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**ANALYSIS ON IMPLEMENTATION OF CORPORATE SOCIAL
RESPONSIBILITY (CSR) ACTUATOR TO THE COMPANY EXISTENCE
THROUGH THE BENEFITS OBTAINED BY COMMUNITY (A STUDY AT PT. PJB
UP GRESIK)**

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Abstract

Corporate Social Responsibility (CSR) becomes commitment of companies or business sector to contribute in developing the sustainable economy by viewing social responsibility as materialization of the company's care to its surrounding environment. This research is intended to know the *direct and indirect influence* of Corporate Social Responsibility (CSR) Program to the Company Existence and to the Benefits obtained by community at the surrounding. This research is carried out in Regency of Gresik. The samples of research consist of 75 respondents receiving the CSR program from the Limited Liability Company PT. Pembangkit Jawa Bali Unit Pelaksana Gresik, or commonly abbreviated to 'PT. PJB UP Gresik'. This research applies the *PLS – Partial Least Square* Analysis using the PLS Smart Software. Output of this research indicates that the program of Corporate Social Responsibility (CSR) does not influence the Company existence, but it gives influence to the Benefits received by community and such benefit influences the existence of the Company. The testing on the influence of mediation by using the *Sobel formula* proves that the program of Corporate Social Responsibility has the indirect influence to the existence of the Company through mediator of benefits obtained by community at the company surrounding.

Keywords: *Corporate Social Responsibility, Existence of the Company, Benefit Obtained by Community.*

Introduction

Corporate Social Responsibility (CSR) constitutes a future investment for the company to gain the profit. The obtained profit is not merely the financial one but more, namely the trust of the surrounding community and the *stakeholders* based on the voluntary and partnership principles. Stakeholders are not only community in a narrow sense, namely the ones living at surrounding of the company's site, but the community in a large sense, such as the government, investors, political elites, and the like. The form of cooperation established between the company and the *stakeholders* should be the cooperation mutually able to give opportunities to jointly make progress and develop together. The CSR programs established for the welfare of community in the end will turn its direction back, namely giving the profit again to the company. It is expected that the company together with the whole *stakeholders* can jointly develop the sustainable CSR, so that either the economic (financial) or the social and environmental profits can be materialized. *Corporate Social Responsibility (CSR)* is the commitment of companies or business sector to contribute in developing the sustainable economy by taking care of the social responsibility. In Indonesia, the obligation of a company to hold the *Corporate Social Responsibility (CSR)* has been launched by the socializing the Law No. 40 the year 2007 on the Limited liability Company. The company needs to be committed to try to give the biggest benefit to the community.

Theoretical Review

1. Corporate Social Responsibility:

Corporate Social Responsibility (CSR) as a concept getting more and more popular recently, has not yet got a single definition able to be applied at a company in general, but there are several definitions able to be used as references. The meaning of *Corporate Social Responsibility* according to some experts is as follows: *The World Business Council for Sustainable Development* (Wibisono, 2007:7) defines Corporate Social Responsibility (CSR) as “*a continuing commitment by business to behave ethically and 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*”. Kotler and Lee (2005) in (Solihin 2009) formulates, “*Corporate Social Responsibility is a commitment to improve community well being through discretionary business practices and contribution of corporate resources.*” In this definition, Kotler and Lee give emphasis on the word ‘*discretionary*’ meaning that the CSR activity is merely the company’s commitment voluntarily to participate in improving the welfare of community and is not a business activity obliged by the law just like the obligation to pay taxes and the adherence of company to the employment / manpower law. The word ‘*discretionary*’ also gives a nuance that the company conducting the CSR activity shall be the company that has already been adhering the law in doing its business operation (Solihin 2009:5). Definition according to ISO 26000 in (Prastowo and Huda 2011:101) is as follows, “*Responsibility of organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contribute to sustainable development, including health and welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practiced in its relationship.*”

2. Model of Corporate Social Responsibility Implementation

Model of CSR Implementation varies. There are at least four models of CSR implementation commonly applied in Indonesia. Those four models are as follows:

1. *Direct Involvement.* In carrying out the CSR program, the company performs it itself without any intermediary or other party.
2. *Through the Foundation or the Company’s Social Organization.* The company establishes its foundation under the company or its group.
3. *Making partnership with other party.* In running the CSR, the company makes a cooperation with other parties, such as non-government social institution, government institution, mass media and other organization.
4. *Supporting or joining a consortium.* The company has some reasons in carrying out the CSR Program, among others are: Social Reason, Economic Reason and Legal Reason.

3. Benefit of Corporate Social Responsibility

Gurvy Kavei in (Kartini, 2009: 124-125) confirms that each company implementing CSR in its business activities will get 5 (five) primary benefits as follows: (1) Increasing the profitability and stronger financial performance, for example through the environmental efficiency. (2) Increasing the accountability, assessment and investment community. (3) Motivating the employees’ commitment, because they are taken care of and appreciated. (4) Decreasing the vulnerable turmoil with the community, and (5) Increasing reputation and the corporate branding.

4. Conceptual Framework

Conceptual framework set up in this research is as the one presented at the drawing below:

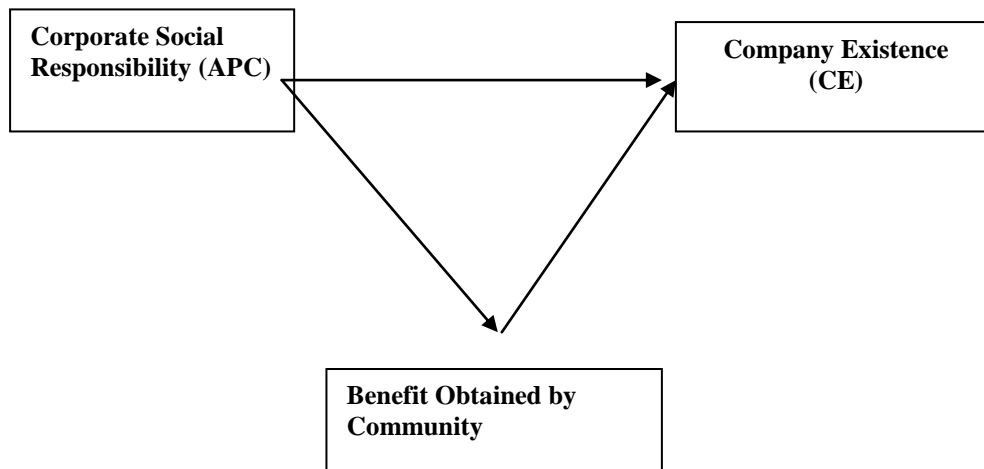


Figure 1. Conceptual Framework

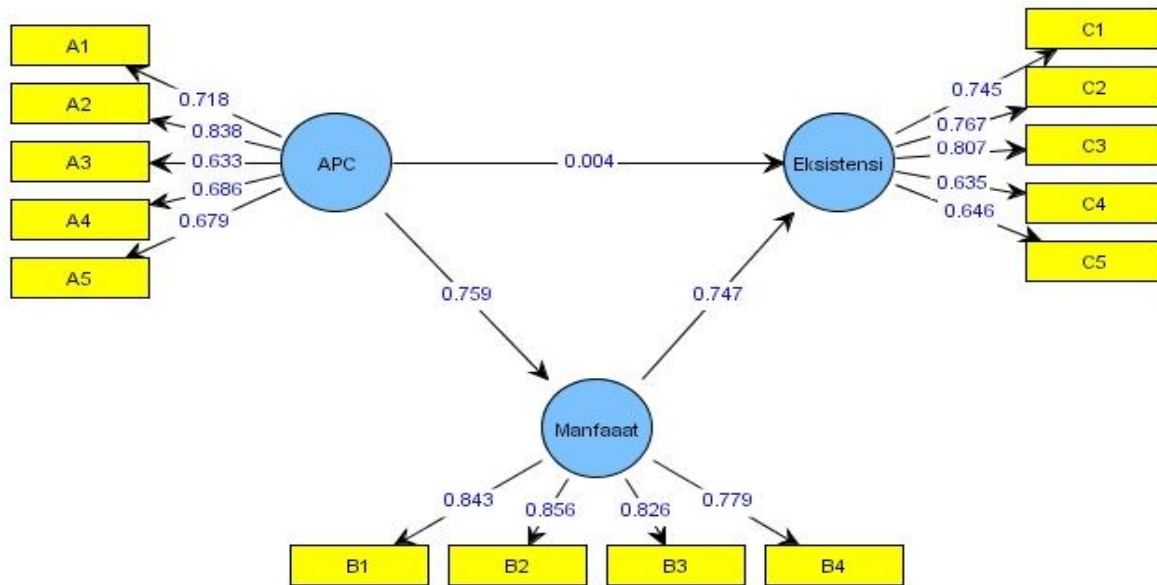
Research Method

Population in this research are the community obtaining the assistance of CSR program from the Limited Liability Company, *PT. Pembangkit Jawa Bali Unit Pelaksana Gresik* for the year 2014. In this research, 75 respondents are taken as the samples. Meanwhile the sample taking is carried out by using the *non-probability sampling* and accidental sampling techniques. The data applied in this research are collected through the questionnaire while the method of data analysis in this research uses the *PLS – Partial Least Square* approach. PLS is an equation model of *SEM – Structural Equation Modeling* with the component or variant basis.

Outputs of Research

1. Outer Model

Convergent Validity of measurement model by reflective indicator evaluated based on correlation between the item score and component score estimated by using the *PLS Software*. The individual reflective size is said to be valid according to Chin, 1998 (in Ghazali, 2006) for the early stage of research from development of loading factor measuring scale of 0.5 till 0.6 is deemed sufficient and valid. In this research, limit of the loading factor applied will be at the amount of 0.60.



Drawing-2: Outer Model.

The processing output using PLS Smart Software indicates the loading value of variable connection and all indicators statistically have been significant and valid in measuring the respective sub-indicator with the loading factor at the amount of ≥ 0.6 and t-statistic is > 1.96 at the significant stage of $\alpha = 0.1$ or 10%. It means all indicators are statistically significant and valid in measuring their respective indicators.

Validity and Reliability criteria can also be observed from the reliability value of a construct and the *Average Variance Extracted (AVE)* value of each construct. Construct is said to have a high reliability if its value is 0.70 and its AVE is above 0.50. Table-1 presents the values of Composite Reliability, and the AVE for the whole variables have the value of $AVE > 0.5$ and $CR > 0.7$; then it can be concluded that the indicators applied at the said variables are very good and able to measure its construct.

Table-1: Composite Reliability & AVE

	Average Variant Extracted (AVE)	Composite Reliability	Remarks
APC	0.510	0.838	Reliable
Existence	0.523	0.845	Reliable
Benefit	0.683	0.896	Reliable

Source: PLS Smart 's Data Processing.

2. Inner Model:

Table-2: Inner Model

Causality Relation	Line Parameter Coefficient	Sub-sample Average (Bootstrap)	Standard Error (Bootstrap)	t-Statistic
APC>Existence	0.004	-0.013	0.163	0.028
APAC> Benefit	0.7590.	0.752	0,057	13.209
Benefit >Existence	0.747	0.795	0.112	6.701

Source: PLS Smart's Data Processing.

Outputs of the First Hypothetical Testing shows that the variable relation between CSR Program Actuator (APC) and the Company Existence (Existence) indicates the line

coefficient value at the amount of 0.04 with the t-value of $0.028 < t\text{-table} (1.960)$. This result means that there is no influence of the variable of CSR Program Actuator to that of the Company Existence. *Thus, the First Hypothesis is rejected.*

Outputs of the Second Hypothetical Testing indicates that the variable connection between CSR Program Actuator (APC) and the Benefit obtained by community shows the line coefficient value at the amount of 0.759 with the t-value of $13.209 > t\text{-table} (1.960)$. This result means that there is a significant influence of the variable of CSR Program Actuator to that of the Benefit received by community. *So, the Second Hypothesis is accepted.*

The Third Hypothetical Testing shows that the variable connection between Benefit obtained by community and the Company Existence indicates the line coefficient value at the amount of 0.747 with the t-value of $6.707 > t\text{-table} (1.960)$. This result means that there is a significant influence of the variable of Benefit received by community and that of the Company Existence. *In this way, the Third Hypothesis is accepted.*

The Fourth Hypothetical Testing namely testing the Indirect Influence of the variable between CSR Program Actuator and the Company Existence through Benefit obtained by Community at the Company surrounding. The testing is conducted by using the *Sobel Formula*. The amount of indirect coefficient of APC variable to the Company Existence is the multiplication of the influence of APC Variable to the Benefit Variable and also the Benefit Variable to the Existence Variable, so that the following values are obtained: $P_{12} = P_1 \cdot P_2 = 0.566973$. The value of indirect standard error of APC variable to the Existence variable is the multiplication of APC influence to Benefit and the Benefit to Existence, so that the equation is obtained as follows: $S_{e12} = 0.0956$ and the value of t-test = 5.94. Since the t-value is at the amount of $5.94 > 1,96$ it means that the said mediation parameter is significant. Thus, model of Indirect Influence of CSR Program Actuator variable to Company Existence through mediator of Benefit obtained by community at the company surrounding can be accepted. Thus, *the Fourth Hypothesis is acceptable.*

Discussion:

The CSR Program gives emphasis on positive contribution to community and its surrounding. If the CSR program is not implemented pursuant to the benefit received by community, the CSR program will not give impact to the company existence. This output is in conformity with the CSR concept of the World Bank stating, *“The commitment for business to contribute to sustainable economic development working with employees and their representatives the local community and society at large to improve quality of life, in ways that are both good for business and good for development (Wibisono, 2007:7).*

The implementation of CSR Program by PT BJB UP Gresik is pursuant the needs of community and gives impact, namely the community feel getting the benefit due to the implementation of CSR programs, consisting of: the assistance programs in the scopes of education, health, social economy, community order and security, and assistance in environmental facilities. The CSR concept shows that the company cares to the community and its environment. The company gives contribution for the establishment of a better community and cleaner environment. This is pursuant to the CSR Formulation from the Commission for European Community in the Green Paper, namely, *“Essentially a concept whereby companies decide voluntarily to contribute to better society and a cleaner environment” (Kartini, 2009:3).*

The CSR Program of PT BJB UP Gresik is useful, since it is able to improve the image of the Company, to strengthen the Company's Brand and able to distinguish the company and its competitors. The Company will be known more by community as a company which always

carries out good activities for community and always accommodates the interest of community in Gresik. The activities performed by this Company are frequently called as “*Corporate Citizenship*” intended to develop the people’s welfare, the so-called “*Community Development*” (Kartini, 2009:16). The implementation of CSR Program is expected to be able to improve the life quality for the coming generation pursuant to the *Concept of Sustainable Development*. The company’s contribution is not only on the aspect of company’s business profit increase, but also positive contribution for community and environment in the scheme of people welfare. This output is in conformity with Wibisono (2007; 7) declaring that the company’s contribution is not only on the aspect of company’s business profit increase, but also positive contribution for community and environment in the scheme of increasing the people welfare.

Conclusion

The CSR program gives emphasis on positive contribution to community and its surrounding. If the CSR program is only for the interest of Company business and not paying attention to the interests of people, the said CSR program will not give any impact to the Company Existence.

The CSR Program implemented by PT BJB UP Gresik is pursuant the needs of community, namely in the fields of education, health, social economy, community order and security, and assistance in environmental facilities. The CSR concept shows that the company cares to the community and its environment. The company gives contribution for the establishment of a better community and cleaner environment. The CSR program already been conducted by PT PJB Gresik is able to raise the company image, to strengthen the company brand and able to distinguish the company to its competitors. Implementation of CSR Program is expected to be able to improve quality of life for the coming generation in conformity with the concept of *sustainable development*.

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