

# The Implementation Of CSR In MSME Development (Study On The CSR's Program Of PT. AMNT Through Olat Perigi Foundation In Maluku)

Robby Nur Akbar<sup>1</sup>, Djunaedi<sup>2</sup>, Umar Nimran<sup>3</sup>, Muhammad Kholid Mawardi<sup>4</sup>

Faculty of Administrative Science, Brawijaya University<sup>1,2,3,4</sup>

Email: [robbynurakbar@gmail.com](mailto:robbynurakbar@gmail.com)<sup>1</sup>

**Abstract-** This research aims to know and understand the strategy of PT. Amman Mineral Nusa Tenggara (PT. AMNT) by maximizing the program of the Corporate Social Responsibility (CSR) to the Micro, Small, and Medium Enterprises (MSME) operated by Olat Perigi Foundation (YOP) in the village of Maluku, West Sumbawa. This company has experienced directly to participate in integrating amongst social, environment, economy, and culture, as well as regulations implemented transparently intend to enhance welfare and community development. The method used is descriptive-qualitative, by collecting and formulating the data, covering the analysis and the interpretation to data gathered and then leads to case study. The results of the study indicate that the positive impact of CSR is the increasing number of micro entrepreneurs, from year to year, with almost 10-15 percent per year in Maluku. In the fact this program also contributes to rise the certainly targeted goal by the existence of micro businesses fulfilling around 80 percent from the planned target in the one side and credit repayments could be reached in the other. It is undoubted that the program has brought out society in independence of economy sector and address the dependence from the company. More interestingly, it changes the way of community thinking to have own good prospect when post-mining issue will be coming. The society could widely develop the business by expanding the market and adding more varied products, because the program is easier to earn capital in order to achieve sustainable development as the hope of stakeholders.

**Keywords-** Corporate Social Responsibility (CSR), Effectiveness of the Program, and Empowerment of MSME.

## 1. INTRODUCTION

The strategy of CSR's program could be defined as a corporate commitment and care to the surrounding society in order to create and preserve the balance of generating the profits oriented as well as maintaining the corridor of *triple bottom line* covering social, economic and environmental aspects [1]. Because the rise of globalization and advanced technology in more recent years has massively demanded the holistic alteration of the society, the environment and the economy, however, the integration between CSR and community is urgently required in particular of developing countries, and the higher contribution is also needed as the real proof by increasing the concrete efforts to address poverty, technology and human resource development, as well as producing the economic opportunities [2].

The types of the company's contribution to society can be like technological transfer, capacity building, and education as an enormous effort to rescue social sustainability [3]. The form of the implementation should be done effectively through analysis of social conditions, strategy design, program implementation, controlling, and evaluation, in order for strategies devoted to social development are made inclusive, more focused and more responsive to the rapid

change. Moreover, the company acts as a companion and directs in the creation of opportunities as well as government involvement as mediators, where these

ways are the paramount factors as the core of sustainable development's pattern that become the main idea of CSR in developing countries [4].

There are five pillars of CSR's activity in developing countries based on *the Prince of Wales International Business Forum* cited by Azheri, consisting of: 1) *Building human capital* related to the internal company has to the reliable human resources and then the external company is required to do community empowerment; 2) *Strengthening economies* refers to the companies which are required not to induce rich themselves, whereas the community in the neighborhood is poor. Hence, the company must play to strength the economy sector in its surrounding; 3) *Assessing social cohesion* is that the certain efforts make a harmony between the company and its surrounding community in order not to produce unprecedented conflict; 4) *Encouraging good governance* which is in running the business a company must refer to *Good Corporate Governance* (GCG); and 5) *Protecting the environment* is that the companies should strive to preserve the environment [5].

The general characteristics of large-scale corporations, in developing countries, usually operate separately and give rise to what is called a *dual society perspective* such the growth of two paradoxical economic characters within one area [6]. The economy sector grows in both moderately and quickly, but the economy of society is running very slowly. According

to Martati (2016) rooted to her research concluded that “the problem has occurred because of the lack of communication factors between companies and government” [6]. Furthermore, the implementations of CSR, are more focused on improving the economy aspect of society, that contain infrastructure development, education, and donation [7]. Unfortunately, the economy is as the basic pillars for people’s development, but it is little beat attention in undeveloped countries. As a clear consequence, the increase of welfare by improving the economy has not become the top priority of the company, so that there are still many companies that involve social investment through CSR program solely, merely aimed at creating a good image for the company itself [4].

Actually, economic opportunities created throughout one of the predominant pillars are that generating an inclusive business model tends to the community as an economic line by the empowerment of MSME. Today, the development of MSME must be able to face global challenges, such as the improvement of product and service innovation and the human resource and technological development as well as expanding the driving market area in order to compete with foreign products are increasingly flooding the hub of industry and manufacture [8]. To develop the MSME progress, the growing in number need to employ comprehensively, optimally and continuously, with improving the conducive climate, giving the opportunity of business, support, protection. and evolving business as wide as possible to enhance and settle the position, role and potential for MSME. These are aimed to realizing economic growth and equity and increasing people income, job opportunity, and poverty alleviation.

Yet, the biggest problem faced by MSME is the limitations of infrastructure and government access that go hand in hand with license, bureaucracy and high rate of levies. It is because not only is affected by the global crisis, but also faced on the unresolved domestic problems such as wage labor, employment, illegal levies, corruption and upwards. With the empowerment of MSME as basis of national economy, there has been necessary to create a conducive domestic investment climate in striving to power the domestic market for MSME, as a buffer of national economy. The problem of competitiveness becomes an inevitable obstacle in the development of MSME. It therefore takes more attention in solving the problem, but the seriously actual problem for MSME itself: (a) *Capital*, (b) *Management*, and (3) *Marketing*. For these prominent problems, the company through the CSR’s program, that is expected to overcome whatever the matters are, as part of their best strategy [9].

With the aid of CSR, it is expected to be able to touch the substance of the severe matters and become the basis of mediation for maximizing the potential society in such of developing the economy and

growing the micro, small and medium enterprises. The strict projects of CSR are running must have two important things, *commitments and actions*. The essential factors must be coincided, intended not to cause any wrong public perception to the company. In the mining sector the implementation of CSR has the relatively larger concern on social responsibilities compared with other industries, in which the mining industry has many risks and impacts highlighted by many of groups. The increasing demands of communities and governments in various distinct countries are that global mining companies have to have higher responsibility of their business activities to communities around the company’s work area.

It is unfortunate that, though, many of mining companies are largely viewed negatively by the public and they are perceived as an irresponsible industry either environmentally or socially, because of the unequal public understanding of the company. One of the mining companies, as the good case study of this research, that concerns on the empowerment of stakeholders by the improvement of MSME, is PT. AMNT. Based on the results of Burhanuddin’s research (2013), PT. NNT, now named as PT. AMNT, had facilitated micro credit to incline the capacity of MSME [10]. As a sequence, the number of distributed credits has been found the result that the program is running well, due to higher credit repayment than expected, as well as the development of MSME on both new and old age reveals the program has been running smoothly.

Actually, the results of this study are inversely proportional to the report issued by PT. AMNT. By the decreasing number of MSME between 2013 and 2014, the data obtained from *Institution of Central Statistic (BPS)* for West Sumbawa, shows a moderate decrease, year by year, in West Sumbawa [11]. It is affected by the lack of control process from PT. AMNT to MSME, which has an impact on the gradual decrease of positive perception to company from society. In addition to this point, the rise of the problem is also caused by the smelter’s establishment as the place of gold refineries and housing employees. It exists because PT. AMNT made a deal with the issue of contract extension in 2014, consequently, it also has rose the adverse negative impact on the image of PT. AMNT in the eyes of West Sumbawa’s people. To return the corporate image, at the beginning of year 2016, PT. AMNT through CSR had spent about 2 billion rupiah to revolutionize the economy of the MSME’s community throughout *bottom-up* approach and still involve the third party in the operated projects. The programs made are expected to have the sustainable economic development and restore good image for the company.

The programs that have been aimed to MSME are perceived to possess a quality in responding the global economic challenges. Jenkins (2007) said that “*economic opportunity must be created by the society itself*” [4]. For gaining this goal, the big companies are

able to engage more inclusively through the implementation of CSR that concentrates on MSME, overcoming their business challenges. Kasali argued that "a good image is also meant to keep the company alive, and the people within it can develop their creativity and can even benefit more meaningfully for others," [12]. In the sake of generating a good perception for the companies, they have to improve good communication through the programs of CSR. However, for gaining the effective program, good communication is a must to be run because this aspect is one root cause of successful public relations activities of the company [13].

The connection between the aims and the expected results is indispensable side to witness at the success of the agenda. The effective program for the community of MSME, is that that can provide a positive impulse to their business such as adding profit and market, while by the company itself the program must be able to improve their positive image and build a merit impact on the independence of the surrounding community. Moreover, to understand how far the effectiveness of programs implemented from PT. AMNT to MSME's community needs an evaluation of the programs that has been running. This is derived from the opinion of one of the community leaders stated that, "the implementation of the program conducted by PT. AMNT till now has not led to empower the economic community. It is due to the product generated by the community does not have a market network, affected by uncertainty in evaluating the program and the lack of interaction. Therefore, the required evaluations are as follows: *effectiveness, efficiency, adequacy, leveling, responsiveness, and accuracy*. In this study, using the type of evaluation has to provide an effective assessment. It means whether the intended program results have been fully achieved, or not.

## 2. METHODS OF RESEARCH

This research is conducted by approaching the analysis of the effectiveness program for CSR of PT. AMNT on MSME located in Maluku, West Sumbawa, and classified in as *descriptive-qualitative*. With the qualitative data, it could be followed and absorbed the flow of evidences chronologically, purposed to assessing causation in the minds of local people and then getting explanations. Besides, the process of description and the interpretation of meaning, that source of various considerable factors related from the effectiveness of CSR's program to the community of MSME, are as main parts of concern. As a subsequence, the concentrations of this research could be divided in some points as follows:

1. Analysis of CSR's implementation to MSME, including the program that is used to solve the problem of MSME;
2. The effectiveness of the CSR's program, including:
  - a. The purpose of program

- b. The target of program
  - c. The socialization of program
  - d. Management and Development
  - e. Program Monitoring
3. Impact of CSR's program on the improvement of MSME

Collecting data is obtained from the primary data of the respondents in direct way and secondary data from literatures and regulations related to the effectiveness of the CSR's program.

The techniques of data analysis in this study are by sifting the data from various key informants into a single unit that can be managed and analyzed, and then those are merged into one pattern or shape. To analyze the data, researchers use an interactive model as developed by Miles and Huberman.

## 3. RESULT AND DISCUSSION

The policy of PT. AMNT to run the CSR's project is by using the Comdev's program, referring to the *CSR Strategic Plan* in the period of 2012-2018. The strategic plan contains the vision, mission, purposes, strategic program, and program scope. In PT. AMNT, the vision of CSR is "to be the most respected company in the Indonesian mining industry through the achievement of leading performance in the field of social responsibility". To achieve the vision, the formulation of mission is that "we will develop social responsibilities which are effective, sustainable, and participative as well as partnership program supports the achievement of welfare enhancement and community self-reliance".

In the economic area, the strategic objective to be achieved is to assist the government in earning the higher income and welfare of the community throughout the creation of employment and entrepreneurship, especially the sector that is not directly related to mining activities. Improving the economy of the community that focusing on the development of agriculture, livestock and tourism, assistance to small micro enterprises is also done in the form of opening access to capital to microfinance institutions and technical training of productions and business networking. Comdev's program of PT. AMNT in the economic sector covers the area of West Sumbawa, with the main focus on three sub-districts in the region of Lingkar Tambang consisting of Sekongkang, Maluku and Jereweh under the guidance of PT. AMNT's Renstra Comdev, during the period 2009-2014.

In the implement of program, Comdev uses a partnership approach and pattern in all areas, including economics. As a form of the fact, PT. AMNT formed the institution, named as Olat Parigi Foundation (YOP) located at Jalan Raya Maluku, Maluku, West Sumbawa. In the common fact, societies in Maluku are very heterogeneous and the location is very strategic with the pick-up and drop-off of employees working in the

mining of Batu Hijau that has been had by PT. AMNT.

These advantages impart to promote Maluku as a village that has own unique attraction, so that the community living in Maluku are many various tribes. YOP has gotten the important chance to manage some of CSR budget for the purpose of community empowerment in economy. Obviously, the process of the foundation's establishment is directly initiated by PT. AMNT. In social terms, the intention of YOP is the great response of community located around the company to the existence of PT. AMNT in its territory. The formation of YOP, in the history, is the

will of PT. AMNT which is well welcomed by society, aimed to the empowerment. Looking at the history of its founding, it is clear that the existence of YOP will be difficult to separate from the interests of PT. AMNT, both as a business entity and in the context of CSR, although institutionally this foundation is an autonomous institution that has sovereignty in its own destiny.

Table 1 informs about Maluku has the size of area approximately 9,62 km<sup>2</sup> and the population density of around 299 people per km<sup>2</sup> according to former head of sub-village in Maluku, in the period of the 2014s.

Table 1. The number of population in Maluku.

Year	Household	Male		Female		Total		Sex Ratio
		People	%	People	%	People	%	
2010	554	1.084	54	939	46	2.024	100	115,41
2011	552	1.144	55	923	45	2.067	100	123,94
2012	609	1.217	52	1.13	48	2.347	100	107,70
2013	781	1.463	52	1.375	48	2.838	100	106,40
2014	789	1.484	52	1.394	48	2.878	100	106,46

Source: Subdistrict in Numbers

This following table, e.g. Table 2 informs some explanation regarding result of on the implementation of CSR programs from PT. AMTN to MSME. Table 3

informs explanation regarding finding of researchers about the impact of CSR program from PT. AMNT to MSME.

Table 2. The result of interviews on the implementation of CSR programs from PT. AMTN to MSME.

No	Respondent	Answer	Keyword
1	Masra Jayadi	YOP has succeeded in implementing its program and being an institution that is capable of providing loans with easy mechanism. However, there are still many obstacles here, but that will continue to be evaluated	The implement of the program
2	Syamsul Bahri	There are still many problems in the field in particular of socialization, but this can be addressed well because the intensive community communication so that the process of evaluation on the program goes on.	The implement of the program, <i>Community Voluntering</i>
3	Afifudin	In our implementation we have done well because we have a commitment to increase the number of micro entrepreneurs. We continue to make changes to the mechanisms to facilitate the community and the process of control by keeping in coordination with the community.	The implement of the program, corporate commitment
4	Husni Thamrin	The implement of the program has been running well, because many people are successful. Because of this program, although many are disappointed, PT. AMNT continues to conduct intensive communication with the community and government.	The implement of the program, <i>Community Voluntering</i>
5	Halikin	The implement of the program is going well because I experience the direct impact and I continue to be invited to discuss by PT. AMNT about my business.	The implement of the program, <i>Community Voluntering, and Commitment</i>

Source: Data processed

Table 3. The finding of researchers about the impact of CSR program from PT. AMNT to MSME

No	Respondent	Answer	Keyword
1	Masra jayadi	If the most obvious impact is that in Maluku itself, the increase of micro business actors from year to year. This is in accordance with the data received from YOP increased by almost 10-15 percent per year. Despite if we speak in the scale of West Sumbawa Regency, Maluku occupies the third position in the growth of micro business and the increasing number of small entrepreneurs. Therefore, I think our program has a good impact on MSME.	Impact of the program, Increasing the number of MSME
2	Syamsul Bahri	The impact of this program is evident from the comparison between the targets we want to achieve over the course a year with reports released by YOP. The number of micro-businesses which have emerged and survived already meets about 80 percent of the target we set, and the target of credit repayment that we are targeting are also achieved. This has already shown that our program has a good impact on the growth of micro-enterprises	Impact of the program, Increasing the number of MSME
3	Afifudin	The most clear effect of this program is the reduced dependence of the community on the desire to work in the company and the high interest in Maluku community. This is in line with the increasing demand for credit every year and the smooth progress of credit repayment. In addition, the emergence of community confidence becomes entrepreneurs by asking us to add a business training program	Impact of Program, Society dependence
4	Husni Thamrin	According to me, the most important thing is that the independence of society does not have the dependence on the company. The community already has a view of the future post-mining issues. For owners of MSME, they can enlarge their business by expanding markets and adding their product types to become more varied because of the easier to access capital.	Impact of the program, Society's independence
5	Halikin	This is a straightforward program to me, where the need for capital was my main problem previously so that the desire to expand the business is almost non-existent. But once I get the socialization of this program I have the opportunity to develop the business to a better level, so that my business can enough to develop until now. Besides I continue to be given training on business by PT. AMNT which directly impact on my ability to continuously try.	Impact of the program, business development

Source: Data processed

It is noticeable to note that the results of the interview obtained are the implementation of the CSR program through YOP that has been running well. This is according to the first resource statement, Masra Jayadi, he said that "the implementation of the program has been running smoothly because it is always done the evaluation process of the program that is running". It is in harmony with Arikunto who stated that "the program must always be evaluated to see how far the program has succeeded in achieving the predetermined program objectives" [14]. The programs involving the community in the decision-

making process is a form of CSR implementation that prefers to the concept of community volunteering which is the decision-making mechanism using a *bottom up scheme*.

In one hand, the impact of the program is the most felt directly by the community where it can be a direct indicator whether the program of CSR is successful or not. In this study, the researchers had given the results obtained about the impact of the program done by PT. AMNT through YOP to increase MSME. The micro finance program implemented by PT. AMNT through YOP could increase the number of business actors in each year.

Through the process of socialization collaborated with the community, this program can be a practical solution for the community in improving their economy. This can be seen from the table below (Table 4):

Table 4. Implementation of the YOP Program

No	Type of Activity	Area	2012	2013	2014
1	Socialization: 1. Explanation of Program 2. Income 3. Registration	Maluk	192	211	305
2	Disbursement: 1. Small Business 2. Micro Business	Maluk	97	162	203
3	Credit Returns	Maluk	85	157	200

Source: the data of YOP processed

From the table above, it can be seen that in every year there is an increase in the number of small or micro entrepreneurs. This shows the program has an exponential impact on the increase in the number of micro and small entrepreneurs. The impact of the program is also explained by the first respondent, where Masra Jayadi said "if talking the most impact, it is clear that in Maluk there is the incline of micro business actors from year to year, and it is in accordance with data received from YOP, rose about from 10 to 15 percent per year. In addition to this, the effect of the program is also described by the second respondent, Syamsul Bahri. He states that the effect of this program is experienced from the comparison between the targets we want to achieve within one year with the report issued by YOP, so far the development of the number of micro businesses that appear and survive already meets about 80 percent of our target set and targeted credit repayment is also fulfilled. "Fulfillment of these targets is also seen rooted to the data released by the Maluk government about the growth of MSME in Maluk that researchers present in the table below (Table 5):

Table 5: The inclining number of MSME in Maluk between 2012 and 2014

NO	Type of business	2012	2013	2014
1	Big business	9 %	7 %	7 %
2	Medium Business	12 %	10 %	5 %
3	Small Business	35 %	36 %	40 %
4	Micro Business	44%	47 %	48 %

Source: Data of Maluk processed

In the table, the growth of percentage in micro and small business for three years had indicated that the program of PT AMTN CSR had a beneficial impact. This is in line with the statement from the fifth respondent, in which Halikin as businessmen feel the power of the program directly. He explained that "the program is affecting directly to me, but the need for capital became my main problem so that the desire to expand the business was almost non-existent. However, once I get the socialization of this program I have the opportunity to develop the business to a better level, so that my business can be quite developed until now. Besides that, I continue to be given training on business by PT. AMNT which has a direct impact on my ability to try." It is more interesting to note that, though, he continued the explanation it can provide to access business capital easily, compared previously to lend budget to banks with very heavy returns because of high interest, but after this program there can be easier access to capital without thinking of interest from the loan. "

The programs of CSR that aim for long-term prosperity are good programs. In addition, the program should be more inclusive and the concept of collaboration with stakeholders will be able to provide new solutions in solving the negative understanding of CSR. Conversely, as long as the program of CSR only fulfills corporate responsibility alone without focusing on the aspect of controlling and planning carefully. Programs that are not on target will certainly cause adverse negative impact on the company's image as well as not experiencing the real effects of the company's operations. Furthermore, companies should be able to create economic opportunities for the community and independence in order that dependent factor in society on the company can significantly be reduced. As a result, creation of economic opportunities is capable of providing community independence in solving their own problems.

As explained above, it is the great goal of CRS's program formulated by PT. AMNT which has been perceived directly. It was empowered by the third respondent named Afifudin. He said "the most obvious impact of this program is the reduced dependence of the community on the willingness to work in the company as well as the high business interest of people in Maluk. This is in line with the increasing demand for credit every year and the smooth progress of credit repayment. In addition to

this, the emergence of community confidence becomes entrepreneurs by asking us to add business training programs. For MSME actors, they can expand their business by expanding the market and adding their product more varied because it is easier to access capital.”

#### **4. CONCLUSION**

The implement of CSR program sourced from PT. AMNT through YOP is in accordance with the principle of sustainable development, in which those follow the principles of the community volunteering, and the community is directly involved in monitoring the program. But the readiness of the community in understanding the program is still not good, so that there needs to be improvements, especially in socialization issues.

The program that has been operated by PT. AMNT through YOP is quite effective because it is based on the rules of program's effectiveness covering: a) purpose of program; b) target of program; c) socialization of program; d) appropriate management and development; and e) program monitoring. The role of PT. AMNT is structurally preparing the program of their CSR in order to realize sustainable development towards their stakeholders.

The impact of the implementation is very suitable, due to it meets the intention set by CSR from PT. AMNT. This goal is evident from the increasing number of micro entrepreneurs every year. Meanwhile, according to the community perspective, the programs have a good influence because the community has been independent and does not have economy dependence on the company. And it already has a vision for the future of post-mining issues.

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