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Green Capabilities Mediate the Effect of Green Supply Chain Management Practices on Farmers Business Performance and Vegetable Non-Pesticide (Study on “Lestari” Women Farmer Group in Bantul Regency)

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Abstract. The purpose of this research to find out and analyze the influence of Green Supply Chain Management consisting of Green Policy, Green Purchasing, and Green Packaging on Business Performance consisting of Environmental Performance and Economic Performance through Green Capabilities on non-pesticide fruit and vegetable farmers. The sampling technique used is the census method with a total of 60 respondents. Respondents in this study were all members of the KWT (*Kelompok Wanita Tani/ Women Farmer Group*) “Lestari” in Bantul Regency, Yogyakarta. The type of research conducted is survey research. The data analysis technique in this study was divided into descriptive analysis and quantitative analysis using Partial Least Square (PLS) analysis with the help of the SmartPLS 3.2.9 program. The results of this study indicate that Green Policy and Green Packaging have a significant positive effect on Business Performance; Green Purchasing has a significant negative effect on Business Performance; Green Policy and Green Purchasing have a significant positive effect on Green Capabilities; Green Packaging has a significant negative effect on Green Capabilities; and Green Policy and Green Purchasing have a significant positive effect on Business Performance through Green Capabilities.

Keywords. Green Supply Chain Management, Green Capability, Environmentally Friendly Policies, Green purchases, Environmentally Friendly Packaging, Green Purchasing, Environmental Performance, Economic performance, KWT Lestari.

1. Introduction

The sectors that continue to grow and contribute to the decline in the quality of the world's environment are industrial processes, transportation, waste, agricultural products, land use, and others. This certainly needs serious attention from companies to manage industries that pay attention to environmental sustainability. This is getting more serious because it is also supported by Law no. 3 of 2014 concerning environmental sustainability (Pemerintah Republik Indonesia, 2014). Globalization has an impact on the level of business competition that is increasingly competitive and has changed the phenomenon of business competition which is no longer based on the ability of individual companies, but based on the supply chain (Kusmantini, Haryono, Untoro, & Setiawan, 2018). However, when viewed from the company's perspective, of course companies have a desire to continuously improve their company's performance (firm performance). Company performance is a result made by management continuously (Helfert, 2019). Integrating across the various functional units of the company is an important step towards the competitive advantage of the company. This may have been sufficient in the past but is no longer sufficient in today's competitive environment. Joint collaboration, coordination, integration, and decision making between different functional units within the same organization is required to lower costs, reduce lead times, and differentiate from competitors (Ghofar, Kundarto, Sugandini, Ekawati, & ..., 2020). The company's performance can be maximized if the company pays attention to environmental factors (environmental performance) while remaining profit-oriented (economic performance). Both of these things can be achieved if the company implements green supply chain management (Chiu & Hsieh, 2016). The scarcity of natural resources forces business managers to change the supply chain strategy to be oriented with environmental perspective. Supply chain management development plays an important role in choosing the appropriate green strategies to improve environmental, economic and social performance and gain competitive advantage (Mutingi, 2013; Touboullic & Walker, 2016) in (Sugandini, Muafi, Susilowati, Siswanti, & Syafri, 2020). The practice of green supply chain management is one of the important strategies for companies to be able to provide environmentally friendly products and be responsible for the environmental impacts caused by the production process (green capability). One of the green industries that is currently in great demand is organic farming. This is evidenced by the large demand for organic products that even exceeds the capacity of the land owned by farmers, as can be seen in the following graphic:

Figure 1. Market Growth and Organic Farmland
Europe: Market growth and area growth compared
2000-2017

Source: FiBL/AMI

Source: FiBL Statistics (2021)

One form of the government's role, especially Bantul Regency in responding to market demand, providing environmentally friendly products, and prospering the community is to form several farmer groups directed at cultivating non-pesticide plants, one of which is the Women Farmers Group (KWT) Lestari. This women's farmer group is located in Kepek Village, Timbulharjo Hamlet, Sewon District, Bantul Regency, Yogyakarta. Based on observations, preliminary research and interviews from several sources, it was found that KWT Lestari members plant non-pesticide plants in their respective members' homes. This was done because of the limited land available in the KWT Lestari area. However, this is also considered more effective and efficient because each member is responsible for his own land.

The upstream activities of KWT Lestari started with a demand from a structured market. Thanks to the role of the relevant government, KWT Lestari already has a structured market consisting of PASTAB (Bantul Tani Market), markets around the Bantul area. Moreover, KWT Lestari also strives to fulfill the demands of their members and the surrounding stalls which also have a high interest in non-pesticide products. In the planting process, KWT Lestari uses seeds from non-pesticide plants, for fertilizer KWT Lestari uses organic fertilizer obtained from livestock, and for planting media KWT Lestari gets supplies in the form of sawdust from several wood craftsmen in Bantul Regency. Meanwhile for downstream activities, KWT Lestari collects the vegetables in one place and then sorts them based on quality and market demand and packs them with environmentally friendly packaging such as paper bags and leaves before being distributed to destination markets.

Performance measurement has an important role to set goals, evaluate performance, and determine actions for future programs (Gunasekaran, Patel, & McGaughey, 2004). Companies can achieve competitive advantage if they carry out optimal and good supply chain management (Ilmiyati & Munawaroh, 2016). The selection of good and correct suppliers as raw materials for production at KWT Lestari is also very concerned to maintain product quality to be of higher quality, according to research conducted by (Segara, Kusmantini, & Utami, 2019). Supply chain management is all parties involved, either directly or indirectly, in fulfilling consumer orders and requests (Chopra & Meindl, 2011). Therefore, KWT Lestari needs to evaluate its environmental-based supply chain to be able to improve performance. Based on initial observations, there are at least 3 aspects of green supply chain management that have been implemented by KWT Lestari, namely green policy because it is based on the Bantul district government program, green purchasing because it buys fertilizers and planting media that are environmentally based, as well as environmentally friendly packaging (green packaging) because the packaging is based on paper bags and leaves. All parties in the supply chain should also have a role so that the capability of KWT Lestari can be increased, which in turn will have an impact on environmental performance and economic performance.

This research focuses on the assessment of environmental performance and economic performance. Environmental performance was chosen because green products are expected to have a positive impact on environmental sustainability. During this time companies mostly produce goods and services to meet needs, businesses use limited resources and cause environmental pollution by producing hazardous waste, air, water, and soil that are released into the environment (Azapagic, 2003). Environmental performance measures a company's ability to reduce pollution, reduce waste, prevent the use of hazardous substances and reduce environmental damage. And economic performance was chosen because every company is actually profit-oriented. Economic performance is related to the company's ability to reduce costs associated with purchased materials, energy consumption, waste treatment, waste disposal, and fines for environmental damage (Zhu, Sarkis, & Lai, 2008). However, not all

researchers who have conducted previous research stated that companies that apply environmentally friendly concepts will have better economic performance than conventional companies. Both aspects of the company's performance (environmental and economic) are superior in this study because the most common problems are related to the environment and the company's economy. The problem with KWT Lestari's economic performance is that the KWT Lestari's achievement has not been maximized.

The company's performance will increase if the company has a good and structured supply chain (Sezen dan Cankaya, 2019). The supply chain is all activities related to the flow and transformation of goods and services from the raw material stage to the end user (customer), as well as the flow of related information (Russell & Taylor, 2019). Green supply chain management includes green design, green purchasing, green production, green distribution, logistics, marketing and reverse logistics (Srivastava, 2007). The green supply chain concept covers all phases of a product life cycle, from the extraction of raw materials through the design, production and distribution phases, to the consumer's use of the product and its disposal at the end of the product life cycle (Halliday, Resnick, dan Walker, 2013). If KWT Lestari is able to implement a green supply chain well, it is hoped that KWT Lestari will be able to have the capability to produce green products that will form a better environmental performance because it does not harm the environment and form good economic performance because the income of KWT Lestari members will increase.

One of the environmentally friendly aspects of KWT Lestari is environmentally friendly policies, namely organizational or government commitment to laws, regulations, and other policy mechanisms related to environmental issues (Chiu & Hsieh, 2016). KWT Lestari's commitment to their products is also a form of compliance with one of the government programs. The government through the Ministry of Agriculture (Kementan) is now again promoting organic agriculture because it is recognized as having better ecological benefits. This system is able to improve the quality of degraded land due to the continuous use of inorganic fertilizers. This system also avoids the health and ecological impacts of chemical pesticide residues, so as to create a healthy and quality Indonesian society. In its upstream to downstream activities, KWT Lestari always manages its vegetable products by complying with applicable regulations, especially regarding the use of pesticides on vegetables. KWT Lestari in the production process does not use pesticides and other chemicals to make plants fertile. This certainly has positive and negative impacts for vegetable farmers, where the positive impact is that the vegetables produced are healthy and safe for consumption, but the negative impact is that vegetable farmers have difficulty dealing with plant pests that attack. Difficulties in dealing with these pests are often experienced by members of KWT Lestari in order to comply with the green policy. Although difficult, this matter is still heeded because, KWT Lestari members believe it will have a positive impact on performance. This is also supported by proprietary research (Li, Nginiatedema, & Chen, 2017).

The next aspect that is applied by KWT Lestari is the green purchasing aspect, where KWT Lestari always buys plant seeds, planting media, and organic fertilizers that are quality and safe for consumption by consumers. Implementing green purchasing will certainly have an impact on performance (Green et al., 2012). However, the problems experienced by KWT Lestari are the price of organic seeds that are more expensive than seeds in general and also the cost of managing seeds to become ready-to-eat vegetables which tend to be more expensive, and if KWT Lestari only buys fertilizer in relatively small quantities, farmers tend to losers. This of course poses a risk to market demand from KWT Lestari because the price of vegetables is more expensive than non-organic vegetables.

In addition to paying attention to government regulations regarding environmentally friendly policies and environmentally friendly purchases, KWT Lestari also focuses on packaging their products to keep them friendly to the environment. KWT Lestari uses environmentally friendly product packaging, namely with leaves and paper bags to wrap vegetables, but the problem is that the shelf life of vegetables is reduced due to minimal use of plastic. So for some reasons, KWT Lestari uses plastic for its packaging, even though its use is minimized. In order to minimize the use of plastic, KWT Lestari usually sets harvesting and distribution distances in the shortest possible time, so that the vegetables will look fresh when they arrive at the destination market. By focusing not only on the planting process, but also on packaging, KWT Lestari hopes that this will be able to improve the company's performance. This is also in line with the research by Sezen & Cankaya (2019) which states that environmentally friendly packaging will improve environmental performance and economic performance.

Better implementation of green supply chain management will certainly have an impact on better production capabilities as well. With maximum production capability, it is expected that KWT Lestari's performance will also be maximized. Increasing green capability will certainly have a significant effect on company performance (Foo, Kanapathy, Zailani, & Shaharudin, 2018). Based on the description of the problems, phenomena and related research gaps, this research is important to do. The reason is because KWT Lestari is a company that produces organic vegetables by emphasizing whole green supply chain management from upstream to downstream but there are still various obstacles and difficulties that occur that have an impact on their company's performance. Then this study wants to prove whether the company's performance can really improve if implementing green supply chain policies, especially green supply chain policies, green purchasing, and environmentally friendly packaging. Considering that there are still several obstacles experienced by KWT Lestari in implementing green supply chain management. And this research is different from previous studies because this study discusses the environmentally friendly aspects implemented by KWT Lestari with the support of green capabilities that have an impact on company performance.

2. Framework Model and Research Hypothesis

Figure 2. Framework Model

Souce: (Bagur-Femenias et al.,2015; Chiu & Hsieh, 2016; Sezen & Cankaya, 2019)

From the picture above, it can be seen that the independent variable in this study is Green Supply Chain Management which consists of Environmentally Friendly Policies (X1), Green Purchasing (X2), and Environmentally Friendly Packaging (X3). Then for the mediating variable in this study is Green Capability (Z). Meanwhile, the dependent variable in this study is Company Performance which consists of Environmental Performance (Y1) and Economic Performance (Y2).

Based on the relationship between the variables that have been described, the hypothesis of this research can be arranged as follows:

- H1a: Environmentally Friendly Policies have a positive effect on Company Performance
- H1b: Green Purchase has a positive effect on Company Performance
- H1c: Environmentally Friendly Packaging has a positive effect on Company Performance
- H2a: Environmentally Friendly Policies have a positive effect on Green Capabilities
- H2b: Green Purchase has a positive effect on Green Capabilities
- H2c: Environmentally Friendly Packaging has a positive effect on Green Capabilities
- H3: Green Capability has a positive effect on Company Performance
- H4a: Environmentally Friendly Policies have a positive effect on Company Performance through Green Capabilities
- H4b: Green Purchasing has a positive effect on Company Performance through Green Capability
- H4c: Environmentally Friendly Packaging has a positive effect on Company Performance through Green Capabilities

3. Research Methodology

This research uses research type with quantitative approach with survey method. The type of research conducted is survey research (survey research). The population in this study were all members of KWT Lestari in Bantul Regency. The sample selection method in this study was using the census method. Based on secondary data owned by KWT Lestari, the sample in this study amounted to 60 respondents. The data collection technique in this study was using the questionnaire method. The variable measurement scale in this study uses a Likert scale. The instrument test in this study was using a validity test (viewed from convergent validity, discriminant validity, average variance extracted (AVE) and reliability (viewed from the composite reliability and cronbach alpha values). The data analysis technique in this study was divided into descriptive analysis. and quantitative analysis using Partial Least Square (PLS) analysis.

4. Result

4.1 Measurement Model Test Results (Outer Model)

In the evaluation of the outer model will be tested for convergent validity, discriminant validity, average extracted variance (AVE), composite reliability, and Cronbach alpha.

4.1.1 Convergent Validity

Table 1. Loading Factor

Variable		Item	Loading Factor	Information
Green Supply Chain Management (X)	Environmentally Friendly Policies (X1)	KWT Lestari always handles waste properly	0.905	Valid
		KWT Lestari always takes good care of production equipment and equipment	0.915	Valid
		KWT Lestari always uses environmentally friendly products in the production process	0.927	Valid
		KWT Lestari always uses environmentally friendly fuel	0.907	Valid

Variable		Item	Loading Factor	Information
	Green Purchase (X2)	Purchase of raw materials for KWT Lestari is made to suppliers who are committed to preserving the environment	0.894	Valid
		KWT Lestari always cooperates with suppliers for environmental sustainability	0.899	Valid
		KWT Lestari selects suppliers with environmental criteria	0.942	Valid
	Environmentally Friendly Packaging (X3)	KWT Lestari chose to do simple packaging	0.959	Valid
		KWT Lestari chooses to do packaging with easily biodegradable packaging	0.932	Valid
		KWT Lestari chooses to do packaging with recyclable packaging	0.954	Valid
Business Performance (Y)	Environmental Performance (Y1)	KWT Lestari members become more prosperous after focusing on environmentally friendly products	0.922	Valid
		Waste from KWT Lestari is reduced after focusing on environmentally friendly products	0.923	Valid
		The environment around KWT Lestari is cleaner after focusing on environmentally friendly products	0.897	Valid
		The consumption of non-environmentally friendly raw materials from KWT Lestari is reduced	0.921	Valid
		Infectious diseases such as dengue fever around KWT Lestari are decreasing	0.928	Valid
	Economic Performance (Y2)	The cost of purchasing KWT Lestari seeds and fertilizers is reduced after focusing on environmentally friendly products	0.884	Valid
		KWT Lestari's energy consumption costs are reduced after focusing on environmentally friendly products	0.894	Valid
		KWT Lestari waste and waste costs are reduced after focusing on environmentally friendly products	0.855	Valid
		KWT Lestari's profits increase after focusing on eco-friendly products	0.876	Valid
		KWT Lestari's investment increases after focusing on environmentally friendly products	0.904	Valid
		KWT Lestari sales increase after focusing on environmentally friendly products	0.940	Valid

Variable	Item	Loading Factor	Information
Green Capability (Z)	KWT Lestari is able to produce environmentally friendly products	0.876	Valid
	KWT Lestari is able to produce with environmentally friendly procedures	0.901	Valid
	KWT Lestari always integrates environmental issues into business routines	0.807	Valid
	KWT Lestari always communicates environmental policies with partners	0.878	Valid

Source: primary data processed, 2021

Based on Table 1, it can be seen that the outer loading value is > 0.7 , so it can be concluded that the indicators that measure each variable do not need to be deleted and this study has met the convergent validity requirements.

4.1.2 Discriminant Validity

Table 2. Cross Loading

	X1	X2	Y1	Y2	X3	Z
X1.1	0.905	0.716	0.776	0.796	0.607	0.750
X1.2	0.915	0.789	0.811	0.844	0.722	0.753
X1.3	0.927	0.795	0.863	0.853	0.723	0.764
X1.4	0.907	0.715	0.746	0.756	0.641	0.684
X2.1	0.752	0.894	0.732	0.727	0.822	0.670
X2.2	0.750	0.899	0.705	0.710	0.696	0.767
X2.3	0.758	0.942	0.747	0.709	0.879	0.676
X3.1	0.699	0.853	0.752	0.739	0.959	0.577
X3.2	0.698	0.782	0.683	0.691	0.932	0.568
X3.3	0.707	0.856	0.698	0.672	0.954	0.553
Y1.1	0.786	0.740	0.922	0.899	0.692	0.864
Y1.2	0.810	0.753	0.923	0.864	0.755	0.745
Y1.3	0.827	0.731	0.897	0.816	0.652	0.853
Y1.4	0.751	0.710	0.921	0.868	0.711	0.750
Y1.5	0.847	0.732	0.928	0.897	0.639	0.874
Y2.1	0.731	0.676	0.786	0.884	0.609	0.748
Y2.2	0.812	0.730	0.880	0.894	0.724	0.703
Y2.3	0.823	0.681	0.827	0.855	0.653	0.780
Y2.4	0.737	0.689	0.863	0.876	0.720	0.695
Y2.5	0.854	0.722	0.861	0.904	0.617	0.820
Y2.6	0.804	0.703	0.846	0.940	0.638	0.791
Z1	0.600	0.612	0.689	0.665	0.421	0.876
Z2	0.808	0.757	0.898	0.830	0.602	0.901
Z3	0.745	0.639	0.764	0.754	0.562	0.807
Z4	0.620	0.652	0.710	0.667	0.457	0.878

Source: primary data processed, 2021

Based on Table 2, it can be seen that the value of the crossloading factor of each indicator on the variable is greater than the value of the crossloading factor with other variables. This shows that this research test has good discriminant validity so that it can be used for further research and analysis.

4.1.3 Average Variance Extracted (AVE)

Table 3. AVE Values

Variable		Criteria	AVE Value
Green Supply Chain Management (X)	Environmentally Friendly Policies (X1)	> 0.5	0.846
	Green Purchase (X2)	> 0.5	0.831
	Environmentally Friendly Packaging (X3)	> 0.5	0.900
Business Performance (Y)	Environment Performance (Y1)	> 0.5	0.834
	Economic Performance (Y2)	> 0.5	0.797
Green Capability (Z)		> 0.5	0.797

Source: primary data processed, 2021

Based on the test results above, it can be seen that the AVE value of each variable has a value > 0.5. This shows that each variable can be declared valid, so it can be used for further research.

4.1.4 Composite Reliability

Table 4. Composite Reliability

Variable		Criteria	Composite Reliability
Green Supply Chain Management (X)	Environmentally Friendly Policies (X1)	>0.7	0.953
	Green Purchase (X2)	>0.7	0.937
	Environmentally Friendly Packaging (X3)	>0.7	0.964
Business Performance (Y)	Environment Performance (Y1)	>0.7	0.964
	Economic Performance (Y2)	>0.7	0.959
Green Capability (Z)		>0.7	0.923

Source: primary data processed, 2021

From Table 4, it can be seen that the composite reliability value of each variable has a value > 0.7. This shows that each variable is declared reliable and can be used for further research and analysis.

4.1.5 Cronbach's Alpha

Table 5. Cronbach's Alpha

Variable		Criteria	Cronbach's Alpha
Green Supply Chain Management (X)	Environmentally Friendly Policies (X1)	≥ 0.7	0.934
	Green Purchase (X2)	≥ 0.7	0.898
	Environmentally Friendly Packaging (X3)	≥ 0.7	0.945
Business Performance (Y)	Environment Performance (Y1)	≥ 0.7	0.854
	Economic Performance (Y2)	≥ 0.7	0.949
Green Capability (Z)		>0.7	0.889

Source: primary data processed, 2021

Based on table 5, it can be seen that the Cronbach's alpha value of each variable has a value > 0.7 . this shows that each variable can be declared reliable, so that it can be used for further research and analysis.

4.2 Measurement Model Test Results (Inner Model)

In testing or evaluating the inner model in this study, the results of the goodness-of-fit test and path coefficient test will be explained.

4.2.1 Goodness-of-Fit Test

Table 6. Coefficient of Determination (R^2)

Variable	<i>R-Square</i>	<i>R-Square Adjusted</i>
Environment Performance (Y1)	0.722	0.708
Economic Performance (Y2)	0.867	0.857
Green Capability (Z)	0.902	0.895

Source: primary data processed, 2021

Based on the results of the study, it can be seen that the coefficient of determination of environmental performance is 0.722, meaning that the regression model of factors that affect environmental performance is 72.2%. While the coefficient of determination of economic performance is 0.867, meaning that the regression model of factors that affect economic performance is 86.7%. And the coefficient of determination of the green capability is 0.902, meaning that the regression model of the factors that affect the green capability is 90.2%.

4.2.2 Path Coefficient Test

Figure 3. Path Coefficient Result

Source: primary data processed, 2021

The second test is to see the significance of the effect of exogenous variables on endogenous variables by looking at the parameter coefficient values and the statistical significance value of t. Path coefficient evaluation is used to show how strong the effect or influence of exogenous variables on endogenous variables. P-value, then it is said to be significant (Yamin & Kurniawan, 2009). The path coefficient value in the Bootstrapping Algorithm report can be seen by selecting the path coefficient. Based on Figure 3, it can be explained that the largest path

coefficient value is indicated by the effect of green purchases on green capabilities of 0.648. Meanwhile, the smallest path coefficient value is indicated by the effect of environmentally friendly packaging on green capabilities of -0.380.

4.3 Hypotesis Test

Hypothesis testing can be done by looking at the value of t statistics and probability values. Acceptance or rejection of the hypothesis is done by (1) comparing the t statistic value with the t table and (2) looking at the p values (Hussein, 2015). To get the value of t table, the first step is to find the number of degrees of freedom (df) using the formula:

$$df = n - k - 1$$

$$df = 60 - 3 - 1$$

$$df = 56$$

Description:

df = degree of freedom

n = number of samples

k = number of independent variables

The t table value with a degree of freedom is 56 for the one-tailed test at a significance level of 5%, which is 1.67252 so that the hypothesis is accepted if the t statistic value is > 1.67252 and the p value is 0.05.

Table 7. Bootstrapping Results of Direct Effect

Variable	Original Sample	t-stats	p-value	Desc	Hypothesis
X1 → Y1	0.328	4.187	0.000	Significant	Accepted
X1 → Y2	0.502	5.096	0.000	Significant	Accepted
X2 → Y1	-0.320	2.937	0.003	Significant	Rejected
X2 → Y2	-0.292	2.097	0.036	Significant	Rejected
X3 → Y1	0.414	4.578	0.000	Significant	Accepted
X3 → Y2	0.350	3.317	0.001	Significant	Accepted
X1 → Z	0.554	4.178	0.000	Significant	Accepted
X2 → Z	0.648	3.678	0.000	Significant	Accepted
X3 → Z	-0.380	2.356	0.019	Significant	Rejected
Z → Y1	0.627	7.594	0.000	Significant	Accepted
Z → Y2	0.460	4.028	0.000	Significant	Accepted

Source: primary data processed, 2021

Based on table 7 it can be seen that the accepted hypotheses are H1a (Environmentally Friendly Policies have a positive effect on Company Performance), H1c (Environmentally Friendly Packaging has a positive effect on Company Performance), H2a (Environmentally Friendly Policies have a positive effect on Green Capabilities), H2b (Green Purchases have a positive effect on Green Capabilities), and H3 (Green Capabilities have a positive effect on Company Performance). Meanwhile, the rejected hypotheses are H1b (Green Purchases have a positive effect on Company Performance), and H2c (Environmentally Friendly Packaging has a positive effect on Green Capabilities).

Table 8. Bootstrapping Results of Indirect Effect

Variabel	Original Sample	<i>t</i> -stats	<i>p</i> -value	Desc	Hypothesis
X1 → Z → Y1	0.348	3.801	0.000	Significant	Accepted
X1 → Z → Y2	0.255	2.849	0.005	Significant	Accepted
X2 → Z → Y1	0.407	3.301	0.001	Significant	Accepted
X2 → Z → Y2	0.298	2.696	0.007	Significant	Accepted
X3 → Z → Y1	-0.239	2.261	0.024	Significant	Rejected
X3 → Z → Y2	-0.175	1.975	0.049	Significant	Rejected

Source: primary data processed, 2021

Based on table 8, it can be seen that the accepted hypotheses are H4a (Environmentally Friendly Policies have a positive effect on Company Performance through Green Capabilities), and H4b (Green Purchases have a positive effect on Company Performance through Green Capabilities) and while the rejected hypothesis is H4c (Environmentally Friendly Packaging has a positive effect on Company Performance through Green Capabilities).

5. Discussion

5.1 Environmentally Friendly Policies have a positive effect on Company Performance

Based on the results of testing the first hypothesis, it can be seen that there is a positive effect of environmentally friendly policies on company performance consisting of environmental performance and economic performance. A positive value in the parameter coefficient means that the higher the environmentally friendly policy, the higher the company's performance which consists of environmental performance and economic performance. This study strengthens the results of a previous study conducted by Li, Ngriatedema, dan Chen (2017) which states that green policy has a positive effect on environmental performance. Rehman dan Yu (2019) states that environmentally friendly regulations will improve the company's economic performance. As well as research belonging to Zhu dan Sarkis (2004) which states that there is a positive relationship between green supply chain management practices and increased economic performance and environmental performance. With all forms of laws and regulations that are closely monitored, what the company does to protect the environment will have an impact on increasing the company's added value to consumers. As added value exists, environmentally conscious consumers are willing to pay more for environmental sustainability. Based on this, the environmentally friendly policy affects the company's performance. Likewise in KWT Lestari, according to the results of short interviews and observations made by researchers, KWT Lestari members were very enthusiastic when they received training from KRPL Bantul Regency on organic plants. According to the chairman of KWT Lestari, this is because the members have been interested in organic plant cultivation for a long time, so that the implementation of environmentally friendly policies is carried out with a full sense of responsibility and there is no compulsion and can have a positive effect on the performance of KWT Lestari.

5.2 Green Purchases have a negative effect on Company Performance

Based on the results of testing the second hypothesis, it can be seen that there is a negative effect of green purchases on company performance consisting of environmental performance and economic performance. A negative value in the parameter coefficient means that the higher the purchase of environmental green at a certain limit, the lower the company's performance which consists of environmental performance and economic performance. This research is

contrary to research conducted by Bag, Ali, dan Venkatesh (2013) states that green purchases will have a positive impact on environmental performance and proprietary research Green et al. (2012) who stated that green purchases will improve economic performance. Based on the results of a brief interview at the time of observation, it was explained that green purchasing is an effort to purchase environmentally friendly products and avoid products that damage the environment, which has an impact on company performance. The purchase of environmentally friendly products by KWT Lestari has a significant negative impact to some extent. When products such as fertilizers, planting media and so on are purchased in small quantities, KWT Lestari is more likely to lose economically. According to the interview results, the example used is the purchase of fertilizer for consumer orders of 200 bunches of spinach which requires 5 sacks of fertilizer. If KWT Lestari buys organic fertilizer in small quantities for a small order, it will cause losses to KWT Lestari because basically KWT Lestari is able to make their own fertilizer because they have attended training. On the other hand, if it is in large quantities, it is more profitable to buy fertilizer. So that in this study green purchases have a negative and significant effect on company performance to a certain extent.

5.3 Environmentally Friendly Packaging has a positive effect on Company Performance

Based on the results of testing the third hypothesis, it can be seen that there is a positive packaging effect on the company's environmental performance which consists of environmental performance and economic performance. A positive value in the coefficient parameter means that the higher the environmental packaging, the higher the company's performance which consists of environmental performance and economic performance.

This study is similar to previous research belonging to Sezen dan Cankaya (2019) which states that environmentally friendly packaging has a significant effect on environmental performance and economic performance. Packaging products with biodegradable materials will enable the company to reduce materials that can damage the environment. In addition, the use of environmentally friendly materials will reduce production costs. This is due to the use of packaging in companies, especially in terms of agriculture. The farmers will use the plant residues that can be disposed of to become packaging for biodegradable products. By reducing production costs, economic performance will increase. This is what underlies environmentally friendly packaging has a significant effect on company performance. Likewise with KWT Lestari, where KWT Lestari also supports the statement that environmentally friendly packaging has a positive effect on company performance. Environmentally friendly packaging as an effort to use components for product packaging using natural materials, not damaging the environment and recyclable, including packaging on organic vegetable products at KWT Lestari. The packaging used by KWT Lestari so far is leaves and paper bags. This environmental-based packaging has an impact on the environment so that environmental-based company performance will increase.

5.4 Environmentally Friendly Policies have a positive effect on Green Capabilities

Based on the results of testing the fourth hypothesis, it can be seen that there is a positive effect of environmentally friendly policies on green capabilities. A positive value in the parameter coefficient means that the higher the environmentally friendly policy, the higher the green capability. This research is in line with the research from Chiu dan sHsieh (2016) which concludes that environmentally friendly policies have a significant effect on green capability.

Commitment to implementing environmentally friendly policies will cause the organization to be seen as superior and competitive so that it can achieve a strategic position. The policies that are made will also make the organization more efficient in its operations. Based on the results of short interviews and observations made by researchers, various regulations and policies are applied to KWT Lestari to maintain the products they produce. This policy is implemented directly by KWT Lestari with the aim of achieving the desired capability. KWT Lestari capability is the company's ability to use existing resources and knowledge to update and create green organizational capabilities within the KWT Lestari environment. In order to achieve green organizational capability independently, KWT Lestari is now able to create POAC independently, although it is still on a small scale.

5.5 Green Purchasing has a positive effect on Green Capabilities

Based on the results of testing the fifth hypothesis, it can be seen that there is a positive effect of green purchasing on green capabilities. A positive value in the parameter coefficient means that the higher the green purchase, the higher the green capability. The results of research conducted at this time are in line with research conducted by Irani, Kamal, Sharif, dan Love (2017) states that green purchasing has a positive effect on green capability.

Based on the results of interviews with KWT Lestari at the time of observation or observation, the green purchase in question is the purchase of raw materials such as organic fertilizers, soil, organic plant seeds and so on which will later be used as raw materials for organic vegetable products. Selection of good resources including raw materials that are in accordance with KWT Lestari's goal to produce quality vegetable products will certainly have an impact on their green capabilities. Green capability in KWT Lestari is the ability of business groups to use existing resources and knowledge to update and create green organizational capabilities. So that the purchase of resources with the right quantity will increase the green capability of KWT Lestari.

5.6 Environmentally Friendly Packaging has a negative effect on Green Capabilities

Based on the results of the sixth hypothesis test, environmentally friendly packaging has a negative and significant effect on green capability. This means that the decrease in environmentally friendly packaging to a certain extent will increase the green capability of KWT Lestari. The results of this study contradict research conducted by (Chiu & Hsieh, 2016) which shows that environmentally friendly packaging is proven to increase the capability of environmentally friendly companies. Environmentally friendly packaging has a positive influence on the company's green capability. Contrary to the results of the current study which states that the effect of environmentally friendly packaging on green capability is negative and significant. The negative impact on this research is in line with its application in KWT Lestari. KWT Lestari explained that packaging in small quantities still uses environmentally friendly packaging such as leaves and paper bags. However, when consumers buy organic vegetable products in large quantities, it is decided to use packaging with basic materials that are not environmentally friendly, namely single-use plastic, this has to be done to form more efficient packaging and plastic packaging is considered to be able to improve the quality of vegetables. durable. Of course this has an impact on the green capability of KWT Lestari in the use of packaging materials.

5.7 Green Capabilities have a positive effect on Company Performance

Based on the results of hypothesis testing, the research shows that there is a positive and significant effect of green capability on company performance. This means that the higher the

green capability, the higher the company's performance. This research is in line with research conducted by (Chiu & Hsieh, 2016) which shows that green capability is a signal of the aggressiveness of the company's competitiveness, capabilities and market position. According to this opinion, it can be said that if the company's green capability increases, the company's performance can also increase. The company's performance includes economic performance and environmental performance. In addition, this is supported by research conducted by Foo, Kanapathy, Zailani, dan Shahrudin (2018) which states that Green Capabilities affect the economic performance and environmental performance of companies, as well as proprietary research Bae (2017) which states that Green Capabilities affect environmental performance. Similarly, the results of interviews with KWT Lestari when researchers conducted observations where the chairman of KWT Lestari explained that KWT Lestari's ability to sort and select the resources to be used and existing knowledge to update and create green organizational capabilities in the KWT Lestari environment. The selection of resources such as organic seeds, organic fertilizers and so on creates a high green capability for KWT Lestari and has an impact on KWT Lestari's performance in producing quality products.

5.8 Environmentally Friendly Policies have a positive effect on Company Performance through Green Capabilities

Based on the results of hypothesis testing on the indirect effect, green capability is able to mediate the effect of environmentally friendly policies on company performance. This means that if environmentally friendly policies increase, the company's performance will increase through green capabilities. The results of this study are in line with research conducted by Li et al. (2017) as well as research conducted by Bae (2017). The research shows that green policies will improve environmental performance if mediated by green capabilities. Laws and regulations, especially regarding environmental sustainability, must be obeyed by companies, encouraging companies to become more efficient and have a strategic position. The company has more value compared to other companies. With more efficiency and a more strategic position, especially in the context of protecting the environment, it will encourage the company to work together to protect the surrounding environment. Then the environmental performance will increase. Based on the results of interviews with KWT Lestari by researchers during observations, KWT Lestari is indeed regular and always implements policies related to the environment. Vegetables that are produced without pesticides that endanger one's health are also a concern. The implementation of policies accompanied by the selection of the quality of the resources used as raw materials can improve the performance of KWT Lestari.

5.9 Green Purchasing has a positive effect on Company Performance through Green Capabilities

Based on the results of hypothesis testing with indirect effects, it shows that green capability is able to mediate the effect of green purchases on company performance. This means that if green purchases increase, the company's performance will increase through green capabilities. The results of this study are in line with research conducted by Bag et al. (2013) dan Bae (2017). This study shows that green capability is able to mediate the effect of green purchasing on performance. In addition, green purchases will lead to higher environmental performance (Green et al., 2012). Environmental performance can be generated and even predicted to be even greater if the company has green capabilities in its company. Companies that are more efficient and have a strategic position with environmental friendliness, companies will find it easier to impact the environmentally friendly purchasing process on environmentally friendly

environmental performance. As with the results of interviews with KWT Lestari by researchers during observations, KWT Lestari purchases raw materials with an emphasis on the environment, by purchasing and choosing the right resources, KWT Lestari's capability in making KWT as a green organization can increase so that organizational performance will also increase. . The purchase of fertilizers, planting media and healthy and quality plant seeds is highly considered by all members of KWT Lestari in order to produce quality vegetables. Not only that, KWT Lestari is also always committed to making these purchases to suppliers who have concern for the environment too.

5.10 Green Purchasing has a positive effect on Company Performance through Green Capabilities

Based on the results of testing the indirect effect hypothesis, environmentally friendly packaging has a negative and significant effect on company performance through green capabilities. This means that if green capability increases within a certain limit, it will reduce the effect of environmentally friendly packaging on company performance. The results of this study certainly contradict the research conducted by (Chiu & Hsieh, 2016) which shows that environmentally friendly packaging can increase the capabilities of environmentally friendly companies. Green packaging has a positive effect on the company's green capabilities and improves company performance. Contrary to the current research results which state that the effect of environmentally friendly packaging on company performance through green capabilities is negative and significant. Based on the explanation from the chairman of KWT Lestari, packaging in small quantities still uses environmentally friendly packaging such as leaves and paper bags. However, when a customer purchases a product in a larger quantity, KWT Lestari decides to use packaging with basic materials that are not environmentally friendly, from this phenomenon it can be seen that the application of environmentally friendly packaging from KWT Lestari is still limited to certain capabilities, the rest is still find it difficult to implement. This inconsistency of course also has an impact on the company's performance which consists of environmental performance and economic performance. Because environmental performance also becomes less than optimal, and economic performance also affects because they have to make purchases that are not friendly to the environment.

6. Conclusion

- Environmentally friendly policy variables and environmentally friendly packaging have a significant positive effect on the company's performance KWT Lestari.
- The green purchasing variable has a significant negative effect on the company's performance KWT Lestari.
- Environmentally friendly policy variables and green purchases have a significant positive effect on KWT Lestari's green capability.
- Environmentally friendly packaging variable has a significant negative effect on the green capability of KWT Lestari.
- Environmentally friendly policy variables and green purchases have a significant positive effect on the company's performance KWT Lestari through green capabilities.
- The variable of environmentally friendly packaging has a significant negative effect on the performance of the KWT Lestari company through green capabilities

7. Suggestions

Based on the conclusions above, it can be seen that there are three hypotheses that were rejected because they had a negative effect. The hypotheses in question are: Green purchasing has a significant negative effect on the company's performance KWT Lestari, environmentally friendly packaging has a significant negative effect on KWT Lestari's green capabilities, and environmentally friendly packaging has a significant negative effect on KWT Lestari's company performance through green capabilities. Green purchasing has a significant negative effect on environmental performance and economic performance, meaning that green supply chain management practices related to purchasing are not optimal. This is supported by the fact on the ground that self-reliance training for the provision of fertilizers and planting media has been carried out by KRPL, but in practice it has not been effective enough. Therefore, the researcher suggests that KWT Lestari needs to build cooperation with academics (universities), especially with the Agrotechnology study program for training in the manufacture of Liquid Organic Fertilizers (POC) and planting media. So that green purchases will be more focused on products that cannot be produced by themselves. This is expected to be able to save more on KWT Lestari expenses and can create products that are more friendly to the environment.

Environmentally friendly packaging has a significant negative effect on green capability, meaning that the environmentally friendly packaging applied by KWT Lestari is not optimal. This is supported by the fact on the ground that when there are customers who make purchases in large quantities, KWT Lestari members tend to wrap these products in non-environmentally friendly plastic for the reason that packaging is more efficient and the product lasts longer. This phenomenon shows that KWT Lestari's environmentally friendly packaging can only be done on a small scale capability. Therefore, researchers suggest that KWT Lestari cooperate with suppliers of used cardboard craftsmen in Yogyakarta, one of which is UD. Sregep who focuses on paper recycling business.

Environmentally friendly packaging has a significant negative effect on the company's performance KWT Lestari through green capabilities. In connection with the previously rejected hypothesis, if KWT Lestari has collaborated with recycled cardboard companies such as UD. Sregep is expected that KWT Lestari will not have problems when there are customers who make purchases in large quantities because the use of single-use plastics will be much reduced so that environmental performance will increase. More than that, the collaboration will also improve KWT Lestari's economic performance because purchases in large quantities and continue will certainly be more profitable for both parties.

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