

Towards Sustainable Economic Development through Corporate Social Responsibility Program with Small Medium Enterprises in Indonesia

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Abstract

Corporate social responsibility (CSR) is where companies set aside a particular portion of their profits for the benefit of human development and environment in a sustainable manner. Its concept generally states that company's responsibility is not only to its owners or shareholders, but also to other relevant stakeholders affected by its activities. CSR projects began in Indonesia following the passage of Article 74 paragraph 1 of Law no. 40 of 2007 on Limited Liability Companies and Article 15 letter (b) of Law Number 25 Year 2007 regarding Capital Investment. PT. Indofood SuksesMakmurTbk is one of the companies actively implementing CSR programs which focus on building human capital and strengthening economic value. The aim of this study is to analyze the impact of the company's CSR programs towards economic development by looking at the Kampung Kue SME project in, Surabaya. This research conducted qualitative descriptive method to scrutinize the impacts following the CSR program in Kampung Kue. Data collection techniques include in-depth interviews and documentation while data analysis was carried out using interactive model analysis strategy. The results showed that the products by Kampung Kue were successfully developed. Hence, it strengthen the economy of the society. To create economic sustainability and reduce poverty levels, beneficial collaborations are conducted between the government, companies, and the community. It is expected that the practice of CSR can be improved by looking at various aspects that are developing for the betterment of the community.

Keywords: sustainable economic development, corporate social responsibility, small medium enterprises

INTRODUCTION

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To be a globally dynamic country, a nation should drive every resource at her disposal to optimize development. One crucial aspect to be developed in this fast pace era is economic and financial stability. Currently, the government focuses more on economic development that leads to a populist economy, with more actors coming from small and medium enterprises (SMEs). The existence of SMEs is an active form of economic phenomenon in Indonesia.

It plays an active role in shaping Indonesia's economic trend by carrying out numerous business activities that are able to expand employability and to increase personal income, despite the crisis that may have shaken the country's economic landscape. SMEs signify a sustainable growth that would enable overall improvement of the national economic performance.

Although SMEs have a significant contribution to economic growth, they may experience obstacles and problems in the field. These include inability to fund long-term

and risky knowledge management programs, weaknesses in information technology competencies, and lack of investment in training and education.

The problems faced by SMEs are divided into two categories: internal and external issues. Internal problems are issues that can be influenced by entrepreneurs, while external problems are outside their control. Internal issues consist of (1) limited awareness and willingness of the entrepreneur to apply appropriate knowledge and technology in the company, (2) limited capital to make technological improvements, (3) entrepreneur inability to exploit business opportunities, and (4) weak access to and limited information of sources of technology and knowledge. Meanwhile, external problems may occur around (1) inapplicable results from existing research and development for SMEs, (2) poor optimized transfer of technological process to SMEs, such as the limited number of professional assistance in the field, (3) limited, and sometimes unavailable, publication of research results and development for SMEs throughout the region, and (4) constrained funding schemes for knowledge and technology development including the purchase of new machines for SMEs (Rifa'i, 2013). Other problems experienced by SMEs can be divided into two; technical and non-technical. Technical problems include (1) export product SOP, (2) raw materials, (3) manpower, and (4) the product itself. Non-technological problems include (1) management, (2) accounting, (3) mortgage auditing, and (4) HKI marketing (Yasin et al., 2018)

It is necessary to empower SMEs in order to be a resilient business ecosystem to support the national economic scheme. Law No.20 / 2008 on Micro, Small, and Medium Enterprises (MSMEs) defines empowerment as a synergistic effort made by the government, regional authorities, business owners, and society to foster a climate of growth, thereby encouraging SMEs to grow and develop into tough and independent businesses. The Act is a form of partisanship from the government to small business groups run by individuals, so that the capability and quality of such organizations may be improved.

Parson in Suharto (2014) explains that empowerment emphasizes the acquisition of skills, knowledge, and power to influence an existing society. SME empowerment enables small business to achieve better performance and become more prosperous. Thus, empowerment-oriented development provides an opportunity for every member of the community to participate in the development process by providing equal opportunity and reaping the result according to their ability (Mardikanto & Soebiato, 2013).

The World Business Council for Sustainable Development as cited by Suharto (2008) defines CSR as the company's commitment to account for its operational impacts in the social, economic, and environmental dimensions as well as how its continuous impacts benefit the society and environment. CSR is an ongoing commitment of the company to behave ethically and contribute to economic development while improving the quality of life of its workforce and family. Similarly, it also commits to build the community around where the company operates and beyond.

Referring to the Law of the Republic of Indonesia Number 40 Year 2007 concerning Limited Liability of Company article 1 paragraph 3; Social and Environmental Responsibility is the company's commitment to participate in sustainable

economic development in order to improve the quality of life and create a favorable environments for the company itself as well as the local communities. According to Regional Regulation of East Java Province Number 4 Year 2011 article 1 paragraph 5, CSR or other similar programs already implemented by the company is an inherent responsibility of each company to keep creating relationships and values that align with the norms and culture of the community.

The purpose of social and environmental responsibility of a limited liability company according to government regulation of Republic of Indonesia number 47 Year 2012 as following:

- To increase the company's awareness of the implementation of social and environmental responsibilities in Indonesia;
- To meet the evolving needs of law in society regarding social and environmental responsibilities; and
- To strengthen social and environmental responsibility arrangements that have been regulated in various laws and regulations in accordance to the field of business activities of the company.

In accordance with Act Number 40 Year 2007, any company conducting its business activities in any fields related to natural resources is required to fulfil social and environmental responsibility. The implementation of this CSR has three basic principles known as the Triple Bottom Line developed by Archie B. Carrol (1979): (1) profit, companies should continuously seek for possible economic benefits to continue operating and developing; (2) browse, companies are advised to show their concern towards human wellbeing; and (3) planet, companies need to care about the environment and sustainability of biodiversity. In keeping with them, several companies have developed CSR programs such as providing scholarships for students around the company, establishing educational and health facilities, strengthening local economic capacity, and even designing various social protection schemes for local people. Additionally, some of the CSR programs are such as environmental greening, water supply provision, settlement improvement, and ecotourism development are based on sustainable environmental principle (Tanudjaja, 2006).

One of the companies that has implemented the CSR program is PT. Indofood SuksesMakmurTbk, a company within the food industry. One of their CSR programs aimed at strengthening economic value is implemented by their subsidiary, PT. Bogasari. Its collaboration with Kampung Kue provides cake-making training and public facilities for selling cakes such as street bandos, aprons, and Bogasari tables. Availability of such facilities are expected to support members of SMEs in doing business. Additionally, Bogasari works with the Office of Cooperatives (Dinas Koperasi) and Office of Industry and Trade (Dinas Industri dan Perdagangan) to provide simple bookkeeping training and the home-based business license grants.

METHODOLOGY

This study discusses the extent of the impact of the CSR program on the development of Kampung Kue SME. Research locus is at SME Kota Kampung Surabaya. This research uses descriptive qualitative method, which was chosen because of the ability of the method to assist in obtaining relevant information and insights about CSR programs towards the development of Kampung Kue Surabaya City, Surabaya. In-depth interviews with informants selected based on sampling techniques and review of published documents were done to collect data related to CSR programs for SMEs. Seven informants consisting of (1) Chairman of SME Kampung Kue; (2) Secretary of SME Kampung Kue; (3) Treasurer of Kampung Kue SME; (4) Members of SME Kue Village; (5) Kampung Kue community; (6) Head of the SME section of the Industry and Trade Office; (7) Public Relations of PT. Indofood Sukses Makmur Tbk; and (8) Public Relations Office of Cooperatives. Triangulation of data sources and data collection techniques are used to improve data quality. Miles, Huberman, and Saldana (2014) provide references and guidelines on data collection techniques used to obtain and process data, carry out interpretive analysis, and drawing conclusions.

FINDINGS AND DISCUSSION

The establishment of SME Kampung Kue located in Rungkut Lor Gang II Surabaya in 2005 was initiated by Mrs. Choirul Mahpudiah. Over the next five years, Kampung Kue officially became a part of the small and medium enterprises in the country. The purpose of the establishment of Kampung Kue SME is to increase the income of the people residing in Rungkut Lor Kelurahan Kali Rungkut, Surabaya. Women, particularly unemployed mothers, were trained in cake-making skills, marketing strategies, as well as managing cash flow. As small businesses progress and grow positively, household incomes and employment opportunities will ultimately increase.

In Kampung Kue, human resources department has the authority to decide the goals of the organization and how to achieve it. With a total of 65 members, the composition of Kampung Kue SMEs is as follows:

Table 1: *Management of small and medium enterprises Kampung Kue by education level and position.*

Name	Position	Education
Choirul Mahpudiah	Chairman	Bachelor Degree
Dian OktaIswanti	Secretary	Bachelor Degree
Fitrotul Chusniyah	Treasurer	Senior High School
Ayuni	Supervisor	Master
Leni KakiAY	Member of Supervisor	Senior High School
Sumiatun	Member of Supervisor	Senior High School

Based on the structure above, the main tasks, and functions of the management position of Kampung Kue is as follows:

a. Chairman

To lead, supervise, and coordinate the execution of duties of other members of the board, to provide accountability reports for the execution of duties to annual member meetings, to preside over board meetings and member meetings, and to sign outgoing papers and securities.

b. Secretary

To maintain the organization's administrative book, to be responsible for administrative affairs of the cooperative, to organize the minutes of meetings, to prepare organizational reports, and to organize and manage personnel matters.

c. Treasurer

To guide and oversee the work of the cashiers, to keep to the spending budget, to sign securities (with chairman), and to take care of financial matters.

d. Supervisor

To carry out supervision, guidance, inspection, monitoring, evaluation, and authorization of loans under certain amounts.

In terms of business legality, 11 out of 65 members of Kampung Kue SME already have licenses to conduct home-based food businesses while the rest are in the process of obtaining one. The SMEs developed themselves first through marketing. Initially, vendors started sending cakes to markets from 3.30 a.m. in addition to selling them from the stalls in front of their houses. Over time, the cakes become well-known and high in demand. Following the positive trends, several middlemen started coming to Kampung Kue to help distribute the cakes. As this is a unique concept where a community develops and become economically empowered, recently, Net TV and Bios TV aired the activities of Kampung Kue.

Choirul Mahpudiah has successfully entered her product, Pawon Kue, to Hero Supermarket. The requirements for entering the big market are:

a. An existing home-based company

b. Ability to guarantee the standard of products in terms of materials, taste, and appearance

c. Availability of goods

The success of Kampung Kue SME is due to the cooperation with Bogasari both from the provision of cake-making training and public facilities for selling cakes such as street bandos, aprons, and Bogasari tables. In addition, this collaboration with Bogasari is also supported by the Office of Cooperatives, Industry, and Trade. Furthermore, the Government of Surabaya City cooperated with PT. Telkom Indonesia to provide 2 units of computers, 2 tables, and 5 chairs to the village to encourage Digital SMEs. This, along with a loan funding of Rp 20,000,000- / per person to members of SMEs offered by PT. Telkom, complement the facilities and support the development of Kampung Kue SMEs.

CONCLUSION

CSR programs conducted by companies should play a role in developing the community around them. PT. Bogasari has implemented a CSR program by collaborating with Kampung Kue, the Office of Cooperatives, and the Office of Industry and Trade to provide cake-making training, baking equipment, administrative training, and access for SME Kampung Kue to penetrate the major retail market. This effort would strengthen the position of Kampung Kue as an SME to eventually enable it to take part in developing the economic landscape of Indonesia. To create economic sustainability and reduce poverty levels, beneficial collaborations are conducted between the government, companies, and the community to provide assistance such as structured and competent human resource management, government attention and support, facility, infrastructure, and financial assistance.

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