CSR, Partnership and Poverty Alleviation: Case Study in Lampung Province, Sumatera, Indonesia

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Abstract: This study examines the importance of CSR partnership for poverty alleviation. Poverty is an important issue not only for governments but also for other stakeholders. However, the government cannot resolve it. The government needs others actor to help them. Private corporations have an important role in poverty alleviation issue. Government and private companies must cooperate to direct attack poverty effectively. In this study, we explore how do local government and private corporations collaborate each other to reducing poverty. We choose Province of Lampung because of she has many poor people and has been formulated local policy on Corporate Social Responsibility (CSR) partnership. We find that corporation considers stakeholder issues in obtaining stakeholder, engagement in their CSR activities. The government plays significant roles in facilitating stakeholder's partnership for CSR programs. Finally, the partnership can give a positive impact on poverty alleviation. A partnership can be an effective long-term strategy for poverty reduction in Lampung Province.

Key words: CSR, partnership, government, Lampung, Indonesia, poverty, poverty

INTRODUCTION

Poverty is one of the crucial issues for the Indonesia government to be solved either at the local or national levels. Data from Central Statistical Bureau in Lampung Province shows that in 2014, there were 1.144,76 thousand people or 14,393% of people under the poverty line in Lampung Province (Anonymous, 2015). Therefore, Lampung government should seek to an effective strategy how to reduce poverty in their area. Under Government of Lampung Province Regulation No. 30/2011, it shows his political will to adopting partnership as a strategy to alleviate poverty. The idea of Lampung Province Government regulation on CSR based on Article 74, Law No. 40/2007 on Corporate Law. This legal framework had given an obligation to all private corporations in natural resources sector to conduct CSR activities. Furthermore, Article 76, Law No. 40/2007 states that companies should report their CSR activities annually. However, Government of Lampung Province does not define precisely what kind of the ideal partnership program to reducing poverty effectively. The government of Lampung Province data shows that from 17 corporations, 94.12% of firm give a positive response to partnership initiation. They also agree that CSR is company responsibilities towards society and environment in achieving welfare society; CSR program

is a critical factor to businesses in the long run period. For Government of Lampung Province, partnership strategy on CSR program in line with their commitment to achieving Sustainable Development Goals (SDGs).

This study studies CSR partnership in Lampung Province, Indonesia. Our purpose is to understand and to show the relevance of CSR partnership as a strategy for poverty alleviation in this province; to ascertain how stakeholders address partnership programs on CSR; to evaluate the extent of partnership program implemented by interested parties in Lampung Province; to disseminate and recommend efforts on partnership in Indonesia.

Theoretically, according to World Business Council and Sustainable Development (WBCSD, 1998), CSR can be defined as a continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Similarly, Petkoski and Twose (2003) saying that it represent a commitment by business entities about how companies can contribute to sustainable economic development and help their employees, employee's families, local community and society as a whole to improve their well-being in ways that also have benefits for businesses and community development. In terms of sustainable development, WBCSD (1998) explained that as well as financial and

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environmental responsibility, CSR is an integral part of corporate responsibility (sustainable development). Based on sustainable development concepts, CSR can be of long-term value to the company. For WBCSD (1998), business is an inseparable part of society, contributing to and benefiting from it and accommodating changes in society should be considered by companies to survive and prosper. CSR is a good for business and society (Lantos, 2001).

Five theories contribute to underpinning the concept of CSR: Friedman theory, social contract theory, instrumental theory, legitimacy theory and stakeholder theory (Masuma *et al.*, 2015). In Friedman theory, the corporation has no responsibility except making a profit in a legal way. For social contract theory, business should be regulated as a social institution and should join with other social structures like family. The instrumental theory stated that business might choose to support some social programs for reasons of good image and competitive advantage. Furthermore, legitimacy theory views business to act in response to the environmental pressures involving social, political and economic forces for its survival. Then, stakeholder theory pays attention to the needs and rights of all the stakeholders of business as a useful way of developing socially responsible behavior by managers. We will focus on stakeholder and legitimacy theory because of they see CSR as crucial and critical for the company to have a sustainable business.

Stakeholder theory can be a driver for companies to provide information due to their operations of activities. What is a stakeholder? Freeman (2004) defines stakeholder as any group or individual who can affect or is affected by the achievement of the firm's objective. Hence, according to Freeman (2004), stakeholders have pressure to influence companies since they can directly affect the achievement of company's objectives. Because of stakeholder pressure, developing a strategy to engage stakeholders has to be taken into account by businesses. Clarkson (1995) divided stakeholder into two types: primary stakeholder and secondary stakeholder. He explains that major stakeholders have direct, transactional relationships with the firm while secondary stakeholders can directly be affected by the enterprise but rarely provide direct inputs into the activities of the business.

Regarding stakeholder interactions, Herrera (2009) designed a matrix for stakeholders. She explained that there is interaction among stakeholders based on their concerns. The matrix of stakeholder's interaction consists of four stakeholder's groups. The first group is primary stakeholder such as an investor, customer, employees and suppliers. The second stakeholder is environment and society. Group of mediating stakeholders represented by

government, media and non-profit organization and the last group is enterprise. Each group has their interest to the company. Hence, arguments about stakeholder theory indicate that stakeholders have various interests based on their position or grouping and regarding companie's responsibilities.

Regarding legitimacy theory, legitimacy as a perception or belief that stakeholder claims are proper, desirable and appropriate (Sweeney and Coughlan, 2008). Looking at the concept of the 'social contract' this involves companies and society because it consists of an explicit term with regards to the legal requirements and an implicit term which is related to non-legal social desirability (Magness, 2006). Those concepts reflect what extend the company's action can meet norms and values applied in the society where the corporation exists.

Wilson (2003) argues that the companies as organizations enter a social contract with other members of society and receive resources, goods and societal approval to operate in exchange for good behavior. He said that the stronger companie's relationship with stakeholders, the easier it will be to meet company's objectives and the worse companie's relationship with stakeholders, the harder it will be. He concludes that if society believes when a firm is doing ethical responsible to society, the society will accept the company to continue its business. Concerning CSR issues, stakeholders have various interests and orientations due to CSR implementation by the firm. The interests of stakeholders to CSR issues should be taken into consideration in CSR reports. Ensuring that companie's values are aligned with the consensus in society can avoid conflict and reap tangible benefits (WBCSD, 1998).

CSR is also relating to corporate sustainability. For (Van Marrewijk, 2003), corporate sustainability is seen as the ultimate goal of a company with CSR as an intermediate stage where companies try to balance the Triple Bottom Line: people, planet and profit (3P) or economy, environmental and social aspect Fig. 1. He underlined that corporate social responsibility and corporate sustainability are two sides of the same coin. He argues that CSR associated with the communion aspect of people and organizations encompassing transparency, stakeholder dialogue and sustainability reporting. On the other hand, corporate sustainability is closer to the agency principle, involving; value creation, environmental management, environmentally friendly production systems and human capital management. In other words, companies with good CSR can operate in the long-term with greater profit potential (Fig. 1). The previous research considered stakeholder as an important element of CSR. In Spain, Arenas *et al.* (2009) show that secondary
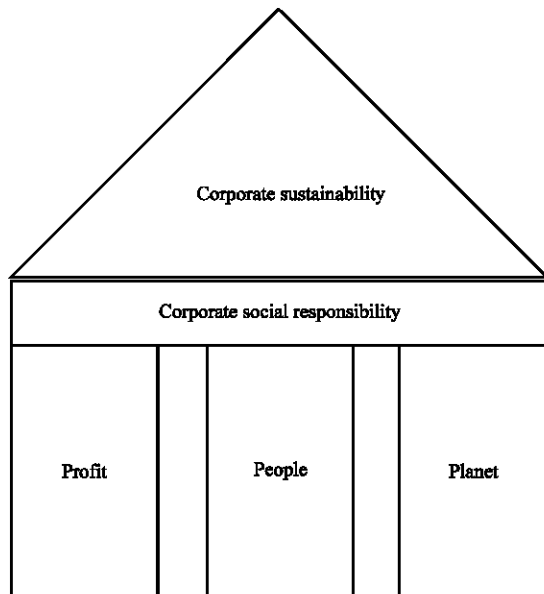
Fig. 1: Relationship 3P, CS and CSR (Van Marrewijk, 2003)

stakeholders such as NGOs are key players in CSR but their role still controversial and their legitimacy contested. Deep-seated misunderstandings and mistrust among various stakeholder groups (especially among non governmental organizations and trade unions) is a possible hurdle to the integration of social and environmental concerns in business activity and corporate governance. In Penang, Malaysia, Cheng and Ahmad (2010) stakeholders are significant drivers of CSR which can affect or is affected by the achievement of the organization's objectives. This research finding in line with the idea of many scholars who see the partnership as a strategic option for managing CSR affairs (Nijhof *et al.*, 2008; Bobby, 2014; Barroso *et al.*, 2014; Mott and Pollock, 2014).

Previous researchers also show how CSR relates to poverty. Idemudia (2011) critically examines the strengths and weaknesses of the different Community Development Partnership (CDPs) initiatives employed by Shell, Exxon Mobil and Total to contribute to poverty reduction within their host communities in the Niger Delta, Nigeria. Drawing on empirical data and critical analysis, she argues that while the CDP initiatives by SPDC, MPN and EPNL have the potential to contribute to community development, the failure to integrate negative injunction duties into existing partnerships means that the partnerships make no difference to how oil TNCs conduct their core business operation. Consequently, CDPs have had limited positive impact on poverty reduction in the Niger Delta. Woodward *et al.* (2014) examine corporate programs that support microenterprise development in

Africa. Specifically, the analysis assesses the extent to which local income and sales affected by Coca Cola's initiatives to assist South Africa's microenterprise in the retail trade sector. They concluded that business development support has a positive effect on lifting income and reducing poverty for microenterprise owners, after controlling for other influences.

Ragodoo (2009) shows that most business already has established procedures with regards to the allocation of CSR funds. They are willing to help in creating a better society whether through financial or non-monetary means and do have the resources to do so. However, only 11% of CSR funds are devoted to the fight against poverty. On the other side, Ragodoo (2011) analyses the contribution of business organizations towards Non-Governmental Organizations (NGOs) engaged in the fight against poverty. From this work, the perception of non governmental organizations engaged in the poverty battle is negative towards business organizations. The range of CSR initiatives considered as being poor and the funding they received from the business sector considered as being marginal.

MATERIALS AND METHODS

We used mixed-methods. Quantitative methods used to explain a relationship between CSR goals (X_1), CSR issue (X_2) and corporate relation program (X_3) to the economic welfare of Small-Medium Enterprises (SMES) (Y). The sample was chosen randomly based on CSR beneficiarie's data from Perkebunan Nusantara VII, Ltd. (PTPN VII), public enterprises in the plantation sector. We used regression to analyze the relationship between variables. Qualitative methods used to collecting and analyze data on stakeholder perception about the implementation of CSR program. We apply snowball methods to choose key informant and use the interactive model to analyze data (Miles and Huberman, 1984).

RESULTS AND DISCUSSION

Government of Lampung Province Regulation No. 30/2011 states that CSR is a responsibility of private, state and local corporations to participate in sustainable development. The purpose of CSR is to improve the quality of life and environment towards society. In particular, the CSR is companie's commitment to participate in sustainable development to improve the quality of life and environment for the company itself, the local community and the wider society. The mission of government for managing CSR at province level are: to develop CSR as commitment of company to participate in sustainable development; an effort in avoidance and

minimization of negative impacts and maximize the positive impact the company's operations; to establish partnership as a vehicle for implementation of CSR programs; to create synergies and resource development program conducted jointly by government, private sector and civil society.

Government of Lampung Province Regulation No. 30/2011 has also define role of government actor (represented by the Bureau of Economic) in CSR Program, that is: provide facilitation for companies for doing CSR so as to provide maximum benefit to the community, government and business; integrate CSR with regional development programs; increase synchronization of cooperation between regional development and business; avoid overlapping CSR programs and record and evaluate CSR Program.

After conducting interviews to several stakeholders in Lampung Province, we construct three models of partnership among stakeholders in CSR area. However, most of partnership programs in Lampung Province are still in a stage of partnership between two sectors or stakeholders in a CSR program. Three models of partnerships can be summarized as follows.

Government and corporate partnership: This model show in Fig. 2. In this model, a government has a development program in the particular area (such as infrastructure, health and education) and a company supports it. Empirical data show that government receives funds from company to financing development program that has been designed and decided by Government of Lampung Province.

Corporate and civil society partnership: In this model, company cooperates with civil society organization, including academia (Fig. 3). In a field of education, for example, either the academia can do researcher programs for companies or provide scholarships for students. Another example is the company's partnership with NGOs for doing CSR programs in the socio-religious or sports activities in a community. This partnership program enables both stakeholders to focus on education research activities that financed and supported by the company. However, in this model, it is important to acquire more stakeholders such as government because of it has the authority that enables support for the research result used in national and regional development.

Government and civil society partnership: This model is the opposite of Model 2 (Fig. 4). It shows that government collaborates with civil society such as an
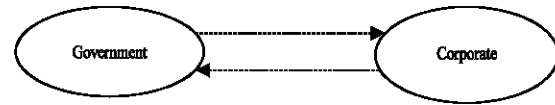

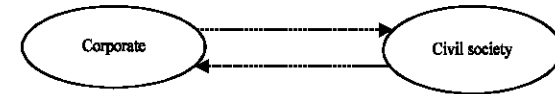Fig. 2: Government and corporate partnership

Fig. 3: Corporate and civil society partnership

Fig. 4: Government and civil society partnership

education community in doing research for community development. However, there are disadvantages from this practice such as lack of support funding support and research facilities. Another, weakness is a weak link and matches between university and practitioners that is companies. Therefore, it is important to consider other stakeholders involving in this model.

Quantitatively, the results show that from three indicators, CSR goals, CSR issues and corporate relations program give an impact to the dependent variable (the SMEs welfare). Based on surveys to beneficiaries of CSR programs in Lampung Province, the overall independent variables suggest that CSR goals, CSR issues and corporate relations program have a relationship to the SMEs welfare. Simultaneously, the results of multiple linear regression tests showed that independent variables (CSR goal and corporate relations program issue) have a high impact on the welfare of SMEs. While partially, the regression results indicate that CSR goal, CSR issue and corporate relations program do not affect the SMEs welfare.

There is a positive and significant relationship between the SMEs welfare with the variable of CSR goals; the SMEs welfare with CSR issues variable and the SMEs welfare and corporate relations program (Table 1). Multiple linear regression analysis used to identify the relationship between the independent variables [CSR goals (X_1), CSR issue (X_2) and Corporate Relations Program $(X3)$] with economic welfare of SMEs (Y). The test results as shown in Table 2. Based on Table 2, the equation of regression model can be written as follows: $Y = 10.732+0.276X_1-0.174X_2+0.502X_3+e$. Intercept value is 10.732 means that if CSR goals, CSR issues and Corporate Relations Program Issue is fixed or zero then

Table 1: Correlations between independent variables and dependent variable

Variables	CSR goal	Corporate issues	Corporate elation program	Small medium enterprise welfare
CSR goal				
Pearson correlation	1.000	0.306	0.378*	0.449*
Sig. (2-tailed)		0.101	0.039	0.013
N	30.000	30.000	30.000	30.000
Corporate issues				
Pearson correlation	0.306	1.000	0.578**	0.234
Sig. (2-tailed)	0.101		0.001	0.213
N	30.000	30.000	30.000	30.000
Corporate relation program				
Pearson correlation	0.378*	0.578**	1.000	0.473**
Sig. (2-tailed)	0.039	0.001		0.008
N	30.000	30.000	30.000	30.000
Small medium enterprise welfare				
Pearson correlation	0.449*	0.234	0.473**	1.000
Sig. (2-tailed)	0.013	0.213	0.008	
N	30.000	30.000	30.000	30.000

*Correlation is significant at the 0.05; level (2-tailed): Correlation is significant at the 0.01; level (2-tailed): data processed

Table 2: Coefficients

Models	Unstandardized coefficients (B)	SE	Standardized coefficients (β)	t-values	Sig.
Constant	10.732	4.642		2.312	0.029
CSR goal	0.276	0.150	0.325	1.843	0.077
Corporate	-0.174	0.347	-0.101	-0.502	0.620
Issues corporate relation program	0.502	0.254	0.407	1.979	0.059

Dependent variable: small medium enterprise welfare (data processed)

the welfare of SMEs will be higher. X_1 coefficient is 0.276 means that if the value of CSR goals increased 1% where variables CSR issues and Corporate Relations Program still fixed or zero, then the SMEs welfare will increase 0.276. The coefficient of X_2 is -0174 means that if value CSR issue increased by 1% where CSR issues and Corporate Relations Program goals are fixed or zero then the SMEs welfare will fall 0.174. X_3 coefficient is 0.502. It means that if the value of Corporate Relations Program increased by 1% where the variables CSR and CSR issues fixed or zero, then the SMEs welfare will increase 0.502.

In the regression analysis, the multiple R-value is 0.561 and the R^2 is 0.315. It means that there are 31.5% of SMEs welfare changes explained by the independent variables (CSR goals, CSR issues and corporate relations program) and other variables determined 68.5%. F-test was used to determine whether all the independent variables affect the dependent variable simultaneously. The results of the F test with SPSS mentions that the significance value is 0.018, <0.05. It is mean that all independent variables are X_1 (CSR goal), X_2 (CSR issues) and X_3 (Corporate Relations Program) significantly affect the economic welfare of SMEs (Table 3). In a partial test, t-test is used to determine whether each independent variable affects the dependent variable. In this research, the goal is the economic welfare of SMEs, CSR issue with the SMEs

Table 3: ANOVA[b]

Models	Sum of squares	df	Mean square	F-values	Sig.
Regression	36.794	3	12.2650	3.986	0.018[a]
Residual	80.006	26	3.0770		
Total	116.800	29			

[a]Predictors (Constant), corporate relation program, csr goal, corporate [b]Issues; Dependent variable: economic welfare of smes; data processed

welfare and Corporate Relations Program with the SMEs economic welfare. Significant values of CSR goal is 0077 which means <0.05. It indicates that the CSR goals have no significant relationship to the SMEs economic welfare. CSR issues show the significance value of 0.620 which is greater than 0.05. It suggests that SMEs welfare is not affected by CSR issue. Corporate Relations Program obtain significance value of 0.059, higher than 0.05, means that corporate relations program had no significant effect on the economic welfare of SMEs.

CONCLUSION

Partnership for poverty alleviation and sustainable development through CSR Program will emerge through collaboration between all stakeholders. From stakeholder's interview, it could conclude that partnership is an effective strategy for poverty alleviation in the Province of Lampung. However, technical issues related to the implementation of CSR programs using partnership in Lampung Province should be monitored and evaluated to achieve the goal effectively. Partnership model can be utilized for the strategy at the national level for poverty alleviation programs.

The next research should be using a variable of welfare through quantitative data such as net income from small medium enterprises which are involved in the CSR program.It is necessary that the level of welfare can be demonstrated by quantitative indicators such as that of profit or gain per month of SMEs and see the movement of the SMEs revenues. So, we know the accuracy of impact partnership. The researchers can provide how the strategy partnership formation can be operationalized effectively.

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