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**Good Governance in Corporate Social Responsibility (C.S.R.)  
Program at Siak Regency**

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## GOOD GOVERNANCE IN CORPORATE SOCIAL RESPONSIBILITY (C.S.R.) PROGRAM AT SIAK REGENCY

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### Abstract

*The fundamental problem of this research is the lack of transparency and accountability of the Regional Development Planning Agency (BAPPEDA) with P.T.IKPP disseminates the corporate social responsibility (C.S.R.) program to the people of the Siak Regency. This study aimed to determine the implementation of good governance in the corporate social responsibility (C.S.R.) program by the Regional Development Planning Agency (BAPPEDA) in Siak Regency. The research method used in this study uses a qualitative method with a purposive sampling technique. The study results indicated that good governance in the corporate social responsibility (C.S.R.) program is not running optimally due to the incompatibility between implementation in the field and the principles used in good governance, namely participation, transparency, accountability, and the rule of law. This study's conclusion showed the lack of collaboration from BAPPEDA with all stakeholders involved in providing reports on planned programs and even those that have been realized. Accountability and transparency activities were less than optimal in socializing with the people of Siak Regency. This research suggests that P.T. IKPP maximizes its role in providing information to the people of the Siak Regency. BAPPEDA must further increase its duties in supervising the company's implementation of C.S.R. in the community.*

**Keywords:** *Good Governance; Company; Civil Society; Social Responsibility.*



## A. Introduction

The governance development in the regions has now evolved to a more open government, marked by a model of developing cooperation from the local (regional) to international levels. Simultaneously, the community's demands for the quality of public services and the demands for improving welfare are also increasing. Corporate social responsibility (C.S.R.) is a corporate social program to provide assistance and empower communities around the company as a form of social responsibility or compensation for various things lost to the community due to the company's operations. (Retnaningsih, 2015).

In realizing good governance, local governments can cooperate with the private sector in the regions. Before local governments cooperate with the private sector, local governments have rights and obligations. C.S.R. governance has not collaborated between various interrelated parties (Furqoni & Rosyadi, 2019). Corporate Social Responsibility (C.S.R.) is one of the obligations that the company must carry out. C.S.R. has been strictly regulated in Indonesia, namely in Law Number 40 of 2007 concerning Limited Liability Companies (Kusuma & Ginting, 2021). In recent years, many companies have realized the importance of implementing corporate social responsibility (C.S.R.) programs as part of their business strategy (Sudana & Arlindania, 2011).

The collaboration can be in the form of a program run by a company, namely a C.S.R. program run by P.T. Indah Kiat Pulp & Paper, in collaboration with the Siak Regency local government. It is in charge of the program to supervise the implementation of C.S.R. Here, the government that plays a role or participates in the company's C.S.R. program policies, namely BAPPEDA (Regional Development Planning Agency). Where BAPPEDA (Regional Development Planning Agency) supervises the course of C.S.R. program activities carried out by a company or not by applicable regulations. On the other hand, the company also must carry out Corporate Social Responsibility activities (from now on, abbreviated as C.S.R.) as a follow-up to social responsibility to the community. (Makhfudloh et al., 2018).

The concept of C.S.R. in Indonesia has gained legal legitimacy to be implemented by private companies and state-owned enterprises (BUMN). (Disemadi & Prananingtyas, 2020). G.C.G. and C.S.R. are interrelated phenomena; companies must improve compliance with the law and develop policies for implementing C.S.R. activities (Ramdhaningsih, 2013). The idea of C.S.R. emphasizes that corporate responsibility is no longer just looking for profit but also social and environmental responsibility (Marnelly, 2012). Corporate Social Responsibility (C.S.R.) is an idea that makes companies no longer faced with responsibilities based on a single bottom line (Safitri & Rustiana, 2019). The implementation of disclosure of Good Corporate Governance (G.C.G.) and Corporate Social Responsibility (C.S.R.) is one way to increase the value of the company by focusing on the balance of internal and external interests (Worokinasih & Zaini, 2020).

Based on the observations that have been made, the authors determine the interest in researching more deeply about this research, namely: the lack of transparency or openness from the government regarding the information on the implementation of corporate social responsibility programs and in terms of providing annual reports carried out by P.T. Indah Kiat Pulp & Paper Siak Regency. Many people still do not know the program that will be given to the surrounding community. What causes people not to know what precisely the responsibility of P.T. is? Indah Kiat Pulp & Paper in Siak Regency every year. Moreover, the annual report, which is the company's responsibility for the realized program, should be submitted by Bappeda as proof that the company has carried out the C.S.R.

Prominent companies operating in Riau Province are required to implement Corporate Social Responsibility programs to develop villages by Riau Province Regional Regulation Number 6 of 2012 (Fahrial et al., 2019). C.S.R. is an idea based on a triple bottom line; this arises because financial conditions are not sufficient to guarantee the company's value to grow sustainably (Rafid et al., 2019). C.S.R. is a business commitment to operate legally and contribute to improving the quality of life and partnership



responsibilities of employees and their families, the government, local community companies, and the wider community (Nayenggita et al., 2019). Corporate governance is one of the key elements in increasing economic efficiency, which includes a series of relationships between company management, the Board of commissioners, shareholders, and other stakeholders (Asiah et al., 2021).

There is still a lack of socialization provided by the company P.T. Indah Kiat Pulp & Paper and the Tualang District provide information about the program to be implemented in the surrounding community so that only a few people can enjoy and participate. It should be the obligation of the company and the sub-district to carry out socialization properly, namely widely and thoroughly, so that the information is evenly distributed and all feel fair about the program provided by the company.

The implementation of corporate social responsibility is compensation for the adverse impact of business activities on the environment and society (Saputra et al., 2019). Corporate Social Responsibility moderates the relationship between profitability and firm value, and Good Corporate Governance moderates the relationship between profitability and firm value (Mufidah & Purnamasari, 2018). C.S.R. is intended to encourage the business world to be more ethical in carrying out its activities so that it does not hurt society and the environment (Rohmah, 2016).

Recently, the discourse on corporate social responsibility (C.S.R.) has emerged. The discourse arose based on the thought that the existence of a company cannot be separated from its environment (Yuliana et al., 2008). Based on stakeholder theory, C.S.R. disclosure can affect the company's value because companies think about the welfare of stakeholders (Dina et al., 2020). Companies are increasingly paying attention to their social responsibilities (Muhlis & Gultom, 2021). The concept of social sustainability emerged as a continuation of the concepts of economic sustainability and environmental sustainability that had been initiated previously (Anatan, 2009).

The government lacks maximum responsibility in implementing C.S.R. in companies, including its role or main tasks and functions that have not been clearly stated in regional regulations that make the benchmark in implementing C.S.R. It should be clearly stated in the regulations regarding the main tasks and functions of the government, namely the supervision of C.S.R. so that implementation in the area is balanced and the government is clear about its duties in implementing the C.S.R. program.

The purpose of this study is to discuss in depth the application of the concept of good governance in Corporate Social Responsibility (C.S.R.) Program in Siak Regency. The researchers think that so far, the C.S.R. programs carried out by companies tend to be inappropriate, especially in helping people in Siak Regency, where P.T. Indah Kiat is one of the largest paper-producing companies in Indonesia.

This research has a novelty both in terms of the concept of good governance discussed in the C.S.R. study, and the dimensions offered by several experts who developed this concept. The researcher also believes that this research is critical to be studied further because the researcher wants to examine which stakeholder actors alone dominate the role in C.S.R. policies by companies. This research is considered relatively new and is discussed in government science.

Many factors, including the board, influence firm value diversity, corporate social responsibility, good corporate governance, insider ownership, debt policy, dividend policy, investment decisions, funding decisions, profitability, company scale, and company age (Purbopangestu & Subowo, 2014). One of the efforts to achieve the company's goals is to increase Intellectual Capital, Corporate Social Responsibility, and Good Corporate Governance (Agustina et al., 2015). In addition to the company's characteristics, another factor that affects tax avoidance is Corporate Social Responsibility (Wardani & Purwaningrum, 2018).

Environmental responsibility is a form of social involvement or corporate social responsibility in achieving business goals. The emergence of environmental management regulations provides evidence of



government pressure to encourage companies to pay attention to their social environment (Trisnawati, 2014). some factors affect the value of the company, including financial performance, Good Corporate Governance (G.C.G.), and Corporate Social Responsibility (C.S.R.) of a company (Yendrawati & Pratiidina, 2013).

Conceptually, this research will use the concept of good governance. According to (Smith, 2007), there are 10 (ten) good governance agendas, namely accountability, human rights, the rule of law, decentralization of political power, political pluralism, participation, eradication of corruption, transparent, efficient, and economic reform. Of the 10 indicators offered by (Smith, 2007) so the researcher only uses 4 indicators that are most relevant to the research problem, while four indicators include: accountability, the rule of law, participation, and transparency.

## **B. Method**

The method used in this study is qualitative because, empirically, the problems that occur are more appropriate if analyzed from the perspective of qualitative research. According to (Cresswell, 2015), qualitative research means exploring and understanding the meaning of individual and group behavior and describing social or human problems. The research process includes making research questions and procedures that are still tentative, collecting data on participant settings, analyzing data inductively, building partial data into themes, and then providing interpretations of the meaning of the data.

To measure this research, the authors will do this: carried out under natural conditions (as opposed to an experiment), researchers go directly to the data source, and researchers are small instruments. Natural conditions are conditions as they are; researchers do not carry out treatments that can affect the science of the object under study. Qualitative research is more descriptive than other research. The data is in words or image sources, so it does not emphasize numbers. The data collected after being analyzed is then described so that others easily understand it.



## **C. Result and Discussion**

The C.S.R. program is an activity carried out by the private sector. This program aims to assist local governments in developing and prospering the company's community. To see the answers from the informants and key informants in this study will be described as follows:

### **1. Participation**

Participation is the involvement of the community, government, or other sectors in making decisions or policies directly or indirectly through representative institutions that can channel their aspirations. This participation can be seen from the involvement of the government, companies, and the community. With this participation, it is also possible to see the development of the parties participating each year, whether there is an increase or not in the program process being implemented.

Significant participation or involvement between the government, the private sector and the community that forms effective and efficient cooperation can form good governance, often called good governance. Suppose the government and the private sector are always involved in this program. Implementing this program is good because involving other parties can create balanced and non-overlapping governance.

The results of the author's interview with the Head of the Regional Development Planning Agency of Siak Regency stated, "How many times has Bappeda participated in the C.S.R. program created by P.T.?IKPP, but the involvement of Bappeda here is still minimal. Bappeda is involved when submitting a report because Bappeda here functions as monitoring or supervising companies that run the C.S.R. program".

Based on the results of the author's interview with the Head of UMKM said: "Regarding the involvement of the Cooperatives and U.M.K. offices, they are often involved in the S.M.E. program, the involvement of this agency is such as the bazaar program, the role of the cooperative office which conducts surveys such as what facilities and infrastructure are needed, the appointment of targets or objects to be carried out, and



planning. the budget needed in this C.S.R. program is in accordance with the MSME sector itself”.

Then in an interview with the Secretary of the Tualang District. Head said: “The participation or involvement of the sub-district, such as from the company submitting a proposal to the sub-district, this proposal contains program offers the company will carry out in the Tualang area. Then the company informed them to hold a meeting with village interests to provide information about what C.S.R. programs will be implemented and given to the community.”

The author's interview with the C.S.R. Program Executor at P.T. IKPP Tualang said: “P.T. IKPP often involves the community in implementing C.S.R. programs, and community participation such as providing programs that will be carried out by companies such as training programs for farmers, and apprenticeship training programs for unemployed students. All of that is given so the community can feel the C.S.R. program scheduled every year. P.T. IKPP also includes the government, especially the central government. Because here they ask for help from experts in their fields, and they come from the central government”.

From the interview with the informan above, the writer can explain that this indicator is not implemented optimally; the author says this is because several factors cause it, namely starting from participation or involvement from the government; the company does not optimally carry out Bappeda. The company only involves the sub-district more often in the process. This activity has become the responsibility of the Regency because the forum that accommodates C.S.R. is on the side of the Siak Regency, namely Bappeda. However, to involve the community in planning the implementation of the C.S.R. program that will be carried out, the surrounding community has been involved.

While the involvement or participation of the Cooperatives Office may only be a few to be involved. It is more likely if there are activities related to the economic field, such as bazaars carried out by the company, the Cooperatives Office, which assists in providing several objects, or



S.M.E. actors who can participate in the program. The involvement that still raises opinions in the interview results is a problem in governance. It can be said that the participation of the government, private, and community parties is not balanced or overlapped.

With the increased participation from the community, it can be said that the program has been running well and properly. Because the program created is intended for the people who live around the company. Increasing the number of people participating in a company can provide success for the government and the company to gain public trust.

From the explanation above, the author can explain that regarding. The company and the sub-district know whether the number of people participating in the C.S.R. program carried out by P.T. IKPP has increased or decreased. Then the informants also added that community participation increases yearly because this program has been scheduled yearly. So people need the program, and they are competing to follow every program the company implements. The program provided by the company is educational or empowering the surrounding community so that the community feels helped and has been provided with the training provided through the C.S.R. program.

## **2. Transparency**

Transparency is freedom in obtaining information and policies related to the public interest. Transparency here also has a vital role in a program because with this transparency; it can assess how an Agency or organization provides convenience for a group or individual to obtain information.

Such as openness regarding information or policies or reporting issues that are part of an agency. Some government agencies or companies cannot provide actual information to the public, individuals, or groups. Ease of obtaining information is essential for stakeholders or the community as long as the information is not confidential and is detrimental to several parties. Ease of access can be in the form of coming



to the agency directly or from several social media or the official website of the agency concerned. Thus, in carrying out a C.S.R. program in the Siak district, the company must provide space for the public to access information or reports openly.

Based on the results of the interview with the Head of Bappeda, Siak Regency said, "For Bappeda to access information about C.S.R. programs carried out by the Indah Tips company, it can't be done because the company does not have access or its own site that specifically deals with C.S.R. matters. The Bappeda also plans to create a site that is easily accessible to people who want to get clear information about Siak Regency C.S.R.". Then, the interview with the Head of MSMEs in Siak Regency said that: "easy access to information is still difficult, if you want to access or obtain information about C.S.R., you must directly ask the company, either via telephone, or submit a proposal."

The interview with the Secretary of the Tualang District Head also added: "Regarding access to C.S.R. information, such as a website, there is currently no information available, only all the information that we want to get about programs that are already running and for the future has been exposed to the Musreimbang forum. But for the community around the company, it may be straightforward to access information compared to ordinary people who do not know anything about the C.S.R. program."

The results of the author's interview with the Deputy in Implementing C.S.R. of PT. IKPP said, "for easy access, there is no access to information about C.S.R. programs online. However, manual access can be reached from the musreimbang forum". While the results of the author's interview with the community around the company, namely Sudartono said, "It is difficult to obtain C.S.R. programs that will be implemented or planned, but information about programs that are already running can be obtained through online searching."

From the results of interviews with all of the informants above, the authors can describe that easy access to online corporate C.S.R. information is unavailable because the Regency does not yet have its



website or content that explicitly provides news about companies' C.S.R. activities in Siak Regency. However, to obtain information about C.S.R. programs offline, you can search through the *musrembang* forum in the sub-district or ask the company directly. However, in this case, people who are thirsty for information or who are more brilliant at finding information can get information about the program to be implemented first, compared to people who do not understand the responsibilities of the surrounding companies.

The existence of an open report made by the company to the government regarding the planned program and the program running or realized is evidence to the government that the company is assisting the government in development carried out in an area.

The government cannot always carry out development activities with government funds, so the company helps development with the budget funds. In an interview with the Head of Research and Development of the Siak Regency, Bappeda said: "Every year the private sector always provides reports on programs that will be implemented and reports on programs that have been well realized, but sometimes the private sector is slow to provide reports so that it gets a warning from the regent."

Then in an interview with the Secretary of the Tualang District Head, the author, obtained information that: "Regarding whether the private sector makes a report to the sub-district, there is, but the report was carried out by holding a meeting with members of the C.S.R. implementer and the *penghulu* and other stakeholders in the village. The program planned carried out at the beginning last year, the implementation and finally a report on the program has been realized at the end of the year".

From the interview results with existing informants, it can be described that the company provides reports on implemented programs that have not been said to be going well due to negligence on the part of the company. However, this difference of opinion occurs because the company in providing reports, whether it is a report on the program to be



implemented or the program that has been realized, has been given to the government.

The informants also considered that they had given reports at the meeting at the Musrembang forum with village interests. However, for the author, the report should be submitted at the end of the year, but many negligent companies not submitted the report until the end of the year.

### **3. Accountability**

Accountability means that every activity and the final result of state administration activities must be accountable to the community or the people as the holder of the highest sovereignty of the state by the provisions of the applicable laws and regulations.

Accountability here also plays a vital role because, with accountability, an agency or the private sector can be held accountable for all policies they have implemented. It needs to be considered in its implementation, lest the program's implementation fails just because it is not by the implementation mechanism and does not pay attention to what is needed from the community.

Based on interviews conducted by the author with the Head of Bappeda, Siak Regency, said, "The implementation of the program carried out by the company is currently in accordance with what is needed or needed by the surrounding community and is in accordance with the established implementation mechanism."

Based on the results of interviews conducted by the author to the Secretary of the Tualang District Head said that: "the responsibility carried out by the company is by the implementation procedures Moreover, the programs provided are by the potential possessed by the surrounding community".

Based on the results of interviews with Mr. C.S.R., Program Executor P.T. IKPP said: "The company always pays attention to the conditions and potentials of the community. So that what is given does not deviate from what is needed. The company also always pays attention to the process of implementing the program."

Based on the results of interviews with the community, Mr. Sudartono said: "The program created by the company together with the government is always there every year. However, some that produce facilities/ facilities are paid less attention from the point of view of what is needed community".

From the results of the author's interview with the Head of Bappeda of Siak Regency, the Secretary of the District Head of Tualang District, Mr. Deputy of CSR PT. IKPP and Mr. from the community representatives above, the author can analyze that there are still differences of opinion. Opinions from Bappeda, Kecamatan and PT. IKPP has the same opinion, but the community's opinion is very different from before. The Bappeda, Secretariat, and C.S.R. Implementers said that the implementation of C.S.R. programs provided to the community was by the implementation mechanism and had taken into account the community's point of view. Like the company, it also pays attention to the conditions and potential of the surrounding community so that the programs provided are appropriate and do not deviate from what is being done.

With the implementation of this program on an ongoing basis by always providing programs to the community and the government every year is proof that the company can be responsible to the community around the company. This needs to be done so that the company can grow the trust of the surrounding community company. Moreover, help the area develop with the help of cooperation from the private sector.

Based on the author's interviews and observations with the Head of the Bappeda Division, he said that: "the company every year always implements a C.S.R. program for the area where he lives." Based on interviews and observations of the author, Mr. Secretary of the Tualang District Head said: "every year the C.S.R. program created by PT. IKPP runs every year."

Based on interviews and observations of the author with Mr. They are implementing CSR PT. IKPP said, "the company always provides



what programs will be implemented. The program is carried out on an ongoing basis and is held annually. So this program has been scheduled.”

Based on the author's interview results with the Head of Bappeda of Siak Regency, Mr. Kasi UMKM, Mr. C.S.R. Executor of PT. IKPP, Mr. Secretary of the Tualang District, and Community Leaders, the author can analyze that the company's responsibility in providing C.S.R. programs has been going well because the program has been held annually by the initial planning carried out by PT. IKPP. The C.S.R. program has been postponed every year. So it is impossible if the company does not implement the program because providing the C.S.R. program has become an obligation of the company, even though there is no fixed stipulation regarding the distribution of the company's C.S.R. funds. Because what is needed here is direct commitment and awareness from the company.

#### **4. Rules of Law**

The rule of law is a legal legalism that contains the idea that justice can be served by creating an objective, impartial, impersonal, and autonomous system of rules and procedures. Therefore, the rule of law is fundamental in government because it can regulate a government agency, policy, or program by the private and private sectors.

A program made by the government or the private sector must have a clear legal basis. So that the program can run well and its implementation is by the regulations. Based on the results In interviews conducted by the Head of Bappeda, Siak Regency said that: “the rules governing this C.S.R. program do exist. Both from Government Regulations, Regent Regulations, and the Siak Regency Regional Regulation itself.”

Then based on an interview conducted with the Office of Cooperatives & UMKM said that: "rules that regulate issues regarding C.S.R. programs have also been regulated with clear regulations, such as having the Siak Regency Regional Regulation." Based on the results of the

interview with the Secretary of the Siak Sub-district Head said: "for the C.S.R. program created by the company in collaboration with the government, it already has clear rules, especially in the Regent's Regulation and the Siak Regency Regional Regulation."

Based on the results of the interview, the author and Mr. Deputy of CSR PT.IKPP said, "in implementing this program, previously the company had fully understood the clear rules governing this C.S.R. program. Because this program is carried out with the Siak Regency government by agreement." Based on the results of interviews and observations of the author with community leaders, Mr. Sudartono said that: "regarding the regulations governing this C.S.R. program, I don't know clearly."

The results of the analysis obtained by the author through interviews with the Head of Bappeda of Siak Regency, Mr. Cooperatives and UMKM Service, Mr. Secretary of the Tualang Sub-district, and Mr. Deputy of C.S.R. Implementation of PT. IKPP and community leaders can be analyzed. Thus each informant knows clearly about the regulations that apply and regulate the company's C.S.R., except for the community. Because the people who were interviewed did not know for sure the regulations that governed it. C.S.R. obligations are contained in several regulations starting from Law Number 40 of 2007 concerning Limited Liability Companies (P.T.), Government Regulation Number 47 of 2012 concerning Social & Environmental Responsibility of Limited Liability Companies (P.T.), and Siak Regency Regional Regulation Number 1 2013 concerning Corporate Social & Environmental Responsibility. However, the C.S.R. regulation does not state the distribution percentage in the implementation of C.S.R. given to the regions.

The existence of sanctions given by the government to the company is significant because it determines whether the regulation is running correctly. Moreover, determine whether the government is firm with the private sector. Based on interviews and observations, the author and the Head of Bappeda Siak Regency said: "In the Regent's Regulations



and Regional Regulations, strict sanctions have been set. However, if a company does not implement C.S.R. to the community, the government has never given the appropriate sanctions.”

From the results of the author's interview above, it can be concluded that there is still a lack of understanding of the legal basis and its application. So that there is still overlapping, such as the government being less strict in determining and imposing sanctions on companies that do not carry out the C.S.R. program. Firmness should be needed regarding C.S.R. that is not implemented so that companies in Siak Regency are disciplined and continue to provide C.S.R. to the community consistently. Because previously, they had received relief from an undefined determination regarding the distribution of C.S.R. to the area.

The author expressly provides a research argument based on observations of the research. To implement C.S.R. programs in Siak Regency, it is not enough to use the concept of good governance but also must be combined with the concept of collaborative governance because there are far more actors involved, namely the existence of government actors. The private sector, the community, the academic world, and N.G.O.s observing the company are certainly in line with what is conveyed (Ansell, Chris & Gash, 2007).

#### **D. Conclusion**

The author expressly provides a research argument based on observations and observations of research in the field that to implement C.S.R. programs in Siak Regency; it is not enough just to use the concept of good governance but also must be combined with the concept of Collaborative governance because there are far more actors involved, namely the existence of government actors. The private sector, the community, the academic world, and N.G.O.s observing the company align with what is conveyed.



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