

The Implementation of *Corporate Social Responsibility* Program in Increasing Welfare For The Community in Malang-Indonesia

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Abstract: Community welfare is one of the ultimate goals that is expected by each region. Various efforts have been designed and implemented by the local government to increase the growth for the region itself and subsequently are expected to have a positive impact on the welfare of the community. One of the efforts made by the regional government in the discussions carried out with the implementation of development. This study aims to study the role of the government in CSR implementation programs that have an impact on people's welfare significantly. This research was conducted by using quantitative research methods and using path analysis. The results of the study show that the government rules and implementation of CSR programs are able to improve the welfare of the community of Kampung Warna-Warni Jodipan, Malang.

Keywords: Community Welfare, CSR Program and Government Regulation

I. Introduction

Companies should have harmonized their performance achievements with social performance and environmental performance or it is normally called as a triple bottom-line performance. The alignment of the three performances will ultimately make the company able to reap lasting blessings and benefits (Arum mayangsari, 2015). Therefore, in carrying out their performance, they should take care of companies in the environment and society with several strategies that are carried out such as corporate social responsibility (CSR). Corporate Social Responsibility (CSR) is the commitment of companies or the business world to contribute to sustainable economic development by paying attention to corporate social responsibility and emphasizing a balance between attention to economic, social and environmental aspects (Nurantonio Setyo Saputro, 2010). Community welfare is one of the goals expected by each region, including Malang. Various efforts are designed and implemented by the local government solely in order to increase growth for the region itself and subsequently are expected to have a positive impact on the welfare of the community.

The Partnership and Community Development Program is a form of implementation of corporate social responsibility activities known as Corporate Social Responsibility (CSR) in State-Owned Enterprises (BUMN) and private companies. Markus Kitzmueller and Jay Shimshack (2012) CSR has also become a high profile public issue. An extensive global survey of people found that they would like companies to contribute to social goals beyond shareholder wealth. Ratnawati (2018) explained that Corporate Social Responsibility is realized through collaboration with employees, representatives of the community as an effort to improve the quality of life and benefit the community. CSR is expected to be a means of interrelated relations between the company and the local community in conducting business for the sake of suppressing problems around the company. CSR is a commitment of the company or business world to contribute to sustainable economic development with a focus on a balance between attention to economic, social and environmental aspects. Yuniarti Wahyuningrum et al. (2015) At present, companies are no longer faced with responsibilities that are based on economic profit aspects only, namely company values reflected in financial conditions, but also must consider the social and environmental aspects, or commonly called Three Bottom Line. The synergy of these three elements is the key to the concept of sustainable development.

Ni Kadek and Ida Bagus (2014) Community welfare is one of the goals expected by each region. In achieving these objectives, funding sources are needed, both from the center and from the region's ability to capture local revenue.

That funding source will later be used for the implementation of development so that it can increase economic growth and subsequently have a positive impact on people's welfare. Dewi and Sutrisna (2014: 32), stated that public welfare is one of the final goals of the realization of an effective and efficient government in the framework of creating fiscal decentralization. Socio-economic development that reflects the welfare of the community in an area is expected to be realized by efforts made by the regional government (Akudugu, 2012). Cooray (2009), said that economic growth will be created if local governments have good governance.

In Malang City, there is a CSR program that was recently carried out by the biggest paint company in Indonesia to make a new breakthrough in improving the condition of Malang City as a tourism city. The concept of CSR that is carried out is by realizing the company's concern for the surrounding environment by changing a village that used to look shabby, dirty, and less attractive into a thematic village that is clean, neat, beautiful, and unsightly. The CSR concept was named "Kampung Warna-Warni Jodipan (KWJ)". The target of the CSR concept is in a settlement located on the Brantas River, Malang City, precisely in the Juanda village RW 2, Jodipan Village, Blimbing District. This creative CSR program was raised by companies on the basis of a desire to change the lifestyle of citizens for the beauty of cleanliness, so that by gaining the support of citizens and various parties this CSR program was able to make changes and make Jodipan community aware of the importance of environmental cleanliness by making beautiful tourist villages and as a new tourist icon in Malang City. The CSR program in the tourism sector developed can provide a multiplier effect to the surrounding community. Since Jodipan was appointed as one of the targets of the CSR program to become a tourist village, the people who live around can feel an increase in welfare by earning additional income. Based on the explanation above, the research objective is to analyze and describe the welfare of Jodipan tourism community with government regulations and CSR programs.

II. Theoretical Review

Public Welfare

The concept of welfare is developed to be broader compared to merely measuring aspects of nominal income. Welfare is a standard of living, wellbeing, welfare, and quality of life. Brudseth (2015) stated welfare as a quality of life satisfaction that aims to measure the position of community members in developing life balance including: (a) material welfare, (b) social welfare, (c) emotional well-being, (d) security. The definition of social welfare is a nation's system of benefits and services to help the community to obtain social, economic, educational, health needs that are important for the survival of the community.

In understanding the reality of the level of well-being, there are basically several factors that lead to disparities in the level of well-being, among others: (1) household or community socio-economic, (2) structure of economic activities sectoral that form the basis of household or community production activities regional potential (natural resources, environment and infrastructure) that affect the development of the structure of production activities, and (4) institutional conditions that form a network of production and marketing on a local, regional and global scale (Taslim, 2004).

Government Regulation

Scott (2009) stated that there are two regulatory theories; public interest theory and interest group theory. Public interest theory explains that regulation must be able to maximize social welfare and interest group theory explains that regulation is the result of lobbying from several individuals or groups that maintain and convey their interests to the government. Arfan Faiz Muhlizi (2017) mentioned that the government as a regulator and facilitator of economic development is responsible for the attractiveness or lack of a business climate in Indonesia. This means that the lack of interest in the climate is trying to indicate the weak capacity of the government in encouraging the competitiveness of this country. In this context, this weakness is indicated by: first, the government's inability to stem the import of illegal products. Secondly, there is a lack of coordination between government agencies at the central, regional and inter-regional levels. This condition is further complicated by the weak leadership or professionalism of bureaucrat work and the continued intervention of group interests in economic policy making. Third, the lack of government initiation to involve the participation of groups of associations or professionals in reality in the formulation of economic policies and in monitoring policy implementation, and also in following up / solving policy irregularities. Fourth, it is the low commitment in implementing the grand design / strategy and road map for national economic development.

Corporate Social Responsibility Program

The concept of CSR which is relatively easy to understand and operationalize is by developing a concept better known as the "Triple Bottom Line (profit, planet, and people)" initiated by John Elingston's (1998) or better known as 3BL. CSR grouped into three aspects includes economic prosperity, increased environmental quality and social

justice. Ratnawati (2018) explained that Corporate Social Responsibility is a social act and responsibility carried out by institutions, agencies and organizations as a form of social care as a commitment to improve the welfare of the community in their environment. Mc Williams and Siegel (2001) also believed that: "CSR is conventionally defined as social involvement, responsiveness, and accountability of apart companies from their core profit activities and beyond required by government. Whereas, Kotler and Lee explained that corporate social responsibility as "corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contribution of corporate resources (Kotler, 2005).

III. Research Method

Research Population and Sample

Population is the whole of a collection of elements that have a number of general characteristics, which consist of fields for research. In this study the unit of analysis or population is the RW 2 device found in the Kampung Warna-Warni Jodipan of Malang City. Based on the number of population, there are 4 RW units in which each RW consists of 10 people, so the samples taken are as many as 40 people. The sampling technique uses probability sampling methods, with the Proportional Area Random Sampling technique, which is proportional sampling for each region.

Table 1: Operational Definition of Variables

Variable	Indicator	Item	Source
Government Regulation (X)	a. Response to government regulations regarding the social environment as Kampung Warna Warni	1. Providing special programs to residents affected by CSR	Kalangit (2009)
		2. Promoting cooperation between the government and the community	
	b. Support for government programs to improve the tourism sector	3. Provision of supporting facilities and infrastructure	
		4. Provision of public facilities to reduce the reach of the location	
	c. Compliance and application of government rules regarding CSR programs	5. Socialization to the surrounding community	
	d. Frequency of reporting to government agencies regarding the implementation of CSR programs	6. Emphasis on the objectives of implementing CSR programs	
		7. Control of the implementation of CSR programs	
CSR Program (Y _i)	a. Program Objectives	8. Presenting of positive and negative impacts produced	Herpen <i>et al</i> (2003); Salavaou (2008);
		9. The benefits gained by the surrounding community	
	a. The need for objects	10. Exactly the target of implementing the CSR program	
	b. Feasibility in the social aspects of society	11. Acceptance of CSR programs in the surrounding community	
		12. Conformity with the norms and customs of the surrounding community	
	c. Time of program implementation	13. Timeliness of program implementation	
		14. Suitability of the program with predetermined targets	
	d. The company's commitment to the program continued	15. Implementation of a sustainable CSR program	
	e. The program strengthens relationships with stakeholders and the community	16. Increasing the quality of social relations between the company and the surrounding community	
	Community Welfare	a. Understanding of financial literacy	

(Y ₂)	b. Improving the community business sector	18. Increasing the income of the surrounding community	
		c. Increasing per capita income	
		20. Addition of PAD	
	d. Equitable public facilities	21. Add community income	
	e. Increase community empowerment	22. Addition of supporting public facilities and infrastructure	
		23. Increasing the quality of life of the surrounding community	

Analysis Method

Analysis of the data used in this study using Path Analysis. Path analysis is a form of application of multiple regressions that uses path diagrams as a guide to complex hypothesis testing and is used to analyze patterns of relationships between variables. This path analysis can be done to estimate the magnitude of the influence both directly and indirectly.

IV. Analysis Result

a. Regression and Path Analysis

Regression analysis is used to test the effect of the Role of Government (X), on the Implementation of CSR Programs (Y1) that has an impact on the Community Welfare (Y2).

Table 2. Results of X and Y1 Regression Analysis of Y2

Variable	Coefficient of Regression	t-Statistics	Sig t	Note
Constanta	4.944			
Government Role (X)	0,507	4.020	0.000	Significant
Implementasi of CSR Program CSR (Y ₁)	0,425	3.367	0.002	Significant
Dependent Variable	= Community welfare			
R Square	= 0.776			

Based on the results of regression analysis, the regression coefficient influences the role of government (X) on the welfare of society (Y2) is 0.507 with a value of t-statistics 4,020 and significance (probability) of 0,000. Because the probability value is <0.05, it can be said that there is a significant influence between the role of government (X) on public welfare (Y2). The higher the role of the government will improve the welfare of the community itself. The regression coefficient influence the implementation of CSR program on community welfare is equal to 0.425 with the value of t-statistics 3.367 and the significance (probability) of 0.000. Because the probability value is <0.05, it can be said that there is a significant influence between CSR Program Implementation (Y1) on Community Welfare (Y2). The higher the implementation of CSR programs, will improve community welfare (Y2).

a. Hypothesis Testing

The results of hypothesis testing in this study are presented in the following table 3:

Table 3. Inter-Variable Influences

The Effect of Inter-Variable	Path Coefficient	t-Statistics	Sig	Note.
Government Role → Implementation of CSR Program	0.787	7.868	0.000	Significant
Government Role → Community Welfare	0.507	4.020	0.000	Significant
Implementation of CSR Program → Community Welfare	0.425	3.367	0.002	Significant

The results of testing the hypothesis about the influence of the role of the government on the implementation of CSR programs produce a statistical t value of 7.868 with a significance level of 0.000, so the hypothesis that the role of government influences the implementation of CSR programs is acceptable. That is, the better the role of the government, the higher the implementation of CSR programs with an increase of 0.787.

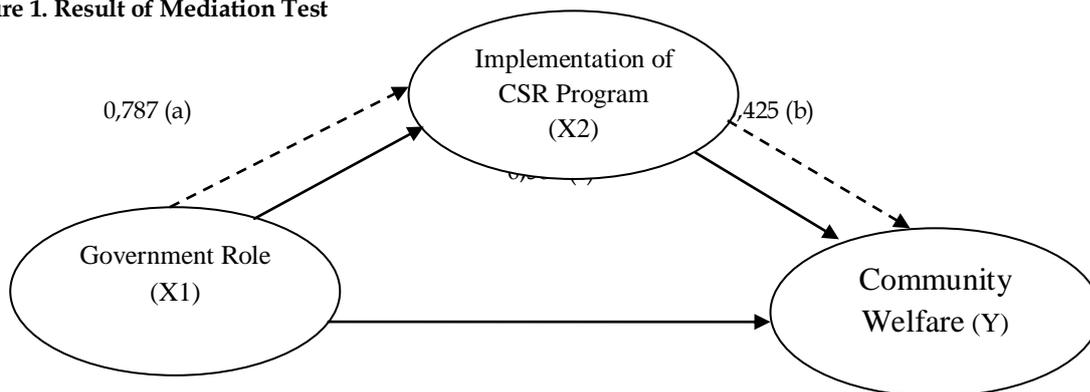
The results of testing the hypothesis about the influence of the role of the government on public welfare produce a statistical t value of 4,020 with a significance level of 0,000, so the hypothesis that the role of the government influences the welfare of society is acceptable. That is, the better the role of the government, the higher the welfare of the community with an increase of 0.507

The results of testing the hypothesis about the effect of the implementation of CSR programs on public welfare resulted in a statistical t value of 3.367 with a significance level of 0.002, so that the hypothesis which states that the implementation of a CSR program affects the welfare of the community is acceptable. That is, the higher the implementation of CSR programs, the higher the welfare of the community with an increase of 0.425.

Mediation Test

Based on the results of the mediation test, the influence path between the government's role in the implementation of CSR programs shows that the government's role variable significantly influences the implementation of CSR programs with a coefficient of 0.787 (a) and the implementation of CSR programs significantly influences the welfare of the community with a coefficient of 0.425 (b). Whereas, the path coefficient of the government role variable which is controlled by the implementation of CSR programs can significantly influence the welfare of the community with a coefficient of 0.507 (c). Thus it can be concluded that the implementation of CSR programs partial mediation from the indirect effects of the government's role on community welfare (Figure 1).

Figure 1. Result of Mediation Test



V. Research Findings

Based on the results of the analysis, it was found evidence that the role of government variables had a positive effect on the implementation of CSR programs. These results show that the community's welfare is increasing due to the assistance of the CSR program provided. The establishment of a Kampung Warna-Warni Jodipan can increase the per capita income of the community with various businesses. The number of visitors opens several opportunities to conduct business activities from opening stalls to opening parking lots. Government regulations on CSR program policies are very appropriate, involving private companies in helping the environment and increasing the level of the economy of the Kampung Warna-Warni Jodipan community in Malang City. Farida (2014) provided empirical evidence that corporate relations programs at BMT Harapan Ummat can have an influence on people's welfare, this can be seen from various CSR programs in the period and continue. Compensation for the poor, educational assistance and drivers of economic empowerment are examples of several corporate CSR programs that can be felt positively by the community. The implementation of CSR programs has such a big influence on the welfare of the community. The implementation of a CSR program is a superior program issued by each company to provide corporate social responsibility to the community around the company. The higher the level of implementation of CSR programs provided by the company to the community, the better the level of community welfare. This is also expressed by Mapisangka (2009) who stated that CSR programs are able to provide a large positive impact on the welfare of a community.

The role of the government, it will produce many positive impacts rather than the negative impacts that are generated. Yet, on the contrary, if the implementation of a CSR program is not based on and supported by the role of the government such as government regulation number 47 of 2012 concerning social and environmental responsibilities as well as pre-arranged legislation. It can be concluded that the higher the role of the government rolled out to the companies regarding the implementation of CSR programs will affect the increasing implementation of CSR programs

issued by each company. The role of the government has an influence on people's welfare. The high role of government in empowering a society is the main goal of the establishment of a government system. The role of the government in question can improve community welfare, such as coordinating village programs and creating a scale of priority for community welfare (Parassa, 2012). Community welfare will always increase if the emphasis in the role of the government is always given and efforts to improve the welfare of the community are always increased.

The implementation of the CSR program is able to mediate the influence between the roles of the government on people's welfare. The main parties involved in CSR programs are the government, the community and the company. These three elements have different functions. The relationship of the three elements in the implementation of the CSR program is interrelated and makes a cycle of related activities. Mapisangka (2009) stated the government in this case can play a role in making regulations, the company is engaged in running a profit-oriented business. This means that the role of the government must have a number of emphasis points or a review of government regulations number 47 of 2012 or in other ministerial regulations that are able to contribute to the welfare of the community as indicated by the implementation of the CSR program. Community welfare will be maximized and will continue to grow if the role of government is supported by the implementation of CSR programs. Vice versa, if the role of the government is not supported and not in line with the implementation of CSR programs, it can result in a decrease in the level of welfare of the community.

VI. Conclusion

This research was conducted to determine the effect of the government's role on the implementation of CSR programs that have an impact on people's welfare and to find out whether the implementation of CSR programs as an intervening variable can strengthen or weaken the impact of the government's role on Jodipan Community Welfare in Malang City. The variables used in this study include the Role of Government (X), Implementation of CSR Programs (Y1) and Community Welfare (Y2). The sample used was several RW devices found in Kampung Warna-Warni Jodipan.

Based on the results of the tests that have been conducted, it shows that the implementation of the CSR program can mediate the influence of the role of the government on the welfare of the community in Kampung Warna-Warni Jodipan, Malang City. The results of the test again show that the government's role has a significant effect on community welfare while the implementation of the CSR program as a mediation shows that the increasing value of CSR Program Implementation will lead to increased influence of the government's role in community welfare in Kampung Warna-Warni Jodipan Malang.

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