

Implementation and Management of Corporate Social Responsibility Program: A Case Study in Aceh

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Abstract

Corporate Social Responsibility (CSR) is a form of social, environmental, ethical, and human concern from an interest group that is integrated into the company's business activities. CSR activities can be classified into three types based on the company's strategic objectives, namely: charitable philanthropic CSR, mutually beneficial promotional CSR; and value-creating CSR. CSR funds in Aceh Province in 2022 reached Rp. 72.2 billion from 15 companies operating in Aceh. The funds are collected by the Regional Development Planning Agency (BAPPEDA). This research uses case studies that have exploratory, descriptive or interpretative characteristics. The purpose of this study is to examine the implementation of CSR program funds and the types of CSR used in the province of Aceh. The results of the research that the implementation of CSR programs through the Partnership Program and Community Development Program (PKBL). PKBL activities include community economic empowerment and improvement programs, empowering community social conditions, and improving the quality of life. The guidelines for implementing PKBL are accountability, independence, fairness and transparency. Some of the weaknesses of CSR programs are that they are designed unilaterally without involving the community as recipients or users.

Keywords: *Corporate Social Responsibility, Implementation, Program Kemitraan dan Program Bina Lingkungan*

INTRODUCTION

Corporate social responsibility (hereinafter CSR) in Indonesia is relatively new when referring to Government Regulation (*Peraturan Pemerintah*) Number 47 of 2012 concerning Corporate Social and Environmental Responsibility

(Tanggung Jawab Sosial Lingkungan Perusahaan [TJLP]). Whereas CSR has long been applied to companies abroad. In addition, CSR is an interesting topic for academics and researchers abroad. As a result, the implementation of CSR programs in Indonesia is not optimal, not well targeted, and does not have a clear concept. According to Lantos (2001), there is no agreement on CSR definitions, and the concept has even been described as "fuzzy and confusing" (Sanclemente-Télliez, 2017) as one of the firm's essential activities (Maldonado-Guzman et al., 2020) as just another promotional activity (Vlachos et al., 2009). The concept of CSR was introduced by Bowen as "The Father of Corporate Social Responsibility". The concept of CSR has evolved significantly over the years, emphasizing an organization's commitment to society as a stakeholder (Dahiya and Singh, 2019). CSR is defined as a concept in which organizations voluntarily integrate social and environmental concerns into their operations and interactions with stakeholders (Mascarenhas et al., 2020). Corporate social responsibility (CSR) has entered the mainstream and will be a major corporate priority by 2011 (Vlachos et al., 2009). The topic of CSR and its disclosure by international firms has piqued the interest of people all over the world (Pucheta-Martnez and Gallego-Ivarez, 2021). CSR has proven to be an effective tool in motivating the national and international success of many businesses (Said et al., 2017). CSR refers to activities that appear to benefit society beyond the interests of the enterprise and what is required by law (Sipilä et al., 2020).

There are at least four major CSR competing theories. First, instrumental theories assumed that the corporation is a tool for wealth creation and that its social activities are merely a means to an end (Said et al., 2017). CSR consists of three dimensions – human values, external relations, and the legitimacy of organizational institutions (Yu et al., 2016). There are three main types of CSR, namely philanthropic CSR, promotional CSR and value creation CSR (Chen et al., 2018). CSR today extends far beyond "philanthropy" and should be viewed as a contribution to sustainable development and proactive solutions to societal and environmental challenges (Mascarenhas et al., 2020). Of the three main types of CSR, philanthropic CSR, represents a company's one-way donation behavior such as social donations, whereas promotional CSR refers to initiatives designed to achieve promotional effectiveness, which are often associated with short-term sales goals (Chen et al., 2018). According to Van Marrewijk (2003), the philanthropic approach appears to be a strategic response to changing circumstances, new corporate challenges, and society's demands that businesses reconsider their position and act as a part of the complex, societal context (Looser and Wehrmeyer, 2016).

According to John Elkington's concept that there are 3 elements of CSR synergy, namely: 1) People, 2) Prosperity, 3) Planet. People are the company's main target because people are an element of the company's sustainability and progress. People includes employees, families, suppliers, consumers, community and the like. Prosperity is the company's impact on the national and international economy. Including providing a positive impact on the surrounding environment such as employment and economic impact for the surrounding community. The planet is the company's responsibility for the preservation and sustainability of the

surrounding environment, for example, not polluting the environment, helping to preserve the environment and doing re-greening. But in fact the program often does not run smoothly or fails. Therefore, it is necessary to have law enforcement so that it is carried out in accordance with the regulations.

This is due to the dynamic CSR activities in responding to the dynamics of society. The CSR program is also intended at assisting the government in the context of sustainable development. This is regulated in Presidential Regulation (PP) Number 59 of 2017. CSR programs are voluntary programs that are given to a person or group, for example, capital assistance for craftsmen, forest or environmental conservationists, waste management or micro business groups.

There is a growing emphasis in Asia on comparative CSR research (Waworuntu et al., 2014). CSR is slowly gaining traction in developing countries, but it is not entirely voluntary because its potential benefits are not as strongly emphasized, particularly in Vietnam (Thanh et al., 2008). CSR activities in Indonesia include social and environmental activities such as business assistance programs for micro-entrepreneurs, assistance programs for the construction of public facilities such as roads, school buildings, mosque buildings and as environmental assistance programs, among others, planting mangroves, providing tree seeds, cleaning rivers and the like. The CSR program is a form of social responsibility for the business world and the local environmental industry.

Various definitions of CSR, according to the Commission of the European Communities (2001) CSR can be interpreted as an additional investment into human capital, environment, and stakeholder relationships (Yu et al., 2016). While the term used by the government is *Tanggung Jawab Sosial Lingkungan Perusahaan* (TJLP) whose legal basis is PP Number 47 of 2012 concerning Social Responsibility and Limited Liability Companies (*Tanggung Jawab Sosial dan Perseroan Terbatas*). PP Number 47 of 2012 stipulates that every Limited Liability Companies (PT) is always a legal subject and has social and environmental responsibilities. Articles 2 and 3 state that every company as a legal subject has social and environmental responsibilities. For PT the CSR program is also considered a means to improve firm competitiveness (Yu et al., 2016). Actually the CSR program has many advantages for the government and the company.

In fact, some CSR programs are a form of "covert" promotion to the audience who receive the assistance. Many community social activities are used for community social activities that are used for product or brand promotion activities. Promotional CSR includes various societal marketing initiatives, such as cause-related marketing and cause sponsorships (Chen et al., 2018). According to Berger et al. (2007), in the marketing literature, CSR initiatives are frequently regarded as one of the core business functions (Maldonado-Guzman et al., 2020). Firms may engage in CSR activities to generate value for their shareholders (Hickman, 2020) which also boosts employee engagement (Mascarenhas et al., 2020) the company will benefit from CSR activities in some way (Fitri et al., 2021). Margolis and Walsh (2003) define CSR as a multifaceted concept that includes labour practices, human rights, and community involvement (Dahiya and Singh, 2019). According to Maas and Reniers, when deciding to strengthen

corporate social responsibility, multiple factors such as internal desire, morale, virtues, external pressure, and/or financial added value should be considered (Looser and Wehrmeyer, 2016). In short, CSR is expected to aid in the resolution of Indonesia's social problems (Estiasih et al., 2019). CSR is increasingly the key also to the economic sustainability of small and medium enterprises as well as corporate business (Richards and Zen, 2016).

METHOD

The implementation of CSR programs consists of various activities in the field or in the community. CSR programs are very diverse, tailored to the needs of the community as users. This study used a qualitative approach with case study research, which is to explain the phenomenon of CSR program activities in the field or in the community. This study does not explain the reasons or background of the CSR program but specifically explains the facts on the ground. In qualitative research, the researcher generally explores meanings and insights in a given situation (Mohajan, 2018). According to Zohrabi (2013), qualitative research is a type of social action that focuses on how people interpret and make sense of their experiences in order to understand individuals' social realities. It employs interviews, diaries, journals, classroom observations and immersions, and open-ended questionnaires to collect, analyze, and interpret data from visual and textual materials, as well as oral history (Mohajan, 2018). Qualitative research uses an inductive approach (Yin, 2011). In general, the characteristic of qualitative methods is that they explain phenomena in narrative mode with small samples that cannot be generalized to the general population. Case study research is an investigation that seeks to describe, comprehend, predict, and/or control an individual (Woodside, 2010). Case study, according to Yin, is an empirical investigation that investigates a contemporary phenomenon within its real-life context, particularly when the boundaries between phenomenon and context are unclear (Woodside, 2010).

Primary data is obtained directly from informants who implement and use CSR programs, among others, village officials, sub-district officials as implementers or people in charge of CSR programs. In addition, information is obtained from officials or employees of companies providing CSR assistance. Other data comes from the beneficiaries, namely the community such as sellers, farmers, micro-entrepreneurs, religious leaders, community leaders and others. The selection of research samples was done randomly.

RESULTS AND DISCUSSION

Implementation of CSR Program (TJSLP) in Aceh Province

Basically, the CSR program (TJSLP) is an awareness of the surrounding environment and the social aspects of the community. Companies are becoming more aware of their social responsibilities and more motivated to incorporate elements of CSR into their operations (Pucheta-Martnez and Gallego-Ivarez, 2021). The implementation of CSR (TJSLP) can be synergistic with regional

priority programs. CSR (TJSLP) is a source of financing that comes from companies operating in the local area. In the province of Aceh there are many large companies that contribute to the development of the Aceh region. CSR (TJSLP) funds from various companies are collected by the provincial Bappeda with the aim of synergizing CSR (TJSLP) programs with local government programs and in accordance with their targets. The main goal is to provide maximum benefits to the community as recipients or users of the assistance. In addition, it can reduce high production costs. Some of the main priority programs in the Aceh province are dealing with the impact of the Covid-19 pandemic, both social and economic impacts. For example, the construction or rehabilitation of damaged public facilities or building new public facilities, including building educational facilities, religious facilities, social facilities, sports facilities, tourism destination, etc. However, CSR (TJSLP) practices affect the interaction between firms and stakeholders, such as socially or environmentally concerned consumers, political activists, employees, and competitors (Gioffre et al., 2021). The CSR program in Aceh province includes three dimensions, namely human values, external relations, and the legitimacy of organizational institutions (Yu et al., 2016).

According to the Governor of Aceh, business entities in Aceh that have contributed to developing Aceh through the CSR program (TJSLP) have provided many benefits for all parties. For companies, CSR (TJSLP) is a manifestation of public accountability and an effort to build a positive image of the company in society. The program is also very useful in providing public support for the company's business. Meanwhile, for the community, CSR activities (TJSLP) are very useful for improving welfare, optimizing resources, the economy, and reducing social inequality. Meanwhile, for the government, the benefits of CSR funds (TJSLP) are important for programs to accelerate regional development, reduce poverty, reduce unemployment, and improve the quality of public services.

In 2022, 19 companies operating in Nagan Raya stated their commitment to realizing CSR funds (TJSLP) with a total budget of Rp 11.2 billion (Rizwan, 2022). PT. Bank Aceh Syariah through the CSR program (TJSLP) has built a bus stop at Sultan Iskandar Muda Airport, Aceh Besar, which functions as a public facility to support Trans Koetaradja bus operations. Previously, PT. Bank Aceh Syariah also built a bus stop in Lamnyong, Banda Aceh. Private participation in the construction of public facilities will have a direct impact on the community but there needs to be coordination so that the programs that are run are truly beneficial to the community at large (Aceh Transportation Service, 2020),

Currently, the Aceh government has signed as many as 13 MoUs with several companies and will be implemented with 8 companies operating in Aceh province related to the synergy of CSR fund management. Through this collaboration, it is discussed together related to work programs that will be adjusted to the programs that will be run so that there is no overlap in the assistance to be distributed by the government. Bank Aceh Syariah built a prayer room in the Pantan Terong tourism destination which aims to support tourism in the Central Aceh area which was built with a collaborative or multi-stakeholder system. The Bank Aceh Syariah CSR program is a commitment by the Aceh

government-owned banking company to help the surrounding environment (2019).

A total of 15 business entities have signed a joint agreement for the disbursement of the implementation of CSR funds in 2022 amounting to Rp 72.2 billion. The Aceh Regional Development Planning, Research and Development Agency (Bappeda) stated that the signing of the agreement was a form of the Aceh government's commitment to synergize with business entities in Aceh. Bappeda Aceh acts as a facilitator of the CSR program (Herianto, 2022).

CSR activities can be classified into three broad orientations based on the corporation's strategic goals: philanthropic CSR (CSR with a charitable donor–recipient nature), promotional CSR (CSR that enhances mutually beneficial relationship exchanges) and value-creating CSR (CSR integrated into firms' mission and core business agenda) (Chen, et al, 2018). The three types of activities that comprise the implementation form of CSR activity, according to Norhadi (2011), are philanthropies, charities, and partnerships (Estiasih et al.,2019). So far, all types of CSR are implemented in the field through various programs, such as philanthropic CSR which is implemented by providing business capital for micro entrepreneurs. In addition to business capital, they also donate work equipment or merchandise carts. The goal is to improve product quality, production volume, and sales volume. Philanthropic CSR in the form of social donation, for example, tends to enhance employee morale and customer loyalty (Chen et al., 2018).

Meanwhile, promotional CSR, especially cause sponsorships, has been shown to improve consumer brand awareness (Chen et al., 2018). This program is widely practiced on several products, for example, places of sale that are given a company logo or garden chairs in practice rooms such as parks, sidewalks, and other public facilities. In principle, this CSR program in addition to donating also conducts business activities so that the product or brand can be recognized by potential consumers. For example, the provision of internet facilities in the Banda Aceh city program as a smart city. Internet connection is also provided at the Al-Mahirah market in the Gampong landing area. That is by providing a wifi corner by a company by utilizing or using a CSR program. Al-Mahirah Market is designed to boost economic growth in the Region. Therefore, the provision of an internet connection is the right program and in accordance with the initial concept. Several CSR programs carried out by Bank Aceh include: 1) Economic empowerment through providing business capital to underprivileged fishermen and small sellers; 2) assistance for social, cultural arts, sports and religious activities; 3) health services in remote areas and do not yet have adequate facilities; 4) development participation in childhood education; 5) development participation and community development and others. The purpose of these programs is to build relationships with the community as well as the realization of good corporate governance. However, CSR programs can provide benefits for both parties, especially companies. Studies have shown that CSR and ethics are key determinants of a firm's competitive advantage and that they can help improve a firm's corporate image (Yu et al., 2016). In terms of value creating CSR, the extant studies have mainly focused on sub-areas of value-chain CSR such as green

consumption, ethical consumption and sweatshop issues (Chen et al., 2018). Shared value denotes the creation of economic wealth in such a way that it also contributes to addressing societal needs and creating societal value (Dahiya and Singh, 2019).

However, CSR has several benefits for people, objects, and the environment (Yu et al., 2016). Many pro-CSR arguments state that by implementing CSR initiatives, companies will ultimately receive higher profits (Waworuntu et al., 2014). Some authors believe that the theory of stakeholder identification and salience (TSIS) can even be used to govern CSR commitment (Beckman et al., 2016). The implementation of CSR in Aceh province is in collaboration with the Partnership and Community Development Program (PKBL), which is a type of CSR program that only exists in State-Owned Enterprises (BUMN). PKBL consists of two types of programs, namely the Partnership Program (PK) and Community Development (BL). PT Pelabuhan Indonesia (Pelindo) I distributed PKBL program funds of Rp. 3.77 billion from January to October 2019 to be distributed to the Belawan, Marelan and surrounding areas. The PKBL program is in the form of MSME loan assistance which is channeled to foster partners from various sectors such as industry, trade, agriculture, agriculture, animal husbandry, plantations, services, and others. The program is Pelindo I's support to realize the economic independence of the people in Aceh province.

CONCLUSION

The main purpose of collecting funds for CSR programs is centralized, which is collected and managed by the Aceh Bappeda, so that the implementation is optimal and on target. In addition, CSR programs are synergized with local government programs, especially priority programs.

The implementation of CSR programs in Aceh Province includes physical development, community economic empowerment and community social development. CSR programs in Aceh Province are prioritized for programs affected by the Covid-19 pandemic.

The CSR program has many benefits for both parties, both the community as the beneficiary and the company as the beneficiary. On the other hand, there are CSR programs that fail or are not optimally used because the program is one-sided, does not involve the community as its users. Most of PKBL program in Aceh Province is loan assistance for micro economics which aims to realize the economic independence of the people in the province of Aceh. This assistance can also reduce the level of poverty and unemployment.

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