

Corporate Social Responsibility Analysis as an Alternative Source of Regional Development Financing

Poni Sukaesih Kurniati
Departemen Ilmu Pemerintahan
Universitas Komputer Indonesia
 Bandung, Indonesia
 poni.sukaesih@email.unikom.ac.id

Suryanto
Department of Business Administration
Universitas Padjadjaran
 Bandung, Indonesia
 suryanto@unpad.ac.id

Abstract— The purpose of this study is to analyze the sources of development funding originating from Corporate Social Responsibility (CSR) funds from both private companies and State-Owned Enterprises (SOEs) in Bandung, West Java, Indonesia. CSR funds are funds that are set aside from profits earned by the company. Private companies carry out CSR programs due to demands from the Limited Liability Company Law whereas SOE companies carry out CSR programs because there are instructions from SOE ministries. The research method used in this study was a qualitative approach to the type of exploratory research. Primary data sources obtained from in-depth interviews with several informants. While secondary data obtained through tracking research results and documents relating to the use of CSR funds in the city of Bandung. The results showed that the implementation of CSR in the city of Bandung was running, but the implementation was still done partially. The company implements CSR programs in accordance with each company's policies. They run CSR programs only limited to spend the budget without analyzing whether the program is useful or not. The local government has not been involved in CSR activities carried out by each company. Local governments can actually optimize CSR funds by collaborating both in development planning and financing. However, the huge potential source of funding from CSR funds cannot yet become an alternative source of regional development funding.

Keywords—CSR, Sources of Financing, Regional Development

I. INTRODUCTION

Corporate Social Responsibility (CSR) is a commitment or corporate responsibility to contribute to sustainable development [1]. CSR can contribute to progress as an alternative source of development funding. So far, funding for regional government development still relies on budgets sourced from general funds such as taxes and levies [2]. The provincial government still relies on increasing local revenue (PAD) in overcoming the constraints of development funds. Local governments recognize the limited ability to finance development financing needs. Therefore, local governments can increase the participation of the community, business community, and non-governmental organizations in achieving development goals. The government is trying to optimize all development stakeholders by using sources of funding that are not from the Regional Revenue and Expenditure Budget, especially those from the business community [3].

The use of development funds sourced from the community aims to encourage the community to participate in development activities. This certainly can provide benefits

to overcome the constraints of development funds. Also, the community engages in maintaining any development carried out [4]. To utilize these funding sources, the government needs to work to strengthen the regulatory and institutional side of financial institutions. For this reason, more systematic and sustainable cooperation between the government and the private sector needs to be developed and optimized, including through CSR schemes [5].

CSR scheme is an activity of the private sector as a form of social responsibility to the community and the surrounding environment. So far, the implementation of CSR is following the policies of each company. Therefore, the application often overlaps between companies with other companies [6]. The role of government in the form of regulations needs to be developed to improve the effectiveness of CSR implementation. The CSR scheme is expected to be an alternative source of funding for regional development.

During this time, the implementation of CSR carried out in the city of Bandung is mostly charity, charity, according to the needs of the moment, less sustainable impact, and local around the company environment. Charity CSR is carried out in connection with celebrating religious and state holidays as well as social activities in the community that requires financial assistance. The forms of activities include mass circumcision, religious holiday donations, holiday parcels, animals for the sacrifice of Eid al-Adha, donations to RT / RW, blood donation, free medical treatment, materials for infrastructure, and others. Although the CSR program provides positive benefits to the community, the assistance has not yet been empowering and sustainable. As a result, such aid has not been able to have a more significant impact on improving welfare. Not to mention, there are problems of overlapping between CSR programs conducted between companies.

Several previous studies relating to CSR have been carried out with different focus. One of the results of the study stated the need for cooperation between the government and the private sector to improve the creative economy [7]. Other research results say that the implementation of CSR so far is still not well-targeted and not following development goals [8]. The application of CSR can run well if there is a role for government and community participation [9]. Other researchers state that the concept of CSR is already good, but in its implementation, many companies are inconsistent [10]. Companies are less concerned with implementing CSR because they assume consumers are not too worried about whether the company is implementing CSR or not [11]. Other researchers stated that

the implementation of CSR would run well if there is a partnership between companies and government organizations [12].

Based on the results of previous studies, it is known that CSR programs are actually excellent, but implementation in the field is still overlapping. Therefore, this research needs to be done to determine the role of local governments in regulating the implementation of CSR in the city of Bandung. This study uses a qualitative approach with informants from the City Government of Bandung and companies that carry out CSR.

II. METHOD

The research method used in this research is qualitative with a descriptive approach. Descriptive analysis aims to describe precisely the characteristics of an individual, a situation, symptoms, or specific groups. The selection of this method is made to get a basic understanding through the first-hand experience of researchers who directly process and merge into an integral part of the subject and setting to be studied [13].

The data used in this study consisted of primary and secondary data. Primary data sources were obtained from in-depth interviews, focused discussions, and direct observation in the field. The secondary data sources were obtained and collected from the results of compilation and data processing in the form of research results, scientific articles, publications, and documents related to the object of this study.

Data collected from the research process will then be analyzed by descriptive analysis. Descriptive analysis is intended to make a description of situations or events. Descriptions or information about events or objects that emerge from the field notes are examined while still considering the degree of internal coherence, are reasonable, and relate to factual and realistic events. Qualitative data analysis techniques consist of testing, selecting, categorizing, evaluating, comparing, synthesizing, and drawing conclusions.

III. RESULTS AND DISCUSSION

Government Regulations and Policies Related to Implementation

Regulations regarding the implementation of CSR include Law No. 40 of 2007 concerning general provisions of limited liability companies and Regulation of the Minister of State-Owned Enterprises No. PER-5 / MBU / 2007 concerning Partnership Programs and Community Development Programs. In the Act. No. 40 of 2007 emphasizes the social and environmental responsibility of business entities related to the processing of natural resources. In more detail, according to the law, states that social and environmental responsibility is the company's commitment to participate in sustainable economic development. In the explanation of the law mentioned that social and environmental responsibility aims to improve the quality of life and the environment that benefits the company itself, the local community, and society in general [14]. This provision is intended to support the establishment of a harmonious, balanced, and compatible company relationship with the environment, values, norms, and culture of the local

community. Therefore it is determined that a company whose business activities in the field and/or related to natural resources are required to carry out social and environmental responsibility. They must carry out the company's obligations by budgeting and calculating the company's costs.

Then in the same law article, 74 states that the company that carries out its business activities in the fields and/or related to natural resources are required to carry out social and environmental responsibility. Local governments can make a plan or regional development program plan that can be used as a reference in the preparation of CSR programs by private companies / SOEs. However, in determining the depth of the regional development program plan, the company does not require specific government intervention. The government should provide direction only at a macro level.

The awareness motivates the CSR program that regional development must be the responsibility of all parties, both government, companies, and society. The program originated from the obligation of SOEs to set aside a portion of profits for community empowerment through the Partnership and Community Development Program. In its development, the responsibility to implement CSR is not only required to BUMN but also private companies following Law Number 40 of 2007 concerning Limited Liability Companies. Enforcing companies to carry out social responsibility due to the use of natural resources by the company. Even for SOEs, the commitment to channel CSR funds is used as an indicator in assessing the level of company health.

Utilization of Corporate Social Responsibility Funds

The implementation of CSR programs has been running in accordance with the plans of each company. Local governments have not been able to make standard rules, to coordinate CSR funds from companies as an alternative source of development funding. The following CSR programs have been carried out by several companies in the city of Bandung.

TABLE I. FORMS OF PARTNERSHIP AND COMMUNITY DEVELOPMENT PROGRAMS IN DISBURSING CSR FUNDS

No	Program	Field Activities
1.	Partnership Program	Capital / loan assistance Training Coaching Education
2.	Community Developing	Health Urban Infrastructure Living Environment Natural Disaster Relief

Based on Table 1, it can be seen that the CSR program that has been implemented has helped the community. The program helps local governments in financing development, both physical and human resource development.

Financing optimal regional development requires efforts to identify funding capabilities that involve local governments and the private sector. This is useful to provide an appropriate picture for long-term, medium-term, and short-term development planning. This identification should be accompanied by fiscal policies that will be applied according to the specified planning period. Furthermore, the

prioritization of development activities to be carried out should be based on the identification of these capabilities.

Sources of financing, in general, can be divided into sources of government and private funding. The source of government funding is called the government resource envelope, whereas private funding sources are all financial sources originating from banks and other financial institutions. Also, the private sector can cooperate with the government to create an investment activity or other public services. In this case, the source of funding remains clearly divided between the government and the private sector.

Meeting the needs of development financing, especially infrastructure as a support for the running of the economy, is one of the main targets. The need for infrastructure financing is very large, and it is impossible for the government to fulfill. The private sector is expected to play a role in meeting the needs of infrastructure. For this reason, a clear policy is needed regarding the division of roles of the government and the private sector in meeting the financing needs of the infrastructure. For example, activities that are non-cost recovery and affect the lives of many people should be the responsibility of the government, both the central and regional governments. These activities include the construction of remote roads, transportation safety facilities, water resources, waste treatment facilities, and sanitation. While another infrastructure financing that can provide cost recovery can be provided to the private sector with certain guarantees from the government, such as the construction of toll roads, ports, or terminals.

In addition to the principle of cost recovery, the private sector also determines an activity based on the principle of good governance. Under this principle, the private sector can directly invest in investment activities in the form of social capital through CSR activities. The regional government actually has a very large funding source opportunity to develop its region by utilizing the funding source from the CSR. Local governments can develop the implementation of corporate CSR in the form of better coordination, accompanied by clear rules and mechanisms. Thus, these companies can implement CSR in a more coordinated manner, so that the outputs and outcomes of CSR implementation become clearer and can contribute to wider regional development.

During this time, the CSR program of private companies /SOEs with the development program of the local government has been running independently. Therefore a synchronization policy is needed to adjust the CSR program with regional development programs [15]. This synchronization policy is expected to be able to eliminate conflicts between local government programs and corporate CSR programs. So that development programs and CSR programs can be in line and support each other.

However, the collaboration between the government and the private sector in financing development using CSR funds cannot be done arbitrarily. The partnership must be planned appropriately and carried out in an integrated and sustainable manner. So that the programmed developments can be implemented optimally. The optimization of CSR funds for financing development in an appropriate, integrated, and sustainable manner can be done in several ways, including:

(1) Mapping of CSR Provider Companies

Development programs planned by local governments cover various aspects, namely: physical, economic,

social, political, and legal aspects. The need for funds to finance the development is huge. Therefore it is necessary to do a mapping of companies that provide CSR funds. Mapping is carried out on BUMN and private company groups regarding the number of funds normally given in CSR activities. In addition, the government must also map the time normally used by companies in implementing CSR.

(2) Development Financing Planning

The government identifies development planning activities that may be funded from CSR funds. The preparation of the identification of development planning activities is based on short-term, medium-term, and long-term planning. The results of the identification of development planning activities are the basis for collaborating with companies that provide CSR funds.

(3) Program Synchronization

Local governments synchronize programs with companies that will implement CSR. CSR programs should be directed according to the plans made by the local government. Local governments coordinate CSR providers in an integrated manner so that they are coordinated under one roof so that the utilization of CSR funds can be optimally targeted.

IV. CONCLUSION

The implementation of CSR programs is based on Law No. 40 of 2007 concerning limited liability companies and SOE Ministerial Regulation No. PER-5 / MBU / 2007 concerning the Partnership Program and the Community Development Program. The CSR program is motivated by the awareness that regional development is the responsibility of all parties, both government and companies. During this time, the company carries out CSR activities totally on knowledge, not because there is punishment. Therefore the results of the activities carried out are adjusted to the programs of each company. To further optimize CSR activities, several steps can be implemented, including (1) Mapping the companies providing CSR; (2) Development financing planning; and (3) Program synchronization.

REFERENCES

- [1]. Heslin, P. A., & Ochoa, J. D. Understanding and Developing Strategic Corporate Social Responsibility. *Organizational Dynamics*, (2008), 37, 125-144.
- [2]. Kurniati, P. S., Suryanto, S., & Anggadani, S. D. Model of Financing Infrastructure Development In Bandung, West Java, Indonesia. In *International Conference on Business, Economic, Social Science and Humanities (ICOBEST 2018)*. Atlantis Press, (2018, November).
- [3]. Hilson, G., & Murck, B. Sustainable Development in the Mining Industry: Clarifying The Corporate Perspective. *Resources Policy*, (2000), 26(4), 227-238..
- [4]. Mansuri, G., & Rao, V. Community-based and-driven development: A Critical Review. *The World Bank Research Observer*, (2004), 19(1), 1-39.
- [5]. Franks, D. M., & Vanclay, F. Social Impact Management Plans: Innovation in Corporate and Public Policy. *Environmental Impact Assessment Review*, (2013), 43, 40-48.
- [6]. Maas, S., & Reniers, G. Development of a CSR Model for Practice: Connecting Five Inherent Areas of Sustainable Business. *Journal of Cleaner Production*, (2014), 64, 104-114.
- [7]. Klijn, E. H., & Teisman, G. R. Governing Public-private Partnerships. *Public-Private Partnerships, Theory and Practice in International Perspective*, (2000), 180..

- [8]. Pedersen, E. R. Modelling CSR: How Managers Understand the Responsibilities of Business towards Society. *Journal of Business Ethics*, (2010), 91(2), 155-166.
- [9]. Hazlett, S. A., McAdam, R., Sohal, A., Shahin, A., & Zairi, M. Corporate Governance as a Critical Element for Driving Excellence in Corporate Social Responsibility. *International Journal of Quality & Reliability Management.*, (2007).
- [10]. Van Marrewijk, M. Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion. *Journal of business ethics*, (2003), 44(2-3), 95-105.
- [11]. Pomeroy, A., & Dolnicar, S. Assessing the Prerequisite of Successful CSR Implementation: are Consumers Aware of CSR Initiatives?. *Journal of business ethics*, (2009), 85(2), 285-301.
- [12]. Seitani, M. M., & Crane, A. Implementing CSR through Partnerships: Understanding the Selection, Design and Institutionalisation of Nonprofit-Business Partnerships. *Journal of business ethics*, (2009), 85(2), 413-429.
- [13]. Denzin and Lincoln., *Hand Book of Qualitative Research*, Sage Publication, Thousand Oaks, London, 136-37. (1994).
- [14]. Iqbal dan Sudaryanto. Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility) Dalam Perspektif Kebijakan Pembangunan Pertanian. *Jurnal Analisis Kebijakan Pertanian volume 6 no. 2, Juni 2008. Pusat Studi Sosial Ekonomi dan Kebijakan Pertanian*, (2008).
- [15]. Hakim, M. L. Integrasi CSR dan Program Perencanaan Pembangunan Daerah Dalam Kerangka Mewujudkan Model Baru Pelaksanaan CSR. *Sawala: Jurnal Administrasi Negara*, (2018). 2(2), 63-77.