and regression (correlation) analysis, which aims to test the relationships between variables that exist in a model, be it between indicators and constructs, or relationships between constructs. A quantitative approach is used to search for detailed factual information regarding current symptoms and identify problems or to obtain justification for ongoing conditions and activities.(Jaya, 2020). This approach was used to determine the influence between variables in this research.

The population of this research uses MSMEs in the manufacturing industry in the city of Surabaya. The city of Surabaya was chosen because this city is called a "megapolitan city" in Indonesia, so the economy in this city is very large. Because the population size is not yet known with certainty, the researchers did simple random sampling technique, which is a simple technique for taking sample members from a population randomly without looking at and paying attention to the similarities or standards that exist in the population. In general, it is said that using SEM requires a large sample size. The sample size for model testing using SEM is a minimum of 100 samples(Ferdinand, 2015). This research uses a questionnaire assessment using a Likert scale (1-5). The following is an explanation of each measurement of the research variables.

Table 1. Measurement of research variables

Variable	Indicator	Measurement
Human resources	1. Level of education 2. Innovative capabilities 3. Punctuality	Likert scale
Natural resources	1. Availability of natural resources 2. Impacts caused by the presence of natural resources	Likert scale
Technological advance	1. Utilization of social media 2. Utilization of E-money	Likert scale
Social culture	1. Organizational work culture 2. Social culture	Likert scale
Downstreaming of MSME Industry	1. Industrial transportation facilities and infrastructure 2. Technological modernization 3. Availability of raw materials 4. Workforce professionalism	Likert scale
Green economy	1. Economy 2. Environment 3. Social	Likert scale
Economic growth	1. Growth in people's income 2. Regional GDP growth 3. Regional quality of life index	Likert scale

The analysis method in this research uses the structural equation modeling method with the help of the Amos 24 statistical test tool. There are several steps that can be taken to test whether the SEM model is feasible or not. The first is to test the characteristics of the respondents, then test the validity and reliability of the data. The next step is to carry out a fit test based on fit indices. The fit indices used in SEM are Absolute Fit Indices. Measuring tools in Absolute Fit Indices are usually: Chi-Square (CMIN), RMSEA (The Root Mean Square Error of Approximation), GFI (Goodness of Fit Index), TLI (Tucker Lewis Index), CFI (Comparative Fit Index), and CMIN/DF. Thus, the indices that can be used to test the feasibility of a model are as follows.

Table 2. Indicator of the feasibility of a model

Goodness of Fit Indices Cut-Off Value	Goodness of Fit Indices Cut-Off Value
Chi-Square	Expected to be small
Probability	≥0.05
RMSEA	≤0.08
GFI	≥0.90
AGFI	≥0.90
CMIN/DF	≤2.00
TLI	≥0.95
CFI	≥0.95

RESULTS AND DISCUSSIONS

As explained in the previous chapter, research data collection was carried out using questionnaire techniques to research respondents, namely MSMEs in the manufacturing industry in the city of Surabaya. Researchers distributed questionnaires via Google Form to 200 respondents, but only 100 questionnaires were returned and completely filled out. This data is then subjected to a tabulation and testing process. Testing the analysis data with the help of the AMOS 24 computer statistical program. Below are the test results.

Table 3. Respondent characteristics

Respondent gender	Total
Male	50

Female	50
Respondent's educational background	
High school seniors	35
Diploma	30
Bachelor's degree	35
Respondent's length of business	
11-15 years	55
>15 years	45
Number of employees	
41-75 employees	55
>75 employees	45
Total respondents	**100**

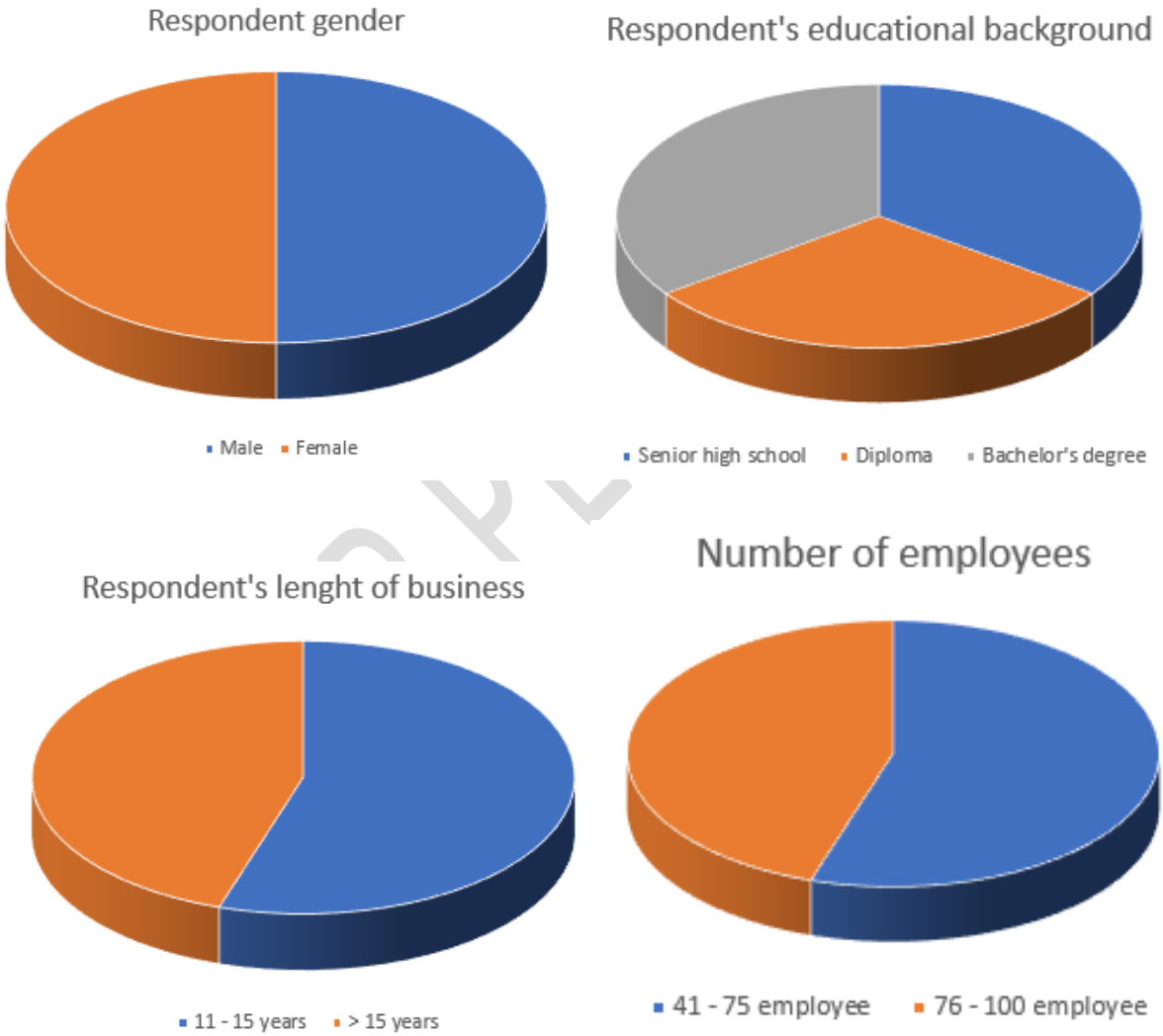


Fig 2. Graphical representation of Respondent's characteristics

Based on table 2 above, it can be concluded that the respondents in this study consisted of 50 male respondents or 50% and 50 female respondents or 50%. This shows that the number of respondents for this research was 100 respondents. Then, the educational backgrounds obtained by these respondents varied, ranging from 35 respondents to senior high school graduates, 30 respondents to diploma

graduates, and 35 respondents to bachelor's degree graduates. Next, the length of business of the respondents used as samples for this research ranged from 11 years to more than 15 years, but the sample data obtained was dominated by MSME businesses whose length of business was between 11-15 years. All businesses run by these respondents have various numbers of employees, ranging from 41 to 100 employees. The sample data for this research is dominated by MSMEs which have a number of employees in the range of 41-75 employees.

a) Validity and Reliability Test

The survey data that has been obtained is carried out first, namely the validity and reliability test to determine the accuracy of the data that has been tabulated. The test results are explained in table 4 below.

Table 4. Data validity and reliability test results

Variable	Items	Correlation (r)		Coefficient	
		r	Status	Alpha	Status
Human resources (X1)	X1.1	0.774	Valid	0.806	Reliable
	X1.2	0.888	Valid		
	X1.3	0.803	Valid		
	X1.4	0.592	Valid		
	X1.5	0.808	Valid		
Natural resources (X2)	X2.1	0.770	Valid	0.798	Reliable
	X2.2	0.767	Valid		
	X2.3	0.730	Valid		
	X2.4	0.751	Valid		
	X2.5	0.743	Valid		
Technological advance (X3)	X3.1	0.777	Valid	0.813	Reliable
	X3.2	0.888	Valid		
	X3.3	0.767	Valid		
	X3.4	0.743	Valid		
	X3.5	0.821	Valid		
Social culture (Z1)	Z1.1	0.726	Valid	0.768	Reliable
	Z1.2	0.703	Valid		
	Z1.3	0.706	Valid		
	Z1.4	0.598	Valid		
Downstreaming of MSME Industry (Z2)	Z2.1	0.548	Valid	0.705	Reliable
	Z2.2	0.535	Valid		
	Z2.3	0.608	Valid		
	Z2.4	0.727	Valid		
	Z2.5	0.777	Valid		
Green economy (Z3)	Z3.1	0.744	Valid	0.800	Reliable
	Z3.2	0.778	Valid		
	Z3.3	0.737	Valid		
	Z3.4	0.769	Valid		
Economic growth (Y)	Y1.1	0.818	Valid	0.810	Reliable
	Y1.2	0.862	Valid		
	Y1.3	0.822	Valid		
	Y1.4	0.841	Valid		
	Y1.5	0.738	Valid		

Based on table 4, it shows that all question items from the variables studied are in accordance with the provisions that have been determined, namely the calculated r value > r table, so that with 100 questionnaire data, the degree of freedom equation (DF = N-2) is used. or DF = 100-2 = 98, then the r table value of 148 is 0.198. This result means that all statement items are completely valid and can be used in research. Meanwhile, based on the results of the reliability test, it is known that the Cronbach's

alpha value for all variables is greater than the standard reliability test provisions.that is0.70(Sugiyono, 2018).High or low reliability is expressed by a value called the reliability coefficient, ranging between 0-1. The reliability coefficient is denoted r_x where x is the index of the case being searched for. Reliability testing uses Cronbach's Alpha formula, as follows.

$$r_x = \left(\frac{n}{n-1}\right)\left(1 - \frac{\sum \sigma_t^2}{\sigma_t^2}\right)$$

r_x =the reliability sought
n =number of question items
$\sum \sigma_t^2$ =the amount of variance in the scores for each item
σ_t^2 =total variance

Cronbach's Alpha Value Range, ie

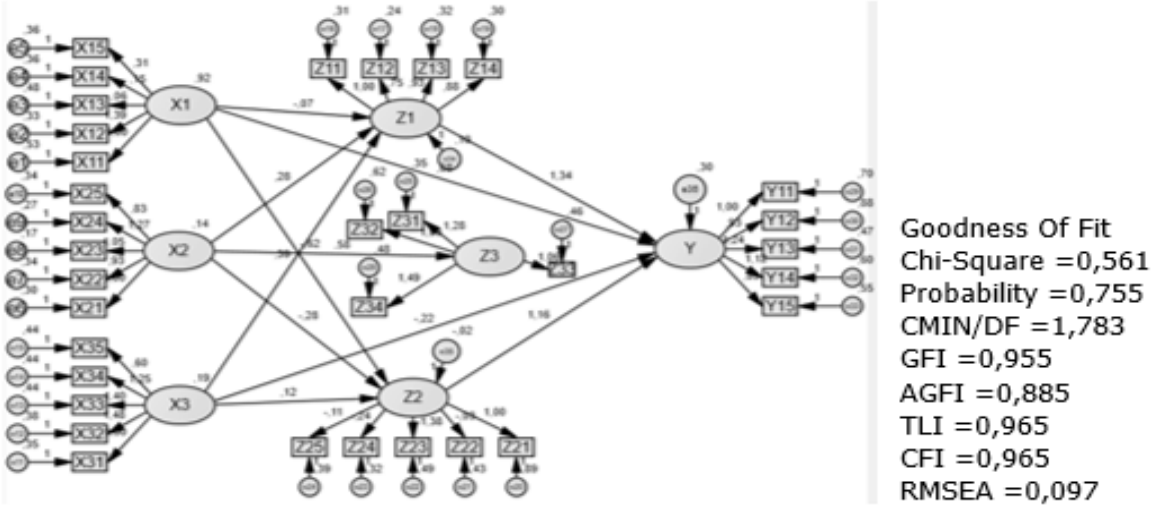
- alpha < 0.50 low reliability
- 0.50 < alpha < 0.70 moderate reliability
- alpha > 0.70 then reliability is sufficient (sufficient reliability)
- alpha > 0.80 then reliability is strong
- alpha > 0.90 then reliability is perfect

The smaller the alpha value indicates the more items are unreliable. The standard used is alpha > 0.70 (sufficient reliability). Based on test data resultsshows that all statement items from all variables are valid and reliable and can be used in research.

b) SEM (Structural Equation Modeling) Test

Figure 3 shows the output results of the data test model that has been carried out with the help of Amos 24, as well as information about the statistical values of the hypothesis results that have been carried out, it looks as follows.

Figure 3. Goodness of Fit Test



There is no single statistical test tool to measure or test hypotheses in SEM. Researchers can carry out tests using several goodness of fit indices to measure whether or not the "correctness" of the proposed model is good(Joe F. Hair et al., 2012). Below we will review several goodness of fit indices and their cut-off values used in this research which will later be used to test whether a model can be accepted or rejected.

Chi Square ($\chi 2$). This test measures whether there is a difference between the population covariance matrix and the sample covariance matrix. Ho in this test states that the population covariance matrix is the same as the sample covariance matrix. A good model is if Ho is accepted, so the model being tested will be considered good if the chi square value is low and has a probability with a cut-off value of $p > 0.05$(Holmes-Smith, 2001).

The Root Mean Square Error of Approximation (RMSEA). This test is used to compensate for the chi-square statistic in large samples. RMSEA shows the goodness of fit of the model estimated in the population. The model is acceptable if the RMSEA value is ≤ 0.08(Byrne, 2016)

The Goodness of Fit Index (GFI). GFI is analogous to R2 in multiple regression. The GFI goodness-of-fit index is used to calculate the weighted proportion of the variance in the sample covariance matrix that is explained by the estimated population covariance matrix. The range of GFI values is between 0 and 1, values exceeding 0.90 indicate a good model(Joreskog & D. Sorbom, 1996).

Tucker Lewis Index (TLI). This test is an alternative incremental fit index that compares a model being tested against a baseline model. The recommended value for accepting a model is ≥ 0.90 and if the model is closer to one it indicates a very good level of model suitability.(JF Hair et al., 1998).

The Comparative Fit Index (CFI). This test together with the TLI is recommended to be used in model assessment because this index is relatively insensitive to sample size and is less influenced by model complexity. The CFI value ranges from 0 to 1. A good model has a CFI value ≥ 0.95, however a value above 0.90 is acceptable(Holmes-Smith, 2001).

Based on the results of the goodness of fit index test that was carried out previously, it was concluded that the structural equation model in this study was fit. The following is a picture of the results of the Structural Equation Model (SEM):

Figure 4. SEM test

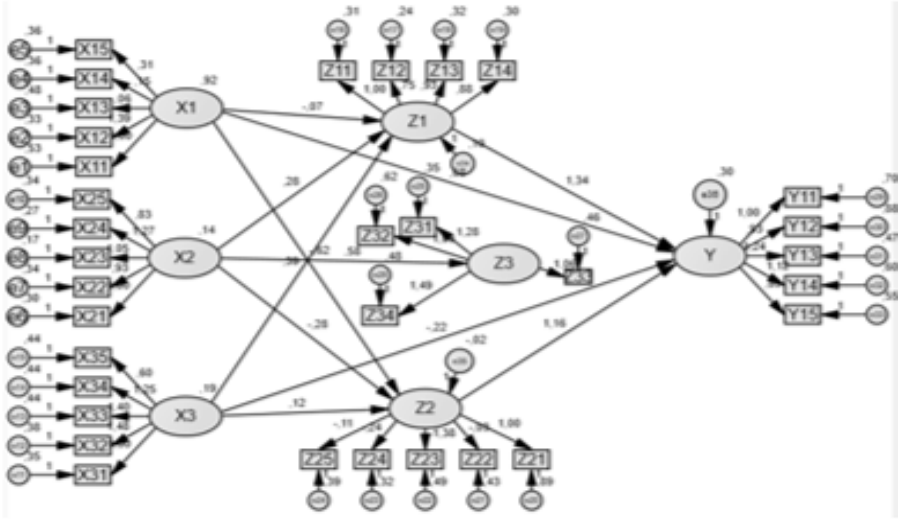


Table 5. Structural Equation Model (SEM) Estimation Results

Hypothesis	Regression Path	Regression Coefficients	Standard Error	t-count	Prob.	Information
H1	X1-Z1	0.185	0.089	4,083	0,000	Significant
H2	X1-Z2	0.246	0.111	2,176	0.021	Significant
H3	X1-Y	0.378	0.099	2,412	0.032	Significant
H4	X2-Z1	0.179	0.211	3,717	0.001	Significant
H5	X2-Z2	0.314	0.133	3,122	0.032	Significant
H6	X2-Z3	0.184	0.255	3,355	0.022	Significant
H7	X3-Z1	0.255	0.281	2,078	0.032	Significant
H8	X3-Z2	0.280	0.129	2,900	0.045	Significant
H9	X3-Y	0.197	0.222	4,861	0.044	Significant
H10	Z1-Y	0.269	0.192	3,237	0.029	Significant

H11	Z2-Y	0.275	0.872	3,654	0.038	Significant
H12	Z1-Z2-Z3-Y	0.384	0.319	3,826	0.011	Significant

Source: Structural Equation Modeling (SEM) Data Processing Results, 2023.

Based on the results of calculations using the AMOS 24 computer statistical program, the results showed that the probability value between the influence of human resources on the social and cultural aspects of MSMEs; Human resources for the downstreaming of the MSME industry; Human resources on the economic growth of MSMEs; Natural resources on the social and cultural aspects of MSMEs; Natural resources for the downstreaming of the MSME industry; Natural resources for the green economy of MSMEs; Technological progress on the social and cultural aspects of MSMEs; Technological progress towards the downstreaming of the MSME industry; Technological progress on the economic growth of MSMEs; Socio-cultural aspects of the economic growth of MSMEs; The downstreaming of the MSME industry towards the economic growth of MSMEs; Green economy as a moderating variable in the relationship between social cultural aspects and the downstreaming of the MSME industry and MSME economic growth has a level of significance < 0.05, so that all variables have a significant effect.

CONCLUSIONS

Based on the results of the tests that have been carried out, it is concluded that all the hypotheses prepared have a significant influence, starting from the influence of human resources on the social and cultural aspects of MSMEs; Human resources for the downstreaming of the MSME industry; Human resources on the economic growth of MSMEs; Natural resources on the social and cultural aspects of MSMEs; Natural resources for the downstreaming of the MSME industry; Natural resources for the green economy of MSMEs; Technological progress on the social and cultural aspects of MSMEs; Technological progress towards the downstreaming of the MSME industry; Technological progress on the economic growth of MSMEs; Socio-cultural aspects of the economic growth of MSMEs; The downstreaming of the MSME industry towards the economic growth of MSMEs; and the Green economy variable as a moderator in the relationship between socio-cultural aspects and the downstreaming of the MSME industry and the economic growth of MSMEs. This finding means that the downstream economic policy, apart from supporting economic growth, also provides added value and diversification of Indonesia's superior export products. The downstreaming of various commodities also supports the Green Economy in Indonesia. This industrial downstream policy is also an important foundation for advancing the Indonesian economy in making leaps in Indonesia's economic growth globally.

Downstreaming natural resources can also support the realization of a green economy in Indonesia. As one of the countries in the world with high natural resource potential, the Government needs to become a Global Key Player in the commodity-based downstream industry. The government also needs to focus the commodity downstream industry into 3 groups, namely agro-based industries such as the oleochemical industry, mineral mining-based industries such as the mineral and metal smelter industry, and oil and gas and coal-based industries. Because for Indonesia, anyone, any country, any international organization, cannot stop our desire for industrialization, for downstream exports from raw goods to semi-finished or finished goods, because we want added value to exist within the country.This also has an impact on increasing the added value obtained from downstream policies so greatly. Important benefits to be gained from implementationThis natural resource downstream policy, namely increasing Indonesia's per capita income more than double within the next 10 years (2033).Two other important things that have caused Indonesia to become a developed country are the development of human resources due to the demographic bonus and the downstream industry.

It is hoped that the results of this research can become supporting material for the next Indonesian government to continue the industrial downstream policy until Indonesia becomes a developed country.

There are other impacts of this downstream industry policy as wellwill open up more job opportunities in Indonesia.The weakness of this research is that it is difficult to find respondents from MSME actors in Surabaya who have implemented industrial downstreaming based on a green economy. MSME players really need enlightenment regarding this industry downstream policy so that they can fully support the implementation of the industry downstream policy, apart from that, the capital of MSME players needs to be strengthened again due to the Covid pandemic, and to start downstreaming their industry. It is recommended that future research can fill this gap by continuing to research the effectiveness of implementing downstream policies for MSMEs in Indonesian regions.

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