

The Implementation of Corporate Social Responsibility in East Java

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ABSTRACT

The government of East Java province has made regulations by placing the policy direction of regional development in the medium-term development planning documents; it is an attempt to make a breakthrough in the development of financing for development. The programs and activities are the priority, but the government is unable to fund such as the provision of facilities for strategic infrastructure that can improve the competitiveness of the region and the provision of basic public services, the policy development funding is directed by involving the public, private and business through the implementation of Corporate Social Responsibility (CSR) and the Community Development Partnership Program (CDPP) from local businesses which are scattered in various areas in East Java, in efforts to accelerate the fulfilment of the needs of society in achieving East Java to be more Prosperous, Fair, Independent, Competitive, and has morals. The role of local government is a facilitator, regulator, motivator and coordinator in development, especially building a strategic partnership that need to be developed and increased. The purpose of this research is to develop a database of CSR implementation in companies in East Java. Based on the realization of the budget, the percentage of CSR and CDPP activities contributors for Surabaya East Java is 39.20% and 16.52% for Gresik, 12.11% for Malang and Madiun for 11.75%. Meanwhile, based on the proportion of state and private companies, the amount of the budget for CSR activities and CDPP is the largest in East Java Province held by state-owned companies that is Rp. 171 912 400 398, or approximately 71.95% of the total budget of CSR and CSR activities. Meanwhile, the private sector contributed Rp. 42,656,727,422 or approximately 28.05%. therefore, CSR investment in East Java province in 2013 recorded total investment fund of 302 174 999 427 carried by 30 Businesses in East Java through 10 development activities, while in 2014 recorded total investment fund of Rp. 54,107,630,948, the investment rate decreased because only 17 companies report their CSR activities covered 13 development activities and in 2015 was only Rp. 248 637 627 840.

Keywords: Corporate Social Responsibility, Regional Budgeting

1. BACKGROUND

The development of East Java is the responsibility that must be borne by the three main pillars of development that are: the government, private, and community who have a role and function to prosper side by side. In order to carry out the duties and functions of planning, coordination and synchronization, as well as monitoring the preparation for the labour relations policies formula and the implementation of local development planning related to partnerships with the business world and the necessary measurement acceleration statements through partnerships with companies that implement CSR/CDPP in East Java.

As it is known, there are limitations/gap financing the construction of the Provincial Government of East Java in comparison with the existing development needs. While on the other side there is a community development activity that is also conducted by the business world, located in the province of East Java, one of them is through a Corporate Social Responsibility (CSR)/ Partnership Program and Community Development (CDPP) programs. This program can be used to fill the development gap which needed by the community. Meanwhile, from the company itself, the implementation of CSR/CDPP already widely performed and it is one of the ways for the company in an effort to improve their image as a company that has good governance.

According to "Law No. 40 Year 2007 on Limited Company, Chapter V of article 74 paragraphs 1-4" is a company that runs its business activities in the field and/or related to the natural resources required to implement the Social and Environmental Responsibility. However, for companies that are not and do not manage natural resources, the CSR/TSP is only voluntary, it must be wise because the company operates and located in the province of East Java.

Sustainable CSR program is expected to be able to form or create a society that is more prosperous and independent. Each of these activities will involve the spirit of the synergy of all parties to continuously build and create prosperity and ultimately will create self-reliance of communities involved in the program. CSR policy implementation is a process that is continuous and ongoing. Thus, creating an ecosystem will benefit to all parties (true win-win situation). The financing gap on the construction of the Provincial Government of East Java in comparison with the existing development needs. Meanwhile, there is a community development activity that is also conducted by the business world, located in the province of East Java, one of them is through a Corporate Social Responsibility (CSR) program/Partnership Program and Community Development (CDPP). This program can be used to fill the development gap which needed by the community. From the company itself, the implementation of CSR/CDPP already widely performed and is one of the ways the company in an effort to improve their image as a company that has good governance.

East Java provincial government has made regulations by including the policy direction of regional development in the medium-term development planning document; it is an attempt to make a breakthrough in the development of financing for development. The programs and activities in priority, but the government is unable to fund such as the provision of facilities for strategic infrastructure that can improve the competitiveness of the region and the provision of basic public services, the policy development funding is directed by involving the public, private and business through the implementation of CSR and the CSR of businesses area are scattered in various areas in East Java, in efforts to accelerate the fulfillment of the needs of society in achieving East Java More Prosperous, Fair, Independent, Competitive, and morals. The role of local government as a facilitator, regulator, motivator and coordinator in development, especially build strategic partnerships need to be developed and improved. The purpose of this research is to develop a database of implementation of CSR in companies in East Java.

2. THEORETICAL BASIS

2.1. Definition of Corporate Social Responsibility (CSR)

Weinberg and Rudolph define CSR as:

The contribution that a company makes in society through its core business activities, its social investment and philanthropy programs, and its engagement in public policy” (Wineberg, 2004: 72).

Furthermore, said Mardjono Rekso- diputro that the CSR concept was rather a lift overlap (overlap) with the concept of (good) corporate governance and business ethics concepts (Rekso- diputro, 2004). Meanwhile, Schermerhorn (1993) defined CSR as a concern business organization to act in ways that serve the interests of their own in the organization and external public interest (Schermer-horn, 1993). Definition of CSR is crucial audit approach CSR program. Unfortunately, there is no definition of CSR that is universally accepted by various institutions. Some definitions of CSR below shows the diversity of CSR understanding by various organizations (see Business Magazine and CSR, 2007; Wikipedia, 2008; Sukada and Jalal, 2008):

1. The World Business Council for Sustainable Development: an ongoing commitment of businesses to behave ethically and contribute to economic development while improving the quality of life of employees and their families, as well as the local community and society in general.
2. International Finance Corporation: the commitment of businesses to contribute to sustainable economic development by working with employees, their families, local communities and society at large to improve their lives in ways that are good for business and development.
3. Institute of Chartered Accountants, England and Wales: The guarantee that organizations of business managers are able to give a positive impact for the community and the environment, while maximizing the value for shareholders (shareholders) them.
4. Canadian Government: Business activities that integrate economic, environmental and social into the values, culture, decision-making, strategy, and the company’s operations are conducted in a transparent and responsible for creating and developing a healthy society.
5. European Commission: A concept whereby companies integrate social and environmental attention to in their business operations and in their interaction with stakeholders based on the principle of volunteerism.
6. CSR Asia: The Company’s commitment to operate in a sustainable manner based on the principles of economic, social and environment, while balancing the diverse interests of the stakeholders.

In addition, the ISO 26000 on the Guidance on Social Responsibility also provides a definition of CSR. Although CSR guidelines of this new international standard would be set in 2010, the draft guidelines can be used as a reference. According to ISO 26000, CSR is: The responsibility of an organization for the impacts of decisions and activities on society and the

environment that are realized in the form of a transparent and ethical behaviour that is consistent with sustainable development and social welfare; considering the expectations of stakeholders, in accordance with established laws and norms of international behaviour; as well as integrated with the organization as a whole (draft 3, 2007). Based on these guidelines, CSR is not as simple as it is understood and practiced by most companies. CSR includes seven major components, namely: the environment, social development, human rights, organizational governance, labor practices, fair operating practices and consumer issues.

3. METHODOLOGY

3.1. Results

Data collection activities and CSR and CDPP implementation in East Java is implemented by taking a sampling of 164 companies that are scattered in the region of East Java. In Surabaya recorded as many as 47 companies, Madiun 4 companies, Kediri 3 companies, Malang 13 companies, Gresik 15 companies, Sidoarjo 15 companies, Lamongan 4 companies, Bojonegoro 4 companies, Tuban 18 companies, Probolinggo 4 companies, Jember 6 companies, Mojokerto 5 companies, Trenggalek 1 company and Banyuwangi 5 companies.

Based on the realization of the budget, the percentage of donor activities for CSR and CDPP are the area of Surabaya in East Java which is about 39.20%, and consist of 16.52% for Gresik, Malang 12.11% and 11.75% Madiun. Further details can be seen in the following table.

Based on the proportion of state and private companies, the amount of the budget for CSR activities and CCDP, East Java Province is the largest state-owned companies that is Rp. 171 912 400 398, or approximately 71.95% of the total budget of CSR and CCDP. Meanwhile, the private sector contributed Rp. 42,656,727,422 or approximately 28.05%. Further details can be seen in the following Figures 1-4.

East Java development program which used the budget funds originated from CSR/CCDP Company is divided into two criteria that is quantity and quantity of activities budget. Based on the quantity of activity, the implementation of CSR/CCDP

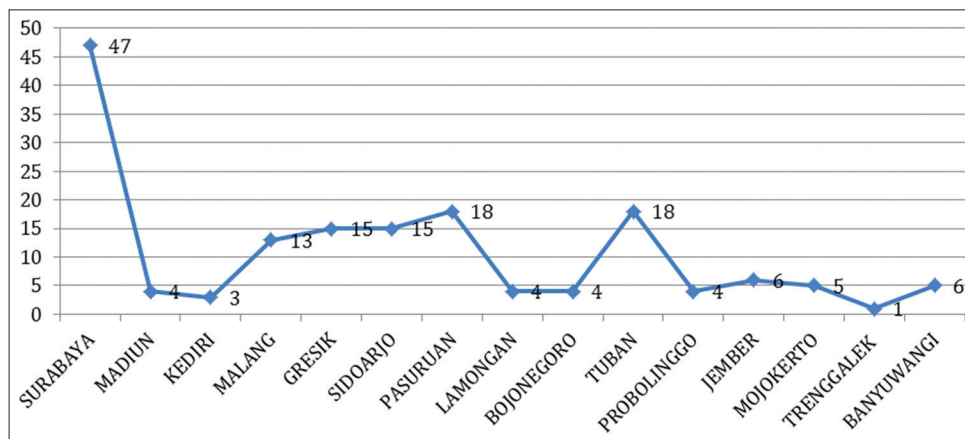


Figure 1: The Proportion of Industrial Sampling Distribution Based on Survey Region

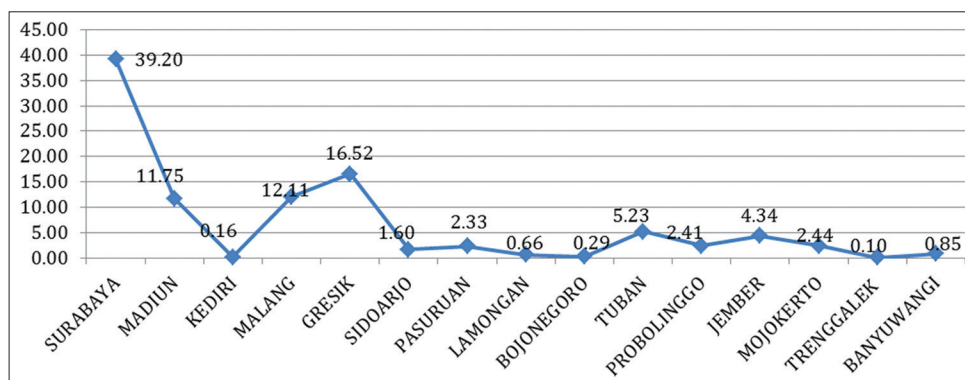


Figure 2: Percentage Contribution of Csr and Cdp Budget Based on the Survey Region (Unit In %)

companies more directed to the social sphere that there are around 2,638 activities that comprise the social infrastructure assistance activities, helping orphans, donating Independence Day event, home rehab assistance. Meanwhile, based on the quantity of the budget, the implementation of CSR/CCDP of the companies is more for areas of a business partnership that is Rp. 163 135 149 615.

Based on the description above, the general implementation of the budget allocation for CSR and CSREastJava province in 2015 decreased due to the implementation of CSR and CSR reporting companies are not finalized until the end of the year. To see the development of the allocation of funding for the implementation of CSR and CSREastJava province can be seen in the following Table 1.

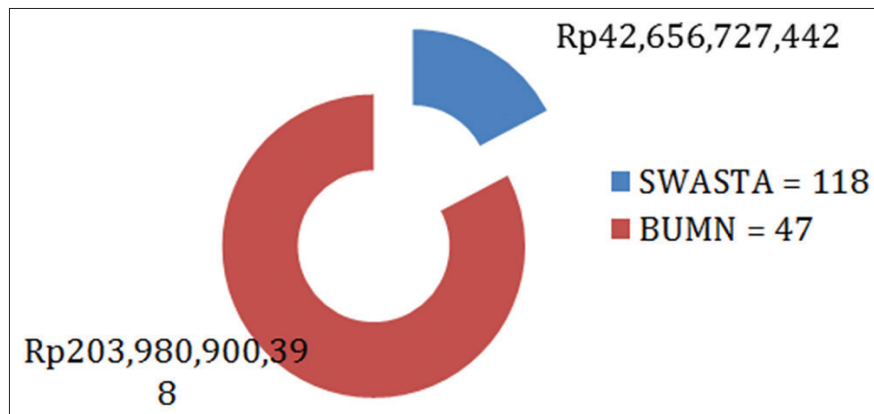


Figure 3: The Proportion of CSR and CCDP Budget of State-Owned Company and Private Sectors

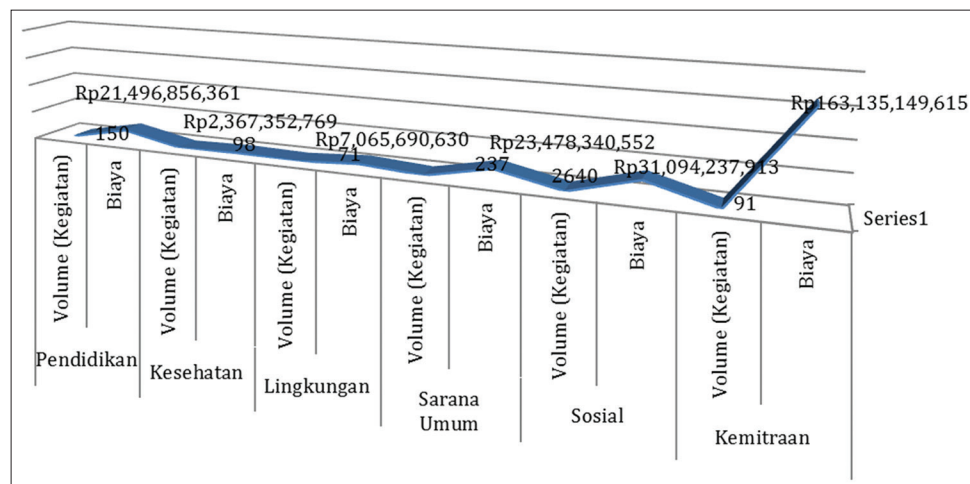


Figure 4: Activity's Field for CSR/CCDP, the Number of Events and Budget Realization (the Survey Result and Interview in 2015)

Table 1: The company's CSR activity report in East Java during 2013-2015

| Year | Number of company | Total |
|------|-------------------|---------------------|
| 2013 | 30 | Rp. 308,327,406,400 |
| 2014 | 32 | Rp. 358,344,330,847 |
| 2015 | 164 | Rp. 248.637.627.840 |

Source: bappeda of East Java, Survey 2015