

# The Effectiveness of Corporate Social Responsibility (CSR) of Plantation Company on Sustainable Development Perspective in Riau Province

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**Abstract:** The obligation to implement the Corporate Social Responsibility (CSR) program is regulated in various laws and regulations and other sector laws, such as the Company as well as on the environment. Therefore, companies that want to achieve sustainable business, then in making the CSR program in addition must pay attention to socioeconomic aspects, also must be concerned about environmental aspects. The purpose of this research is to know the type of Corporate Social Responsibility (CSR) program of Plantation Company in Riau and the effectiveness of the program to local people in Riau Province. As the company that became the largest enterprise in its environment, the plantation company must be aware of its responsibility to the community. CSR is a form of self-regulation of a company that is integrated into the business model. One of the CSR activities of the plantation company is the empowerment of the community in its territory namely Riau Province. The type of CSR program conducted by Plantation Company in Riau to the community is in the form of community and village empowerment movement. This program has an impact on the improvement of management and community economic independence. In addition, the Plantation Company conducts ongoing assistance and evaluation of activities that have been implemented.

## 1 INTRODUCTION

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 (Budi, 2009). The practice of corporate social generosity today is experiencing rapid development in line with the development of the concept of Corporate Social Responsibility. It is related to the world mandate not to solely seek profit, but must also be ethical and play a role in the creation of social investment (Nursahid, 2006).

The company as one of the economic actors in a region, be it the village, sub-district, regency, province and state is required to produce maximum profit. But the principle that companies are only profit-oriented has begun to be abandoned. The company must also have social responsibility in

relation to its existence in the midst of the community environment (Solihin, 2010).

The company as a system in sustainability and its balance cannot stand alone. The existence of companies in the community environment influences social, economic and cultural life. Companies have the potential to develop the region because the operation of companies in a community area can invite the activities of local communities. Likewise, the absorption of local labor by companies, including the phenomenon of the proliferation of local people who open new businesses to meet the needs of employees and also all parties related to the company's activities. Palm oil has an important role globally, as a raw material for food, non-food and energy. The global demand for palm oil has increased sharply due to an increase in the global population, prices that are more competitive than other vegetable oils and the diverse uses of oil palm.

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called Corporate Social Responsibility (CSR). This is related to the frequent occurrence of social inequalities and conflicts between the company and the community and the increasing awareness of the impact of environmental damage. Along with this, various groups, both private, government, community organizations, and the world of education seek to formulate and promote corporate social responsibility in relation to society and the environment.

Palm oil has its own strategic value in supporting national development. In 2015 this commodity contributed 8% of GDP in the form of the third largest export value (USD 18.1 billion, equivalent to 13.7% of Indonesia's total exports). In the same year, this commodity contributed IDR 22.27 trillion in state revenues in the form of taxes; while in 2016 has contributed IDR 11.7 trillion in state revenue from export levies through BPDPKS).

In various rural and inland areas in Riau, oil palm plantations and palm oil mills are the main economic drivers that stimulate agribusiness development from upstream to downstream. This sector has created employment opportunities (3.4 million workers in gardens and PKS, Directorate General Of Plantations 2015), has become a source of income for the community and planters; and generate added value which can ultimately increase national income.

Given the importance of oil palm for Indonesia, oil palm development planning needs to be carried out with due regard to sustainable principles. The national palm oil industry has produced many benefits, but at the same time still faces various challenges so that the strategy needs to be improved in maintaining the sustainability of the national petroleum industry.

One of the challenges of the palm oil industry at this time is how to increase the commitment of the parties involved in sustainable palm oil development. To balance the economic, socio-cultural and environmental preservation goals of oil palm development, the Government issued a regulation on the Indonesian Sustainable Palm Oil Certification System (ISPO) stipulated in Agricultural Ministry Regulation No. 11/2015.

A number of programs and initiatives to support sustainable plantations have been carried out by the government and other stakeholders such as land mapping, fostering planters on good garden management practices, efforts to protect peat lands, prevention of forest and land fires and governance of high biodiversity areas and high conservation values in the plantation landscape.

## 2 DISCUSSION

Conway (1986) states that there are four sustainable agroecosystem properties, namely productivity, stability, sustainability, and equity. Through the identification of economic, socio-political and ecological aspects, the development of oil palm plantations is expected to not only have high productivity and stability, but also promote a sense of equality and values of local wisdom that are high on the environment.

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Corporate social responsibility today is no longer voluntary in nature by the company in taking responsibility for its company's activities, but is obligatory or an obligation for some companies to do or implement it. This is regulated in Law Number 40 of 2007 concerning Limited Liability Company (High Court Regulations) Article 74 which was ratified on July 20, 2007 which reads:

1. Companies that carry out their business activities in the field of and/or related to natural resources must carry out social and environmental responsibilities.
2. The social and environmental responsibilities as referred to in paragraph (1) are the Company's obligations that are budgeted and calculated as the company's costs which are carried out by observing propriety and fairness.
3. Companies that do not carry out the obligations as referred to in paragraph (1) are subject to sanctions in accordance with the provisions of the legislation.

The concept of Corporate Social Responsibility (CSR) referred to in the Act is to prioritize sustainable development in the form of strengthening the people's economy and long-term social programs. Such development programs can be felt directly by the community and have a direct effect on life. The community has a stake and responsibility in its implementation, both in program

planning and in implementing it. Corporate social responsibility or Corporate Social Responsibility (CSR) arises as a result of the fact that basically the natural character of each company is to look for profit as much as possible without considering the welfare of employees, society and the natural environment.

According to Rosyida and Fredian (2011), a company as a system in sustainability and its balance cannot stand alone. The existence of companies in the community environment influences social, economic and cultural life. In its journey, the activities carried out by the company intersect, both directly and indirectly with the community and the environment. Therefore, companies need to remember and pay attention to socio-cultural aspects. One of them is to foster good relations that are reciprocal (reciprocal) with other stakeholders, both government, private sector, and from various levels of society elements. This good relationship can be formed from the interaction between stakeholders in relation to the implementation of Corporate Social Responsibility (CSR) programs.

Corporate social responsibility is needed to help the government in development, among others, through programs to increase community productivity and social economic societal capabilities independently and sustainably. Elkington (1997) states that good companies not only pursue economic profit but also have concern for environmental sustainability (planet) and people's welfare.

The implementation of Corporate Social Responsibility (CSR) itself actually aims to strengthen the company by building cooperation between stakeholders facilitated by the company concerned by developing development programs for the surrounding community. Besides that, the implementation of Corporate Social Responsibility (CSR) helps companies to adapt to their environment, communities and stakeholders related to companies, both locally, nationally and globally, because the future development of Corporate Social Responsibility (CSR) refers to the concept of sustainable development. The limitation of government funds for development in various sectors is one reason that the role of Set and cooperation between the government and the company is very necessary.

## 2.1 Corporate Social Responsibility (CSR) Program in the Form of Community Empowerment.

The partnership program is a program to improve the ability of small businesses to become resilient and independent through the use of funds from the State Owner Enterprise (SOE) profit section. This program is a business collaboration between small and medium enterprises or with large accompanied by fostered and developed by medium-sized businesses or large businesses with the principle of mutual need, mutual reinforcement, and mutual benefit this program includes:

- 1) Providing loans to finance working capital and or purchase of fixed assets in order to increase production and sales.
- 2) Providing special loans used to finance the funding needs for implementing additional and short-term assisted Partners business activities in order to fulfill orders from business partners of Foster Partners.
- 3) Providing partnership development funds used to finance education, training, apprenticeship, marketing, promotion and matters relating to increasing the productivity of assisted partners as well as research related to the Partnership Program.

The partnership program that can be done is:

- 1) Financing working capital and investment. The use of loan funds can be divided into several sectors, including: Industrial Sector, Trade Sector, Agriculture Sector, Livestock Sector, Plantation Sector, Fisheries Sector, Service Sector and other sectors.
- 2) Special Loans (Short Term). Grants, such as: Education, Training, Apprenticeship, Marketing, Promotion, Exhibition, and others.

The corporate social responsibility program is based on the concept of sustainable development which relies on three achievements that are economically, socially and environmentally beneficial (triple bottom lines). The company also bases this program on the Five Pillars Framework for Sustainable Development. In addition, the objectives of the UN millennium development in 2000 also inspired the corporate social responsibility program. As mentioned below, the Five Pillars cover the fields of education, economics, health, social culture, religion, sports and security.

Corporate social responsibility activities are centered on four different projects that provide

employment opportunities in areas with scarce employment opportunities, offer income for people without income, change people's mindsets about hygiene and sanitation in and around their villages, and more importantly again, opens opportunities to mobilize community involvement and development in activities that have economic value and provide sustainable social benefits in the long term.

The implementation of corporate CSR programs can lead to changes and impact on ecological aspects, social structure, community culture, people's standard of living, community assessment and other stakeholders on CSR characteristics, and the synergy of the four reality policies and programs then constructs community perceptions and other stakeholders on corporate CSR. These changes, impacts, and perceptions can conceptually provide "feedback" to re-formulate corporate CSR policies and programs. The implementation of targeted money programs can have an impact on improving the living standards of the lower classes of society. With the existence of CSR programs can reduce: 1) Alleviate poverty, by using workers from around the company they can contribute to the increase in the number of the workforce by creating jobs, providing training, providing products provided by people from the lower classes then directly will have an impact on the lower class.

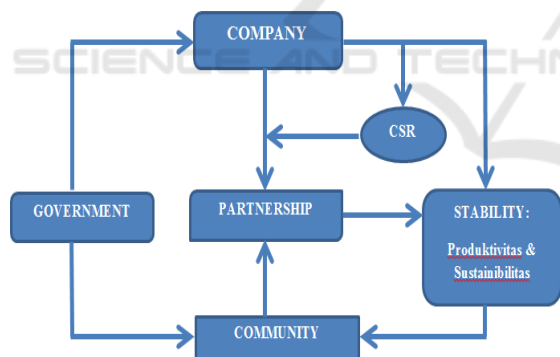


Figure 1: Chart of CSR Effectiveness insustainable development.

## 2.2 Output of Corporate Social Responsibility (CSR) Program

Output is everything that is expected to be directly obtained from an activity that can be tangible or intangible.

### 2.2.1 There Is Educational Assistance and Scholarships

Support efforts made by the local government, especially at the village and community level to improve the education sector and provide scholarships around the company's activities. The social condition of a society is always related to the living conditions of the people in an area such as education.

### 2.2.2 The Existence of Poverty Alleviation and Regional Economic Development

The meaning of poverty in general is a lack of essential human abilities, especially in terms of income. Besides that, it is also interpreted as a lack of income so that it is unable to meet consumption needs. Poverty is a situation where there is an inability to fulfill basic needs such as food, clothing, shelter for education, and health. Poverty can be caused by scarcity of basic needs fulfillment tools, or difficult access to education and employment.

### 2.2.3 Presence of Public Facilities Maintenance

Public facilities held by the government or private parties that can be utilized by the general public in the environment. Examples of public facilities such as roads, health centers, markets, places of worship, sports venues and so on.

## 2.3 Outcome of Corporate Social Responsibility (CSR) Program

Outcome is the result given by the product of a program or can also be referred to as an advanced result of output. Outcomes obtained from the effectiveness of the companies as follows:

### 2.3.1 For Company

- a. The company's image has increased.  
Companies that carry out CSR activities will be seen as having high values of concern in the community. Positive community assessment of the company will improve the image of the company itself.
- b. Collaboration with stakeholders is better.  
In carrying out CSR activities, companies do not work alone. Usually the company will work with the local government or related agencies to cooperate in carrying out their CSR programs. The establishment of relations between the

company and stakeholders will develop cooperation between them in the future.

- c. Society becomes more innovative.  
CSR is not just a momentary activity carried out by the company to the community. CSR is a continuous activity in order to empower the community. With this CSR, companies can actually produce innovation and learning that can increase the influence of companies in society, industry, and even the government.

### 2.3.2 For the Government

Through CSR, the company helps the government and will create relations between the government and the company in overcoming social problems such as poverty, education and health. The task of the government to create prosperity for its people becomes lighter with the participation of the company through CSR activities. CSR that can play a role in overcoming social problems.

### 2.3.3 For the Community

CSR also makes a positive contribution to the relationship between the company and the community. The implementation of CSR is believed to be able to reduce conflicts between companies and society. Companies that do not participate in people's lives can trigger conflict. CSR will have a positive impact on the community, this really depends on the orientation and capacity of the company. There is a sense of caring for the surrounding community and community relations that can be broadly described which can be briefly understood to increase the participation and position of an organization in a particular community. This is done in various ways to get mutual benefits for the organization and the community. Companies outcomes for the community surrounding as follows:

- a. There are scholarships for disadvantaged children in the area.  
Scholarships are gifts in the form of financial assistance given to individuals, students or students who are used for the continuity of education pursued. Students can be given by government institutions, companies or foundations.
- b. The welfare of the surrounding community is increasing.  
Economic condition is the condition of a person or community in an area that is seen in terms of economics, such as employment, and income.
- c. Public facilities are maintained.

The community can maintain each other's existing public facilities. Without the existence of public facilities and adequate social facilities, it would make the living more difficult. Because people's lives cannot be separated from these public facilities. Therefore public facilities must be maintained so as not to cause harm to the community itself.

## 3 CONCLUSION

The conclusions that can be drawn from this paper include:

1. From the effectiveness of the Corporate Social Responsibility program in plantation companies in Riau Province, it was concluded that the output of the CSR program was first the existence of educational assistance and scholarships, second, the existence of poverty alleviation and regional economic development and the maintenance of public facilities.
2. Outcome from CSR programs for plantation companies in Riau Province itself has been effective because the company has directly felt the impact of conducting CSR activities, one of which is maintaining good relations between the company and the surrounding community to avoid conflicts that can harm and threaten the company's continued operation. Whereas for the government and the community it has not been effective, because the program has not been sustainable and the program has not yet had a target and synergized to improve the economy of the community only to carry out mere obligations.

## 4 SUGGESTION

Related to this writing the suggestions that can be given are as follows:

1. In an effort to support local governments, especially at the village level, provide opportunities for working for the surrounding community, and alleviate poverty and improve regional economic development, it is recommended that CSR programs be sustainable, targeted and synergized, and do not carry out programs just run obligation but make it an awareness.
2. It is recommended to make programs that come into direct contact with the community not only

in the form of physical assistance, and are expected to be more active.

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