



Confirmatory Factor Analysis of CSR Construct: Indonesian MSMEs Context

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Abstract. Every firm will have to deal with complexity, change, and the same intense commercial rivalry that big businesses confront as well as small, medium, and large businesses (MSMEs). Through the Corporate Social Responsibility (CSR) program, external stakeholders (both public and private) must provide support and direction for MSME success to be achieved. The goal of this study is to evaluate the CSR program's confirming aspects using Carroll's (1991) pyramid model, namely the four pillars of economic, legal, ethical, and philanthropic responsibility, to enhance the performance of SMEs. Large firms and enterprises have historically used the CSR framework to boost their public image and enhance performance. The CSR construct is used in this study as a means of support for MSME players by the government (BUMN) and the private sector, and it is investigated using confirmatory factor analysis. This research is innovative and advances science. The population of this research consisted of 165 MSME owners who had received CSR program support from the public and private sectors in Tulung Agung Regency, Blitar Regency, Malang City, Batu City, and Sidoarjo Regency. According to the results of the Confirmatory Factor Analysis, it can be done through economic responsibility, such as encouraging MSMEs to develop long-term strategies, legal responsibility, such as encouraging MSMEs to be aware of relevant environmental laws, ethical responsibility, such as encouraging MSMEs to be given enough training to carry out safe work duties, and philanthropic responsibility, to improve the performance of MSMEs.

Keywords: Corporate Social Responsibility(CSR) program · Economic Responsibility · Legal Responsibility · Ethical Responsibility and Philanthropic Responsibility · MSMEs

1 Introduction

The development of Micro, Small, and Medium-Sized Enterprises (MSMEs) has changed the nation's economy. Its existence is one of the ways to lower the unemployment rate and get the economy rolling. According to [1], MSMEs are still often

managed simply and based on the skills of the owners or entrepreneurs who own and operate them. According to Caldera, Desha, and Dawe (2019), the internal elements of the business actor himself, particularly the factor of the business actor's style of thinking, is what determines success in developing a sustainable company for MSMEs [2].

Through the corporate social responsibility (CSR) initiative, MSMEs can improve their performance with help and direction from external parties (public and private). According to [3], CSR is a commitment to enhancing human welfare via transparent corporate practices [8]. According to [6], helping SMEs participate in CSR programs can boost their productivity. The effectiveness of SMEs is greatly impacted by CSR programs [7]. Explains how CSR initiatives have a big impact on how well SMEs function. According to Ali et al. (2010), CSR initiatives have a direct impact on organizational performance. CSR program implementation to boost SMEs' performance is difficult and only seldom effective [12].

Commitment from both the public and business sectors to enhancing MSME performance through CSR initiatives. Stakeholder theory states that CSR initiatives are performed as a business activity to foster positive relationships with stakeholders. The community is referred to as a stakeholder in this study (MSMEs). The attitudes of stakeholders must also be taken into account when evaluating the performance of CSR activities [5]. Through the economic, legal, ethical, and philanthropic pyramid model, Carol (1991) and Maignan and Ferrell (2000) present a theoretical and logical rationale for why a corporation ought to adopt CSR for the local community [3, 10].

Based on the foregoing, this study investigates the CSR program confirmatory elements using Carroll's (1991) pyramidal idea of economic, legal, ethical, and philanthropic responsibilities to enhance the performance of SMEs [3]. Large firms and enterprises have historically used the CSR framework to boost their public image and enhance performance. In this study, the government (BUMN) and the private sector use the CSR construct as a means of aiding MSME players. This research is innovative and advances science since it uses confirmatory factor analysis to investigate the CSR construct.

2 Methods

By investigating the confirmatory aspects of the CSR program via economic responsibility, legal duty, ethical responsibility, and philanthropic responsibility to enhance the performance of SMEs, this study employs a quantitative technique (quantitative approach). A total of 165 UKM owners who received CSR program support from the government (BUMN) and the private sector made up the population of this study, which was done in the regencies of Tulung Agung, Blitar, Malang, Batu, and Sidoarjo. Primary data acquired directly from respondents using questionnaires with the following operational characteristics served as the study's data source (Table 1).

The Likert scale model, with a score of 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree, was used to measure the research variables. Confirmatory factor analysis (CFA) techniques were utilized in the study's data analysis to understand how indicators formed dimensions and how dimensions formed research variables.

Table 1. Operational Matrix of Research Variables

No	Variable	Dimensions	Indicator	Source
1	CSR programs	Economics responsibility	1. Encourage to develop of a long-term strategy 2. Encourage to establish procedures for handling customer complaints 3. Push to improve product quality	Carroll (1991), Mainnan and Ferrell (2000)
		Legal responsibility	1. Encourage compliance with the rule of law. 2. Encouraging products to comply with legal standards 3. Please encourage them to know relevant environmental laws	
		Ethical responsibility	1. Encourage to establish a comprehensive code of ethics 2. Encourage to have regulations on health and safety 3. Encouraging employees to be provided with adequate training to perform work tasks safely	
		Philanthropic responsibility	1. Encourage partnerships with local businesses 2. Encourage contributing to charity 3. Encourage to implementation of programs to reduce the amount of wasted energy and materials.	

3 Results and Discussions

A confirmatory factor analysis (CFA) test was conducted after initial instrument testing. The Pearson product-moment correlation coefficient (r), which was determined by the validity and reliability tests of the instrument, was less than 0.3. Because the Cronbach

Table 2. Item Validity and Reliability Test Results

Variable	Items	Correlation		Coefficient	
		count	results	alpha	results
CSR programs	X1.1.1	0.478	Valid	0.907	Reliable
	X1.1.2	0.577	Valid		
	X1.1.3	0.407	Valid		
	X1.2.1	0.840	Valid		
	X1.2.2	0.705	Valid		
	X1.2.3	0.908	Valid		
	X1.3.1	0.788	Valid		
	X1.3.2	0.804	Valid		
	X1.3.3	0.699	Valid		
	X1.4.1	0.766	Valid		
	X1.4.2	0.759	Valid		
	X1.4.3	0.861	Valid		

Table 3. Factors Loading (λ) Variable EstimatorCSR programs

Variables and Dimensions			FL	CR	p.s
CSR programs	->	Economic responsibility	0.443	5.035	0.000
CSR programs	->	Legal responsibility	1.163	9,601	0.000
CSR programs	->	ethical responsibility	1.026	10,771	0.000
CSR programs	->	Philanthropic responsibility	0.964	-	-

alpha score is greater than or equal to 0.6, the test is valid and trustworthy. The results of the instrument testing are shown in Table 2.

The results of measurements of the dimensions that can form latent variables with CFA are shown in Table 3.

According to Table 3, the indicators that comprise the variable CSR program have a factor loading (FL) value with a significance level (p) of 0.05 and a CR value displaying a number more than 2.0. Therefore, indicators of a preceding program’s economic, legal, ethical, and charitable tasks are just as important. Table 4 displays the findings of measurements of indicators that can create dimensions using CFA.

Table 4 displays factor loading (FL) values with significance levels (p) 0.05 and a CR value indicating a number more than 2.0 for the variables that make up the dimensions of economic responsibility, legal duty, ethical responsibility, and philanthropic obligation. These metrics, which are important indicators, thereby shape the facets of economic, legal, ethical, and charitable duty. When comparing the loading factor values of each

Table 4. Factors Loading (λ) Dimension GaugeCSR programs

Dimensions and Indicators			FL	CR	p.s
Economic responsibility	->	Develop a long-term strategy	0.772	8,993	0.000
Economic responsibility	->	Establish procedures for handling customer complaints	0.767	9,098	0.000
Economic responsibility	->	Improve product quality	0.724	-	-
Legal responsibility	->	Comply with legal regulations	0.423	6,140	0.000
Legal responsibility	->	Meets legal standards	0.556	7,823	0.000
Legal responsibility	->	Know the relevant environmental laws	0.609	-	-
ethical responsibility	->	Establish a comprehensive code of ethics	0.604	8,574	0.000
ethical responsibility	->	Have health and safety regulations	0.691	9,944	0.000
ethical responsibility	->	Provided adequate training to perform work duties safely	0.757	-	-
Philanthropic responsibility	->	Partnerships with local businesses	0.801	11,838	0.000
Philanthropic responsibility	->	Contribute to charity	0.715	10.333	0.000
Philanthropic responsibility	->	Implement programs to reduce the amount of wasted energy and materials	0.767	-	-

indicator, it is determined that a long-term strategy's economic responsibility dimension, which has a loading factor value of 0.772, makes the largest or biggest impact. Knowledge of relevant environmental legislation is the indicator thought to have the highest or strongest influence from the dimension of obligation, with a loading factor value of 0.609. The indicators with a loading factor value of 0.757 are believed to have the greatest or strongest influence on the dimension of ethical responsibility. Given proper training to execute occupational activities safely a collaboration with a local firm is believed to have the greatest or strongest influence on the dimension of philanthropic duty, with a loading factor value of 0.801.

By offering answers to the issues encountered by these SMEs, the corporate social responsibility (CSR) program run by the government (BUMN) and the private sector has a stake in the growth of the SME sector, according to the study's findings. The pyramid concept approach created by Carroll (1991) can be used to evaluate the effectiveness of the CSR program in enhancing the performance of SMEs. This approach focuses on economic responsibility, which includes encouraging SMEs to develop long-term strategies, legal responsibility, which includes encouraging SMEs to be aware of relevant environmental laws, ethical responsibility, which includes encouraging SMEs to receive adequate training to perform work tasks safely, and philanthropic responsibility.

These findings back up the pyramid theory. Carroll (1991) proposed that four responsibilities—economic, legal, ethical, and philanthropic—are distinct from one another in that they address all perspectives on CSR and what stakeholders demand of the business in terms of both its economic and social performance [3]. According to Kotler and Lee (2005), corporate social responsibility is a commitment to enhancing societal welfare via transparent company operations [8]. According to Guzman et al. (2016), helping SMEs participate in CSR programs can enhance their performance [6]. CSR initiatives have a considerable impact on SMEs' performance, according to Kamyabi (2013) [7]. Supriyatna et al. (2016) came to the conclusion that CSR has a favorable impact on the wellbeing of the neighborhood around the business [11]. The firm may stimulate the community's productive activities by building facilities and infrastructure, and with this development, the corporation can empower the neighbourhood. According to Mahendra (2017), community well-being will happen if the community's economic capability increases [9].

This is demonstrated by the presence of the Tourism Village CSR program, which can provide cumulative impacts that can boost and stimulate the local economy.

4 Conclusion

The economic, legal, ethical, and philanthropic responsibility pillars of the pyramid of corporate social responsibility (CSR) defined by Carol (1991) are a key sign of a former program. The effectiveness of CSR programs can be demonstrated through economic responsibility, such as encouraging SMEs to create long-term plans, legal responsibility, such as encouraging SMEs to be aware of pertinent environmental laws, ethical responsibility, such as encouraging SMEs to receive adequate training to perform work tasks safely, and philanthropic responsibility, such as encouraging SMEs to collaborate with local businesses. The government (BUMN) and the private sector have a stake in the growth of the SME industry by offering CSR initiatives that aid MSEs in comprehending the rules or legal requirements of company management.

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