



## Effectiveness of CSR Programs in The Development of Productive Economic Businesses in Semarang

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### Abstract

*The purpose of this research is to examine the effectiveness of CSR program distribution in developing productive economy in Semarang City. The study uses a mixed method approach that targets companies that distribute CSR and SMES beneficiary. The SMES sample was taken using the Purposive cluster random sampling technique in each kelurahan, including Culinary business, Agriculture business, Service business, and crafts. Research focuses include: type of company; type of activity ; and the effectiveness of CSR programs with indicators of targeting accuracy, objectives, and benefits. The results showed that 10 companies outside the BUMD that had channeled their CSR funds received a good category with an average value of 79.13 on the Community Development Index. With the highest score in the aspect of suitability of the needs of the community of 83.38 with a good category and the lowest score on the aspect of community involvement was 73.25 with a less good category. Research recommends: first, a pentahelix approach is needed in realizing CSR programs, both between academics as innovators, companies as donors, beneficiary communities and the government as regulators through program integration so that activities are useful; secondly, Bappeda should make a published map of public needs so that academic research and CSR programs are right on target and right on benefits; third, business actors are required to assist business licensing and product marketing through student engagement in KKN programs and promotions by the government both at national and international levels.*

**Key words :** Effectiveness, CSR, Productive Economic, SMES

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## INTRODUCTION

Corporate Social Responsibility (CSR) is the mandate of the Undang-Undang contained in article 74 of Undang-Undang No. 40 of 2007. The CSR program is an investment for companies for the growth and sustainability of the company and is no longer seen as a means of cost (cost center) but as a means of making profit (profit center). The community around the company is the party that needs to be given appreciation. This form of appreciation can be realized with various welfare improvement programs through CSR programs. Because basically the community and the company are a unity that can affect the sustainability of the company.

CSR as an idea, companies are no longer faced with responsibilities that are grounded in a single bottom line, namely the value of the company (corporate value) which is reflected in its financial condition. Corporate responsibility must be based on triple bottom lines, namely social and environmental besides financial. It has become a fact of how the resistance of surrounding communities in various places and times appear when companies do not pay attention to social, economic and environmental aspects.

Indeed, there is currently no formula available that can demonstrate the relationship of CSR practices to corporate profits, so many business circles are skeptical and assume CSR does not have an impact on business performance because their view is that CSR is only a cost component that reduces profits. CSR practices will have a positive impact if viewed as a long-term investment because by carrying out sustainable CSR, the company will get a "place in the heart and operational permission" from the community. The economic environment is often the most

tangible indicator of the success of CSR programs, especially those that lead to community development. CSR programs are targeted to be able to improve the welfare of the community and increase the value of real economic resources.

To find out the extent of the role of various companies in the city of Semarang in supporting the "Gerbang Hebat" Program, it is necessary to conduct a study related to the role of CSR in encouraging the development of productive economic enterprises in the community. The results of the study can be used as recommendations for the development of productive economic programs in the future.

The World Business Council for Sustainable Development said that CSR is an ongoing commitment of business people to behave ethically and contribute to economic growth and improve the quality of life of workers and their families, along with local communities and society at large (Asongu, 2020)

Many facts show that the community development program which is the most important part of the implementation of CSR in Indonesia has been successful and has had an impact on improving the welfare of the local community. But there are still many programs that are carried out sporadically and are not sustainable, even in some places overlapping with government programs.

The results of Ria A.'s research (2014) show that the implementation of PT Pertamina EP Field Sanga-Sanga's CSR program is based on a triple bottom line. Public response and participation is relatively high with a program achievement index reaching 85.32%. The measurement uses four aspects of indicators, namely 80% conformity aspect, 83.75% benefit, 82.5% sustainability, and 95% of the resulting impact is able to independence a sustainable community economy

Furthermore, Arsyad, et al (2017) research results also show that the implementation of

CSR programs in Bogor Regency is also quite effective, where perception and community satisfaction have a simultaneous and partial influence on CSR. The CSR activities in the fields of education, health, environment, the increase in the desires and basic needs of humans and security have a simultaneous influence on the socio-economic community. While partially education has no influence on the socio-economic community. Research also recommends the need for continuous improvement so that CSR performance increases

On the other hand, Jamaluddin & Suhardi (2017) examined the effect of corporate social resonance (CSR) on the welfare of the people of Nuha District. The results showed that PT Vale Indonesia Tbk's CSR had a significant effect on the level of education and income levels of farmer groups in Nuha District, but did not significantly influence the level of public health. The contribution of CSR funds in the education sector was 71.6% and the contribution of CSR funds in agriculture was 93.7%.

There are 6 main trends that increasingly emphasize the importance of CSR, namely: (1) increasing inequality between rich and poor; (2) the position of the state which is increasingly distanced from its people; (3) the increasing meaning of sustainability; (4) increasingly intense critical view and resistance from the public even those that are anti-company; (5) trend towards transparency; (6) and hopes for the realization of a better and humane life in the millennium era.

Soesilowati (2017) in her research tried to integrate the dry land farmer empowerment program in Gunungpati District, Semarang, Central Java through the Quadruple Helix approach as the development of the Triple Helix approach

involving academics, companies, communities, and the government. The results showed that the development index (HDI) of Kandri Village farmers decreased by 9.4%. While the HDI of farmers in the village of Cepoko increased 9.4%. This shows that farmers in Cepoko village are more resistant to national economic issues compared to farmers in Kandri village. Research recommends that institutional systems at the farm level be strengthened so that production can be more efficient and effective.

Furthermore Soesilowati (2019) said that the weak institutional system at the farm level, the limitations of Human Resources, the lack of supporting infrastructure, the absence of crop processing technology, and the lack of supporting SMES engaged in processing causes horticultural farmers' income in Purwosari Kelurahan Mijen District The city of Semarang has not increased. For this reason, a variety of activities that are applicable and ongoing are carried out with a business partnership model involving multi stakeholders including the elements of the Dinas Pertanian Kota Semarang, Semarang State University and PGRI Semarang University, the Farmers Group, and the Obor Tani Foundation. The program is carried out through infrastructure development, Field Schools, training and mentoring of tour guides, and the creation of new horticultural-based entrepreneurs. The results of the activity showed, first, the partnership between academics, the private sector, the community and the government was quite effective with the formation of Argo Tekno Park; second, horticultural production increased by more than 100%; third, the formation of KUB Wanita Tani which is a food processor made from fruit has an impact on increasing income.

Referring to Saidi and Abidin (2004) there are at least four CSR models or patterns that are generally applied by companies in Indonesia: (1) Direct involvement by assigning one of its senior officials such as corporate secretary or

public affairs manager or public relations; (2) Through foundations or corporate social organizations by providing initial funds, routine funds or endowment funds that can be used regularly such as; (3) Partnering with non-governmental organizations, government agencies, universities or mass media both in managing funds and carrying out its activities; (4) joining a consortium.

This is in line with Aqiela's research (2018) finding that El-Corps's CSR distribution is implemented in two forms, namely Community relations through foster siblings programs, sponsorship, fundraising in partnership with ACT social institutions and conducting seminars. While the implementation in the form of community assistance includes the Dauky Ambassador program, and the form of cooperation with the majelis ta'lim Nurul Nisa. When viewed from the nature of CSR given in the form of charity and philanthropy but have not reached citizenship (community empowerment).

## METHOD

The study uses a mixed method approach targeting companies and SMES (community) CSR beneficiaries in the productive economy. Company samples were taken using the Purposive technique, while the SMES beneficiary samples were taken using the Purposive cluster random sampling technique in each kelurahan, including Culinary business, Agriculture business, Service business, and crafts.

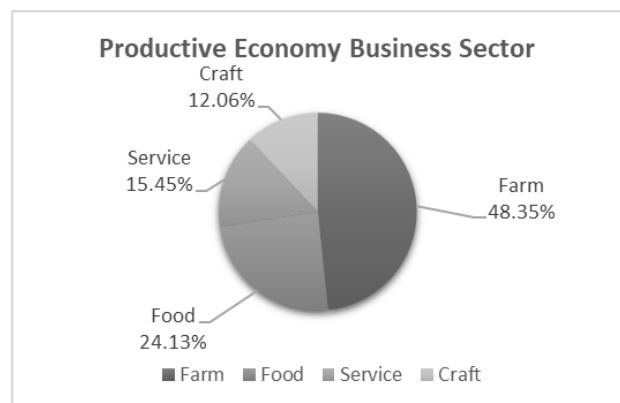
The locus of research is in 12 *Kelurahan* including: Tanjung Mas, Kemijen, Tawang Mas, Gunungpati, Karanganyar Gunung, Rejomulyo, Gajah Mungkur, Tambakrejo, Kranggan, Bandarharjo, Wonolopo, Tugurejo. While the research sample was taken through a purposive cluster random sampling technique, which included:

Business, Craft, Culinary, and Agriculture. Focuses studied included: types of CSR distribution companies supporting productive economic ventures; types of activities and the effectiveness of CSR programs with indicators of targeting accuracy, goals and benefits.

The type of data collected is primary data and secondary data. Data collection techniques carried out by Survey, Interview, Check List, and Documentation. Data were analyzed with descriptive, interactive and statistical analysis and presented in graphs, diagrams, and percentages (%).

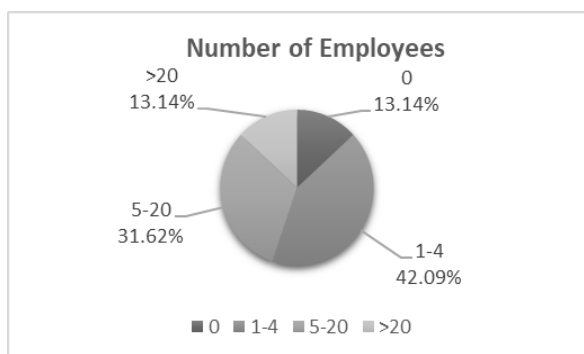
## RESULTS AND DISCUSSION

Various CSR programs in the productive economy sector have been implemented in Semarang City. To date there have been around 33 productive economic business groups in 26 fields that have received CSR programs from several companies. Most business groups are engaged in culinary business as shown in Figure 1.



**Figure 1.** Productive Economy Business Sector CSR Program in the Semarang City

While the number of employees owned can be categorized as small or medium-sized businesses as illustrated 2.



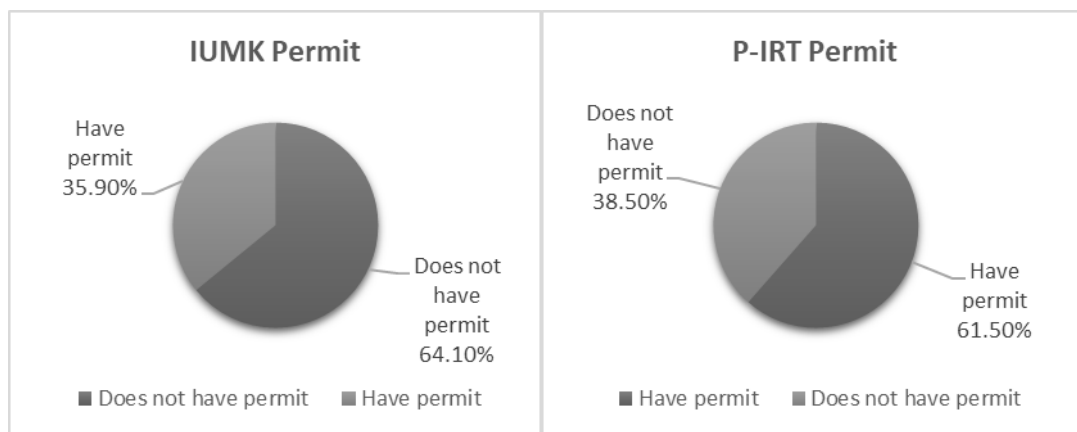
**Figure 2.** Number of Employees in the Productive Economy Business

Production operations are influenced by several indicators, including: production processes, sources of raw materials, prices of raw materials and production equipment, labels and packaging, licensing, marketing, turnover and profit. The survey results showed 56.4% of culinary business groups needed production time of 1 day or less and 20.5% of the handicraft business groups needed production time of up to 1 week, while the rest needed production time of more than 1 week and 1 month. Indicators of this production process will affect the

velocity of money and turnover received by the business group.

82.1% of the business group uses local raw materials and 17.9% from outside the region. The ease of obtaining these raw materials will affect the consistency of product prices and the turnover obtained. Iqbal & Desti (2017) proves that there is a significant influence between the cost of raw materials, direct labor costs and overhead costs together to the selling price of bread products by 95.4%.

Furthermore, survey results show that 74.4% of products are packaged and labeled, while 25.6% do not, so it is more hygienic, easily recognizable and adds to the selling value of the product. The culinary & craft group 61.5% already have a Micro Small Business Permit (IUMK), while 38.5% do not have a permit. Home Industry Food Permit (P-IRT) is only owned by 35.9% of the business group and the rest do not have licenses.



**Figure 3.** P-IRT and IUMK permit of Productive Economy Business

Research shows 36.1% of the business group has a turnover of 1 million - 5 million per month, 33.3% has a turnover of 5 - 25 million per month, while 22.2% has a

turnover of above 25 million per month which is dominated by craft business. The following figure shows the turnover obtained by each productive business group for each month.

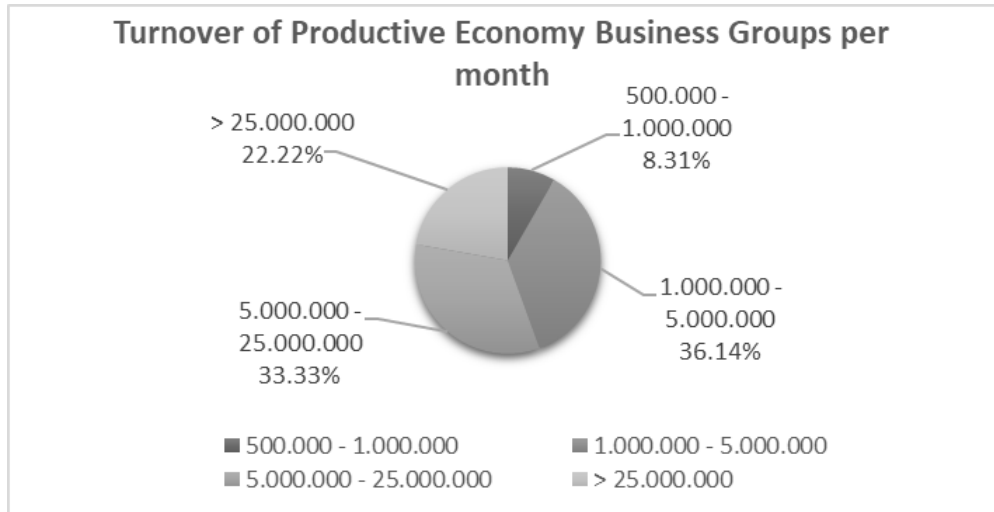


Figure 4. Turnover of Productive Economy Business Groups per month

Furthermore, the profit gained from the business group by 44.4% gets a profit of 1-5 million per month. Furthermore, 30.6% of the business group gets a profit of more than 5 million per month. Most of these business groups have been developing their businesses long enough so that the marketing of their products is also extensive. While there are also several business groups with a profit of 0.5-1 million per month, such as home industry and do not have employees.

46.2% of the business groups had problems in developing their businesses because they were still marketed offline through local store or residences, while 23.1% faced capital problems, while the rest were related to the procurement of raw materials and equipment, respectively 15.4% and 12.8% had problems with licensing.

This condition is supported by the findings of Suprihatmi, S. and Retno, S. (2017) that working capital and sales turnover have a positive and significant effect on culinary business profits in Surakarta.

The research results also showed that 94.1% of stakeholders, especially at *kelurahan* level, were involved in the implementation of CSR even though there was no written report. The involvement of *kelurahan* began

with program determination, implementation, and program evaluation, so 52.9% of the CSR programs were carried out on target and in accordance with community needs and only 11.8% considered the program to be less relevant as set out in Figure 5.

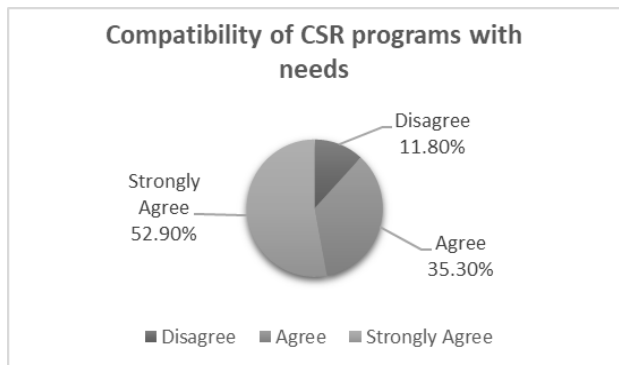


Figure 5. Compatibility of CSR programs with needs

Furthermore, research also shows 58.8% of CSR programs are sustainable and have a clear roadmap as shown in Figure 6.

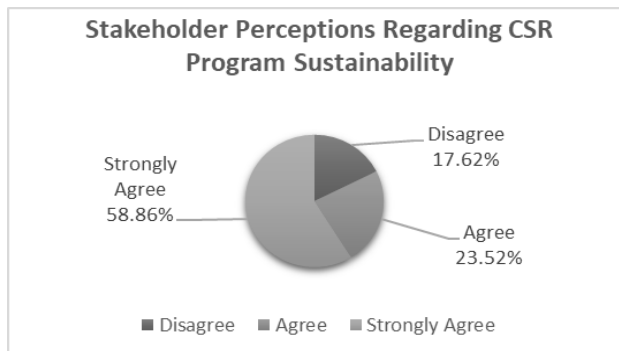
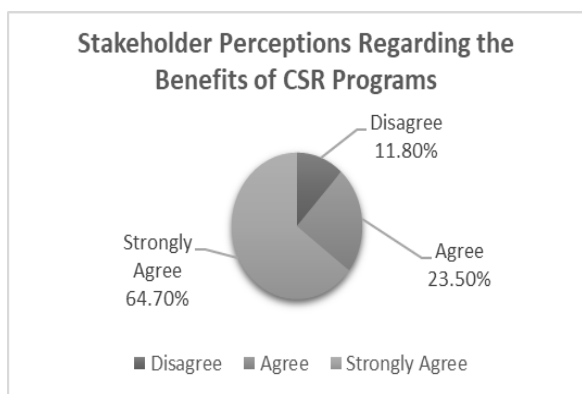


Figure 6. Stakeholder Perceptions Regarding CSR Program Sustainability

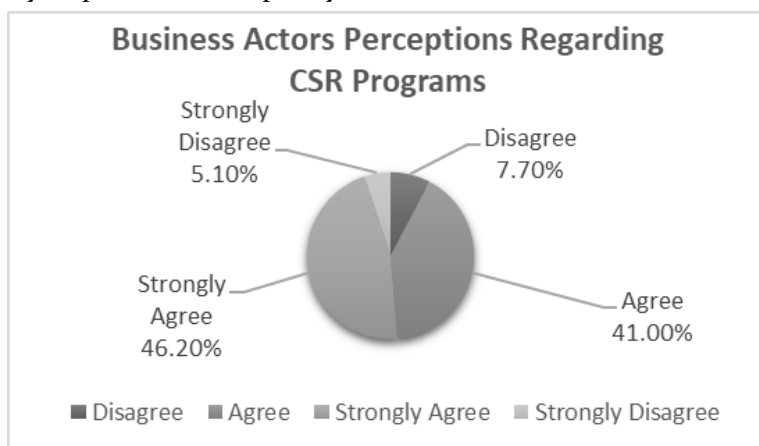


**Figure 7.** Stakeholder Perceptions Regarding the Benefits of CSR Programs

In general 64.7% of stakeholders consider that the CSR program has provided benefits to the community, has been able to increase HR capacity & production capacity,

as well as community income. But on the other hand, some stakeholders argue that the CSR program has not provided benefits because it only targets SMES, causing social jealousy.

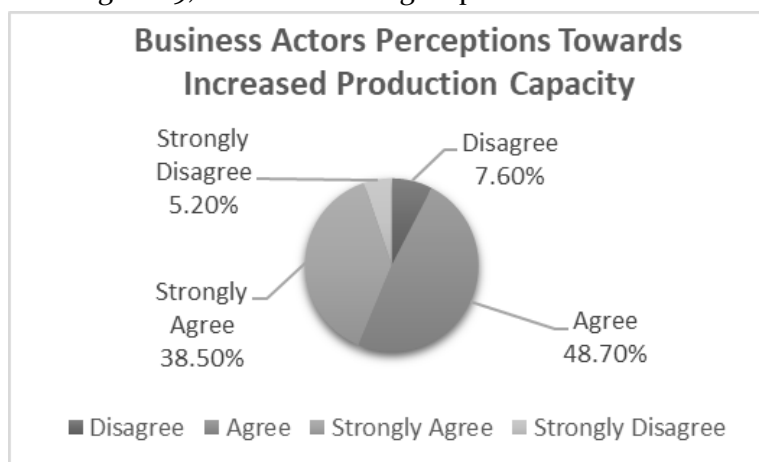
Most of the business actors feel involved in the preparation of the program so that the program is in accordance with the needs of the community and a small portion feels that it is not appropriate because actually what the community needs is capital assistance and soft credit. CSR programs have a variety of activities, both increasing skills and knowledge, increasing production capacity, and marketing products. The survey results show that CSR programs are able to improve the skills and knowledge of the community as shown in Figure 8.



**Figure 8.** Business Actors Perceptions Regarding CSR Programs

Business actors feel that the CSR program is able to increase production capacity as shown in Figure 9, whereas a

small proportion of business operators say that the assistance provided is only enjoyed by the group leader.



**Figure 9.** Business Actors Perceptions Towards Increased Production Capacity

Research shows that CSR programs have not facilitated business marketing, only a small number are helping to market products through online exhibition and promotion activities. However, the CSR program that has been implemented in Semarang City has been able to increase operating revenues and only a small proportion does not have an impact on increasing business revenues. Meanwhile

related 51.5% of the program activities continue because there is a mentoring and monitoring program from the company.

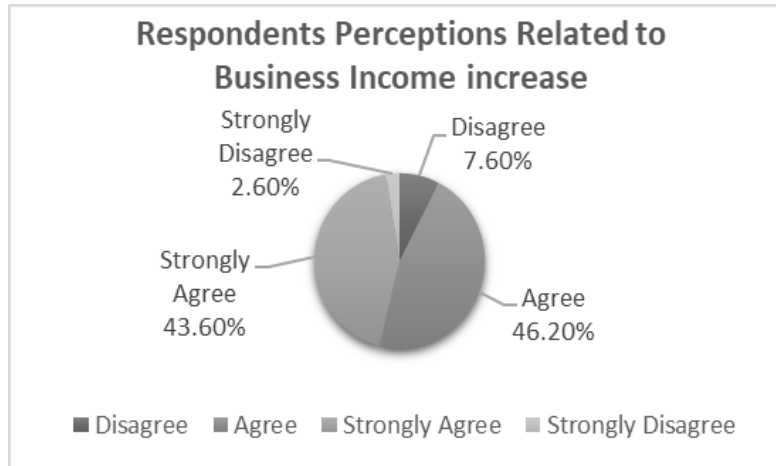


Figure 10. Respondents Perceptions Related to Business Income increase

Based on the results of the calculation of the Community Development Index, it is known that the effectiveness of CSR Program implementation in supporting the productive economy in the City of Semarang is in the good category with an average value of 79.13.

With the highest score on the aspect of suitability of the community's needs and the lowest score on the aspect of community involvement by 73.25 with unfavorable categories like shown in Figure 11.

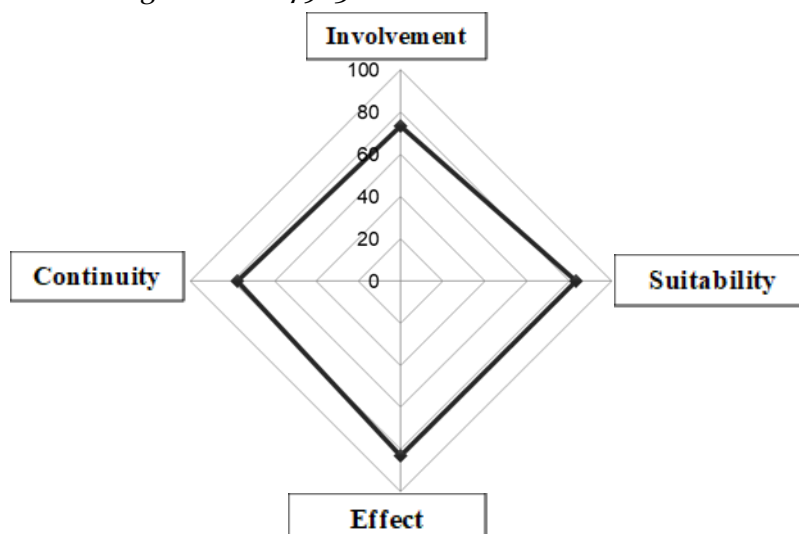


Figure 11. Effectiveness of CSR Programs



CSR programs have indirect implications for the Human Development Index (HDI). This was addressed by Semarang City, which has a positive trend in achieving HDI where 2018 was 82.72 and has now increased to 83.19 (BPS, 2020). This achievement makes Semarang City the best human development region compared to 34 other cities / regencies in Central Java.

## CONCLUSION

The research concludes: first, there are several companies that provide CSR programs to support the productive economy in Semarang City, which is in the ring 1 area of the company; second, the culinary business group receives the most CSR programs; Third, the results of the calculation of the Community Development Index show the effectiveness of the implementation of CSR programs in supporting the productive economy in the city of Semarang in the good category with an average value of 79.13. The highest score on the aspect of suitability of community needs was 83.38 with a good category and the lowest score on the aspect of community involvement was 73.25 with a less good category.

The research recommends: first, it is necessary to improve good coordination between academics as innovators, companies as donors, beneficiary communities and the government as regulators in managing CSR programs through program integration so that activities are useful; secondly, Bappeda should make a map of public needs published so that academic research and CSR programs are right on target and on benefits; third, the assistance of business actors is needed for the process of licensing and product marketing through PT Community Service Program and promotion by the

government both at national and international levels.

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