

Implementation of Corporate Social Responsibility and Public Welfare Improvement: A Study in Indonesia

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— *Review of* —
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ABSTRACT

The research purposes to analyze the implementation of CSR in improving the welfare of public in Indonesia. The sample of the research is cooperation bond community in partnership program with PTPN 7 (Persero) Lampung Province, Indonesia. Community problems have not fully understood CSR program. CSR programs are still limited to the implementation of charity programs that have not been able to empower poor communities. The study is based on the theory of legitimacy. Legitimacy is considered important for the company because the legitimacy of society to the company becomes a strategic factor for development of the company in the future. The research type used is associative research, which focused on case study by analyzing social phenomenon, planning and implementation of CSR performed by PTPN 7 (Persero). Data are obtained through: field observation, interviews, questionnaires and documentation. The results conclude that the implementation of the CSR program can improve the welfare of the community. Implementation is carried out with three programs, namely Partnership Program, the Training program and the Coaching Program.

Keywords: Corporate Social Responsibility, Public Welfare

1. INTRODUCTION

The Program of Corporate Social Responsibility (CSR) globally, not only seen as an activity of the derma or karitatif or the attitude of the volunteer is made by the company, but a new paradigm of CSR leads to a form of commitment of a company, in performing the responsibility or reciprocity (feed back) to the community and the environment, as well as the economic

development self-sustainable (Pranoto and Yusuf, 2014). The World Business Council for Sustainable Development (WBCSD) defines CSR as the commitment of companies to contribute to sustainable economic development, working with company employees, employees' families, local communities and the community as a whole in order to improve the quality of life, but sometimes the understanding of CSR is interpreted wrong. An understanding of corporate social responsibility (CSR) many people who interpret only to the extent of charity, philanthropy, and community development course, even responsibility CSR is only defined as the load on the section or division specific.

CSR activities of a company are a strategic decision of the company in a comprehensive manner that involves all the company resources (Nurdizal et al, 2011). The obligation to implement CSR in Indonesia has been regulated in LAW No. 40 Year 2007 regarding Limited liability Company. On the legislation of article 74 paragraph (1) states that a company conducting business activities in the field and/or related to natural resources shall implement social and environmental responsibility. In article 1, paragraph 3, confirms that social and environmental responsibility is the company's commitment to participate in sustainable economic development to improve the quality of life and environmentally beneficial, both for the company, the local community and society in general. The following data on the distribution of funds of the partnership conducted PTPN 7 as the equivalent of caring in support of the business community in order to improve The public welfare. The implementation of CSR can be in the form of partnership and environmental development and research is limited to the implementation of CSR in the form of a partnership.

Table. 1. The data of Partnership 2014-2017

Years	Partners	Total (Rp.000)
2014	1.015	8.500.000
2015	901	8.958.000
2016	613	5.400.000
2017	561	7.000.000

Source PTPN VII Prov. Lampung years. 2018

The Research Question

Whether the implementation of CSR program PTPN 7 (Persero) in the form of a partnership affect the improvement of the public welfare in Lampung Province?

Research Contribution

This research is important to provide feedback to the community so that it can interpret the CSR program actual, Program, CSR is not only limited to the realization of the program of charity that is often misused, so that its merits have not been able to empower the community to improve the welfare of society.

This research expected can give contribution in the field of science associated with leading research universities, namely through the research is expected to be used as a source of information for the academic world regarding the process and form of implementation of CSR and for PTPN VII can be used as a material consideration in decision making in order to implement the CSR program in the form of partnerships or in the form of environmental development, For the community, especially partners this research is expected to encourage the progress of a business partners to be better.

2. LITERATURE REVIEW

2.1. Corporate Social Responsibility

CSR according to the World Business Council on Sustainable Development is the commitment of businesses to behave ethically and contribute to sustainable economic development, while improving the quality of life of employees and their families, the local community and the wider community. The CSR Program is the realization and actualization of the company's efforts to always close with the community. CSR essentially is an element that is important in terms of sustainability which includes aspects of economic, environment and social culture is an important process in the management of costs and profits of the business with stakeholders both internally and externally (Maspida, 2009).

Corporate social responsibility (CSR) is the commitment of the company or the world of business to contribute to sustainable economic development with attention to corporate social responsibility and focus on the balance between attention to aspects of economical, social and environmental. Conceptually, CSR is a company's involvement in CSR programs motivated by some interest, there are three motives of the involvement of the company, namely: the motive of maintaining the security of production facilities, the motive to abide by an agreement of the employment contract, and moral motive for providing social services to local communities, and divides stakeholders based on its interests (Smith, 2003).

The benefits of Implementing CSR Programs

There are several factors and benefits of companies implementing CSR (Hadi, 2011)

- Social motives as the actualization of responsibility towards the public welfare, helping to improve The public welfare.
- Establish good and harmonious relationship with the community
- Is the implementation of the company philosophy
- Responsibility to shareholders
- Build a positive image of the company
- Is the commitment and the ideals of the company
- Support long-term investment.

Other benefits that arise as a result of conducting the CSR program regularly and continuously is:

- a. Create an Empowering Community

The term empowerment (empowerment) means the ability, energy and power. Thus, literally community empowerment can be interpreted as an increase in the ability, power strength and power. According to the Ife in illona suggests that empowerment means helping the community with resources, opportunities, knowledge and expertise to increase the capacity of the community so participate to determine the future of the citizens of the community. The goal of community empowerment is to increase the strength of the weak people from the bondage of poverty that produces something of the situation in which opportunity - economic opportunity closed to them. One of the indicators of community empowerment is the ability and freedom to make the best choices in determining or improving the lives.

b. Create A Welfare Society

The CSR Program is a long term investment which is useful to minimize the social risks as well as the means to improve the image of the eyes of the public. One implementation of CSR programs is the community development activities.

c. Create Self-Reliance Community

Independence the community is the most important aspect in the development of communication. According to ndara in illona, self-reliance is the ability to face the problem and responsible for himself without harming others. One of the objectives of the CSR is to create self-reliant communities which reflect the attitude of a nation for himself, the community, as well as the spirit in the face of challenges.

2.2. Community Development Partnership Program (PKBL)

CSR is a form of responsibility of State-Owned Enterprises (SOES) to the community. CSR implemented on the basis of LAW No. 19 year 2003 about state owned enterprises, and the Regulation of the Minister of SOE No. Per-05/MBU/2007, which states the intent and purpose of the establishment of state enterprises not only pursue profit but also actively provide guidance and assistance to entrepreneurs of economically weak groups, cooperatives and communities. CSR is a Small Business Development Program and empowerment of environmental conditions by state-owned enterprises through the utilization of funds from the profits of SOES. The amount of profit allocation for program funding to a maximum of 2% (two percent) of the net profit for the Partnership Program and maximum of 2% (two percent) of net profit for community Development Program.

SOES Partnership Program with Small Enterprises, hereinafter referred to as the Partnership Program, namely a program to improve the ability of small business to be strong and independent through the utilization of funds from the profits of SOES. The objective of Partnership program is to improve the ability of the small entrepreneurs in order to be strong and independent while the empowerment of social conditions of the community. While the community Development Program, hereinafter referred to as the Program of BL, which is a program to form a potential new Target Partners and empowerment of the social condition of society by the state through the utilization of funds from the profits of SOES. Program BL is the nature of help (Victims of Natural Disasters, Education and/or Training, improving Health, Help the Development of Facilities and/or Infrastructure and Worship Facilities (Effendi, 2016).

The criteria of small business commonly get the help of the partnership program, among others:

1. Has a net worth of at most Rp. 200.000.000,- not including land and buildings, places of business, or have annual income of 1 Billion rupiah.
2. Stand alone is not a subsidiary or branch owned, controlled or affiliated directly or indirectly with medium or large business.

3. Have been in business for at least 1 year and have and have prospects to be developed.

The form of partnership programs can be specialized;

1. The provision of loans for working capital and/or purchase of fixed assets productive.
2. Special loan for small and medium enterprises and cooperatives of Micro, Small, Medium Enterprises have to be assisted that are additional loans in order to meet the orders from business partners of Micro, Small, Medium Enterprises.
3. The mentoring Program in order to increase the capacity of target Micro, Small, Medium Enterprises in the form of assistance education, training, apprenticeship and promotion.
4. The increase in capacity given in the field of production and processing, marketing, human resources and technology. Increased funding is a grant and can only be often applied to or for the benefit of target Micro, Small, Medium Enterprises.

2.3. The Public Welfare

According to the Law No. 11 year 2009 on the public welfare, explained that public welfare is a condition where the fulfillment of the material needs of the spiritual and social citizens that make a decent living and be able to develop himself both materially and spiritually, so that it is able to perform its social function. Material needs can be connected with income which will later realize the need for food, clothing, shelter and health, while spiritual needs associated with educational needs, security and happiness in life. income Per capita, is a reflection of the public welfare, namely: the level of household welfare as measured by a comparison of the level of income and the minimum needs for a decent life. As for the change in the level of welfare can be seen from the pattern of household expenditure, which can be distinguished into two, namely: expenditures to acquire food and non-food.

Indicators of The public welfare

Harori and Gunarto (2014) states that welfare can be measured from several aspects of life, namely:

- a. Judging from the quality of life in terms of houses, clothing, food and so on.
- b. Seen from the physical qualities, such as the health of the body, the natural environment and so on.
- c. Judging from the quality of life in terms of mental such as educational facilities, cultural environment and so on and by looking at the quality of life in terms of spiritual, such as moral ethics, harmony, adjustment, and so on.

2.4. Previous Research

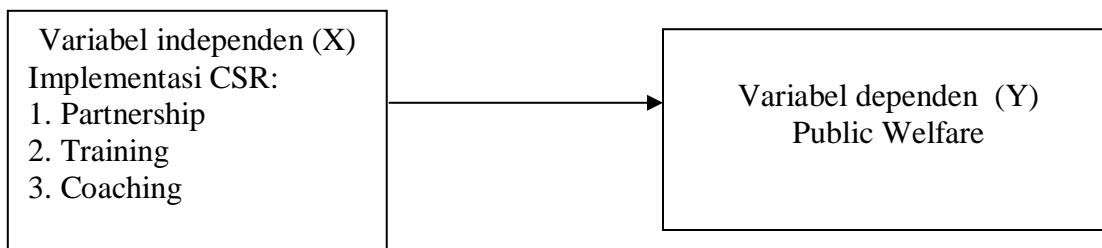
Yanto and Suratman (2015), the results indicate the CSR program PTPN 7 Padang pelawi sembriring directly provide a benefit/positive impact for the community in the region of village area buffer. This is of course closely related to the empowerment of the people directly, however the achievement of the objectives of the program have not yet reached maximum due to the presence of obstacles of the target group and the culture of the community that are difficult to change because of the empowerment program that aims to create a community of independent and partnership can form mental self-employment and running a business in a professional manner.

Wijaya and Yuniati (2014), the results showed that the implementation of CSR by Telkom has been implemented in accordance with good Regulation of the Minister of State-owned enterprises No. 5 of 2007, however of course also still experiencing an obstacle that is on the high level of congestion repayment of the loan. The solution can be done by Telkom that is doing the action “Reminding Call” by contacting the partners to immediately pay or repay the loan and also performed “Visiting” with the way the team directly visit the partners for reminded to immediately pay off the loan.

Mapisangka (2009), the results of his research showed the Indicator of welfare used is the progress on health, education, and economic activity. This study concluded: the Purpose of corporate social responsibility, social problems of the company, the Results of the research show the existence of a positive relationship of CSR program of PT.BIC to social welfare.

2.5 Framework and Hypothesis Development

2.5.1. Framework



2.5.2. The Development Of The Hypothesis

According to Hendrik (2008), explained that Corporate Social Responsibility is the commitment of the company or the world of business to contribute to sustainable economic development with attention to corporate social responsibility and focus on the balance between attention to aspects of economic, social, and environmental. This is in accordance with the theory of stakeholders which the company is not the entity which operates only for its own sake, but to provide benefits for stakeholders as parties that take precedence (Freeman, 1984), the Complexity of social problems (social problems), and the implementation of decentralization, have put CSR as a concept that is expected to provide an alternative to the new breakthrough in the empowerment of the poor. In the context of partnership relations between the government and the company, the regional government expects that CSR programs can help solve social problems, such as problems of unemployment, poverty, problems in education, health, and housing (Harori and Gunarto, 2014). Legitimation Theory explains that the company is conducting business activities with the limits specified by norms, social values, and reactions to push the importance of organizational behavior by considering its environment that focuses on the interaction between the company and the community (Ghazali and Chariri, 2007).

The public welfare is a thing that has the center of attention in the community at various age levels to grow and develop through various facilities and support to enable them to decide, plan

and take action to manage and develop its physical environment as well as the social welfare (Badrudin, 2012).

Yanto and suratman, (2015) state partnership can form mental self-employment and running a business in a professional manner. Mapisangka (2009) states the existence of a positive relationship of CSR programs towards social welfare.

Based on the description above formulated hypothesis as follows:

“The implementation of the CSR program PTPN 7 (Persero) has a positive effect on improving the welfare of society in the Province of Lampung”

3. RESEARCH METHODS

The sample in this study is the community partner of PTPN 7. In determining the sample is carried out by means of first determining the amount of sample to be taken which is 10% of the total population, the second sample is taken from each type of business. For the type of business that the population under 10 was taken all, the type of fishery business and other businesses. Then subsequently the rest of the samples will be taken proportionately in any kind of industry. Based on the technique was obtained a total sample of 156 business partners.

This research Data consists of primary data and secondary data, primary data is data obtained directly from the object of research is micro and small businesses that become partners of PTPN VII, while the secondary data obtained from the documentation, in this case the reports is derived from the documentation of PTPN VII, namely in the form of data partners who assisted during the years of the study. Data collection was done through: direct observations of partners PTPN 7 (Persero) and the community that became the study areas; through verbal communication (conversation) to obtain information that is more systematic or direct questioning conducted by two or more people to get the information related to the implementation of CSR in the region partners the study through the questionnaire.

Methods Of Data Analysis

This research is an associative study (Sekaran, 2003) aims to test whether the implementation of CSR PTPN 7 (Persero) affect The public welfare in the Province of Lampung. As for the model of testing used is as follows:

$$K_{esj} = \alpha + \beta_1 I_{CSR} + \varepsilon$$

Description:

K_{esj} = Welfare

I_{CSR} = CSR Implementation

β_1 = regression Coefficient

ε = error

Before carrying out the analysis, first need to perform the validity test, reliability test, and classical assumption test.

Descriptive Statistical Analysis

Descriptive statistics used to describe the variables in this study. This analysis will generate average (mean), maximum value, minimum value, and standard deviation for describing research variables. So easily understood contextually by the reader.

Hypothesis Testing

Testing the hypothesis in this research is to determine the influence of independent variables on the dependent variable used a confidence level of 95% (level of significance level of 0.05). The rejection or acceptance of hypothesis is done with the following criteria:

1. If the value of $\text{prob} < 0.05$ then the hypothesis is accepted (H_a accepted). This means that the independent variables have a positive influence on the dependent variable.
2. If the value of $\text{prob} > 0.05$ then the hypothesis is accepted (H_o is accepted). This means that the independent variables have no positive influence on the dependent variable.

4. RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X1	186	13	20	17,58	1,748
X2	186	13	20	17,39	1,789
X3	186	13	20	17,61	1,740
Y	186	30	40	35,75	2,968
Valid N (listwise)	186				

Based on Table 2 it can be seen that the variable X1 has the value of a minimum of 13, maximum score 20, mean 17,58, and the standard deviation 1,748, variable X2 has a minimum value of 13, a maximum value of 20, the mean 17,39, and the standard deviation 1,789, the variable X3 has a minimum value of 13, a maximum value of 20, the mean 17,61, and the standard deviation 1,740, while the variable Y has a minimum value of 30, the maximum value of 40, the mean 35,75, and the standard deviation of 2,968.

Quantitative analysis of the Influence of the Implementation of CSR towards The public welfare.

The Validity Test

Validity test is done against 186 respondents, from the test data are as follows:

- a. The number of the statement = 20
- b. Number of respondents = 186

- c. r Table = 0,144 (for $n = 186$ and a 95% confidence level, obtained from test results of df , the t table and r table)

Declared valid indicator when the indicator has more than that 0,144. The comparison between the count r and r of the table can be seen in table 3.

Table 3 The results of Validity Testing ($n=186$; $r_{table} = 0,144$)

Variable and Question	r_{count}	r_{table}	Results	The decision
X1 (Partnership)				
P01	0,702	0,144	$r_{count} > r_{table}$	Valid
P02	0,321	0,144	$r_{count} > r_{table}$	Valid
P03	0,716	0,144	$r_{count} > r_{table}$	Valid
P04	0,714	0,144	$r_{count} > r_{table}$	Valid
P05	0,627	0,144	$r_{count} > r_{table}$	Valid
X2 (Training)				
P01	0,606	0,144	$r_{count} > r_{table}$	Valid
P02	0,384	0,144	$r_{count} > r_{table}$	Valid
P03	0,762	0,144	$r_{count} > r_{table}$	Valid
P04	0,764	0,144	$r_{count} > r_{table}$	Valid
P05	0,599	0,144	$r_{count} > r_{table}$	Valid
X3 (Coaching)				
P01	0,703	0,144	$r_{count} > r_{table}$	Valid
P02	0,356	0,144	$r_{count} > r_{table}$	Valid
P03	0,732	0,144	$r_{count} > r_{table}$	Valid
P04	0,711	0,144	$r_{count} > r_{table}$	Valid
P05	0,662	0,144	$r_{count} > r_{table}$	Valid
Y (Public Welfare)				
P01	0,597	0,144	$r_{count} > r_{table}$	Valid
P02	0,491	0,144	$r_{count} > r_{table}$	Valid
P03	0,692	0,144	$r_{count} > r_{table}$	Valid
P04	0,541	0,144	$r_{count} > r_{table}$	Valid
P05	0,561	0,144	$r_{count} > r_{table}$	Valid
P06	0,639	0,144	$r_{count} > r_{table}$	Valid
P07	0,598	0,144	$r_{count} > r_{table}$	Valid
P08	0,713	0,144	$r_{count} > r_{table}$	Valid
P09	0,570	0,144	$r_{count} > r_{table}$	Valid
P10	0,589	0,144	$r_{count} > r_{table}$	Valid

From the table the results of the comparison between the r -table and the r -count can be seen that the instruments used are Valid, because the r -count is greater than r -table.

The Reliability Test

A variable is said reliable if it gives the value of the Cronbach Alpha $> 0,60$ (Haryadhi Saryono, 2011:45). Test Reliability in this research, against 186 respondents with the results as in table 4.

Table 4 The Results Of Reliability Testing

No	Research Variable	Cronbach's Alpha	Keputusan
1	Partnership	0,601	Reliabel
2	Training	0,610	Reliabel
3	Coaching	0,631	Reliabel
4	Public Welfare	0,798	Reliabel

Based on the reliability test results above seem the value of the coefficient cronbach's Alpha for all research variables, Partnership (X1), Training (X2), Coaching (X3) and Public Welfare (Y) indicates the value of coefficient of cronbach's Alpha is greater than the value of the minimum limit of 0.60 so that all the variables of the study can be said to be reliable.

Multiple Linear Regression Test

Table 5 The Results of Hypothesis Testing

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	16,346	2,911		5,616	,000
	X1	,383	,186	,215	2,056	,041
	X2	,313	,114	,180	2,757	,006
	X3	,448	,187	,250	2,394	,018

a. Dependent Variable: Y

Based on Table 5 can be explained that the statistics of X1 with a value sig p-value $0,041 < 0,05$ and X2 with the value of sig p value $0,045 < 0,05$ and X3 with the value of sig p value of $0.035 < 0.05$ indicates significant results. The level of significance for the t test showed that the variables of corporate social responsibility with the partnership (X1) training (X2) Coaching (X3) has a significance level of 95% (alpha 5%).

As a end result of the hypothesis test it can be concluded that partially, variables X1, X2 and X3 have a statistically significant effect on the lives of the people.

The influence of the Implementation of CSR Programs Towards the Improvement of the public Welfare.

In this study, focused program of Implementation of CSR partnership program through the form of loan capital, training and business development to the community. Then based on the objectives of the program partnership that this program isn't just giving aid money as a capital but also an increase in the competence of the culprit so that they can be independent and continue to develop its business. Capital loan granted in accordance with the amount of effort and the ability of businesses in the refund. Training at least performed once a year. Training include business management that starts with orderly bookkeeping by providing the easiest way for example by recording simple. Coaching is done by way of occasional visits to the place of business to inquire of the constraints faced in running the business. This is done so that the business can continue to grow with the hope of improving the well-being.

5. CONCLUSION AND SUGGESTIONS

Implementation of CSR programs (Corporate Relations Program) is the realization and actualization of the company's efforts to keep close with the community.

Based on the findings in this study indicate that the Implementation of CSR in the form of partnerships, training and business coaching are very helpful in improving The public welfare. With the CSR program has been providing solutions for community businesses to continue to develop its business.

Suggestions

Should training and coaching is done more intensively with the aim that the business can more quickly self-sufficient and the program can be expanded to continue to increase the number of partners so that the program can continue to provide welfare for the community.

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