

THE IMPLEMENTATION OF INNOVATIVE CORPORATE SOCIAL RESPONSIBILITY (CSR) MODEL IN INDONESIA

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ABSTRACT: Corporate Social Responsibility is an action or a commitment performed by a company as a responsibility towards the environment that the company is located in. This responsibility comprises of social, economic, and environmental dimensions. Corporate Social Responsibility attempts to contribute positive impacts or benefits to the society and its environment. The company and the society are not two separate entities that serve to exploit each other. Therefore, a company is expected to increase its awareness. Corporate Social Responsibility in Indonesia is regulated in PP No. 47, Year 2012 Article 4, Section 1 which states that “Social and environmental responsibilities are executed by the directors based on the company’s annual work plan after receiving approval from the board of commissioners or RUPS in accordance with the company constitution, unless determined otherwise in the legislation”. There are different forms of Corporate Social Responsibility, from educating the importance of healthy living, free education, to empowering society. Corporate Social Responsibility becomes a path for companies to create awareness towards social responsibility in order to protect market share, shareholders, and the company’s sustainability for the future. A sustainable success of Corporate Social Responsibility’s programs highly depends on both the program providers’ and receivers’ commitment.

Keywords: Corporate Social Responsibility, Developing Country, Indonesia, Environment, Sustainable.

1. Introduction

The importance the role of CSR in providing a development balance is, unfortunately, not fully embedded on every company in Indonesia. Even though the commitment is registered in the decree of Treasury Minister of Indonesia No. 316/KMK/016/1994 regarding training program for small businesses and cooperatives by state-owned enterprises (BUMN), which then installed in the decree of State Minister of State-owned Enterprises No. Kep-236/MBU/2003 where each and every company is obligated to pre-empt their profit (after tax) as many as 1%, up to 3% to carry out the CSR programs.

Now, the obligation to implement CSR programs is not only limited to state-owned enterprises but also to every company and investor (Siregar, 2007). This regulation is registered in The Law No. 40 Year 2007 regarding Limited Liability Company (which is furthermore termed as UU PT) along with the implementation regulation which is Government Regulation No. 47 Year 2012 regarding Social and Environmental Responsibility of Limited Liability Company (which is furthermore termed as PP CSR). The regulation regarding CSR in the Limited Liability Company Law (UU PT) is only present in one section, which is section 74. The section emphasizes that Social and Environmental Responsibility is ought to be executed by a corporation that engages in activities related to natural resources. This section also explains the purpose of CSR concept, which is “to continuously create a harmonious, balance, and proper corporate relationship with the environment, value, norms, and culture of the society”.

2. Corporate Social Responsibility in Indonesia

CSR is still considered not to give positive impacts to the company's sustainability because it is still considered a part of company's management. There are numerous companies which consider that the concept of CSR is merely a waste of their budget. Even though, CSR inherently adheres to a company's management, thus the field activity in CSR is in the control of the company (Sidik, 2015). The marginalization of local workforces can also be seen as the cause of the disagreements between industries with the society. Technological advancements demand companies to labor skilled people outside the nearby society, resulting in the negligence of the less-skilled local workforces. However, by CSR, the organization be able to reduce the gap of technology capability of the local workforce through knowledge and technology transfer (KTT) program, since the KTT program is considered as a shortcut to improve technology capability (Handoko et al, 2014; 2016; 2017;2017)

On the other side, the role of CSR is an utmost importance if a company is determined to continue and develop its businesses. The reason for it is that a corporation would not be able to stand up on its own without the support from the society. A positive relationship between a company with the community of a society can ease company's operational activities. Demands in facing the impact of globalization, technological advancements, and market openness can also be considered the importance of the implementation of CSR in a company.

The implementation of CSR (Corporate Social Responsibility) as a social responsibility is indeed a topic widely discussed everywhere. A company's presence as a part of society undoubtedly desires for the sustainability of its business. In order to support good governance, the company's paradigm to benefit for the welfare and growth of society should also increase as well.

Unfortunately, the efforts of implementing the concept of CSR in Indonesia are regarded as being clueless and having no clear direction. Even, some people stated that the main purpose of companies that carry out the concept of CSR is only to gain more profit for them. As if the concept merely increases the company's reputation in the eyes of public and receive profits for the investors. Even though, as previously mentioned clearly, there are substantial benefits that can be received by both parties if the concept is properly executed with definite regulations and purposes.

Various events like deforestations, mud floods, even to environmental pollution prove that there is a paramount need for CSR. Societies and the country can become the disadvantaged parties if the regulations concerning CSR are not properly executed. The lack of comprehensive law instruments that regulates CSR causes the ineffective implementation of CSR in Indonesia. Despite being regulated in The Environment Management Law, in reality, the implementation is still far-fetched (Askandar, 2016).

3. Analysis

The amount of cases of business practices that negatively impact to the surrounding social environment forces the government to directly request for the responsibility of the actions. One from several examples of said cases was Marsinah in 1994. The death of Marsinah was due to the prolonged conflicts between Papua people, and PT Freeport Indonesia and the government. There was also case of hot mud spew in Lapindo, Sidoarjo that results in the loss of hundreds of residences. Due to these cases, CSR is regarded to be increasingly crucial to enhance the sense of social responsibility of companies so that development balance can be maintained. Therefore, the sense of responsibility from operational activities towards social environment should be deeply embedded by companies. All these times, the implementation of CSR is often done voluntarily which results in a range limitation.

Company CSR programs serves a purpose to increase the company's role in the social community of society. The CSR program of a company could be fulfilled by focusing its attention to three things, which are profit; environment; and society (Machfudz, 2015). Social responsibilities also consist of education, economy, and welfare of the neighboring society. These three things become one, unified, company activity that can be performed in accordance with the development of society's social condition which means, companies are expected to not only seek for profits, but also to be able to contribute to the wellbeing of neighboring society.

For instance, in the field of education, by providing scholarships, CSR would be able to ease the burden of the underprivileged. This CSR program can help the government give education to the nation. As mentioned by The World Bank Institute, one important component in CSR is the development of education and leadership skills. Education is considered important due to being one of the keys of sustainable growth and development for the underprivileged, the business world can make an important contribution by providing access to quality education. Therefore, collaboration between companies, society, and government that is packed through CSR is needed (Askandar, 2016).

Similar to what stated before (Machfudz, 2015), involving all the societal components in company CSR activities is considered the contribution of CSR in the societal economic development. The emergence of CSR programs can cause negative form of implementation if the society does not utilize it. Financial aids are often not used the way they should. Instead of using them as venture capital, these aids could have been used to fulfill other more urgent needs. These problems cause the stagnation or even the decreasing society's living quality, which can be indicated by the absence of poverty level decrease. Therefore, poverty problem does not belong only to certain parties, but it is a mutual enemy that must be solved completely by all of us. For this, several things must be taken into consideration:

- a. CSR format should be in accordance with local society values.
- b. Company capability is related to the capacity of human resources and institutions.
- c. Regulations and ethic codes in the business world.

The integration of these three points can guide society in solving the problems they face with the ability that they have to achieve welfare in the future

4. Discussion

The purpose of the concept or pattern of societal development itself is to empower. This concept guides society so that they can be less dependable with the aids received and be able to develop the skill to work together among themselves inside community development. Through this concept, the society is expected to be more independent and self-sustaining. This means, sustainability or long-term plan aspects must be prioritized in each programs of CSR so that the positive effect can be received years ahead.

Positive impacts of CSR programs can be seen if they are well executed by institutions and organizations, as well as the participation from the government. According to World Bank study (Sidik, 2015; Qomariah, 2015), the participation from the government can be shown by the development of policies toward market, resources, and also supports towards CSR programs which is analogous with the concept of CSR itself. According to World Bank, CSR is a commitment of business institutions by showing their contributions in economic development to increasing living quality, of both business actors as well as the social environment. The role of government is more macro which can be realized in the form of standardization. This standard then becomes a guideline for the assessment of CSR implementation. In this case, the implementation and realization can be adjusted with the policy of each business actor or company.

CSR can also give positive impacts towards a company by strengthening its image and brand. For example, giving their products for free in order to legitimize their presence (Sidik, 2015). A company can also show the advantage it has from other companies. Equally important, the other benefit that can be gained is that the possibility of developing a cooperation with various stakeholders. Upon implementing CSR, companies are undoubtedly helped by stakeholders, which means a good relationship will be built between them. If a company consistently implements CSR programs, neighboring society will eventually get along with that very company. This will result in the increase of company share's demands.

5. Conclusion

The problems that exist inside a society should be thought and understood by companies as their own. These companies are also expected to participate in resolving these problems. If a company admits and is willing to help, then the concept of CSR would be easier to carry out. The positive impact that the company will receive is the creation of good image for them. Therefore, apart from being able to resolve various problems in the society, the company does also receive benefit from it. To sum it up, CSR is a global urgency that needs revitalization in its implementation so that its core substance can be ideally fulfilled as expected.

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