

Reviewing the Performance Of Local Governments In Managing Corporate Social Responsibility Program

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ABSTRACT

Regional governments are obliged to provide welfare for their people, either through the original regional budget, the central transfer budget, or the CSR budget of companies in their area. In Kolaka Regency, there are many mining companies. It is the company's obligation to contribute to the community through CSR funds, and the party most authorized to deal with these problems is the local government, whose funds can then be channeled to the community through community programs. This research was conducted to review how the local government of Kolaka district can collect CSR funds from companies and distribute them to the community through regional development programs, such as health, education, social, religious programs, environmental assistance and so on. This research is qualitative, case study research, and survey method. The data analysis technique used was descriptive based on SWOT analysis. The object of research is the local government of Kolaka, with correspondents consisting of local government employees, community leaders, and communities around the mine. The results of the study indicate that the local government of Kolaka is in a weak position towards the utilization of CSR opportunities. Although local governments have the power in the form of regulations to be able to demand CSR funds from companies, the fact is that the relevant agencies have not been able to collect as much CSR funds as possible to be channeled to the community in development and community welfare programs.

Keywords: Strategy Analysis, Local Government, CSR Fund, Mining Company

INTRODUCTION

The mining industry in Indonesia has increased in terms of quantity, especially for nickel mining. Indonesia's natural nickel wealth is so large, that this country is ranked in the top ranks as one of the largest suppliers of nickel ore in the world (Sosilawati, et al., 2016).

The existence of mining companies in an area has the potential to change the environment of the surrounding community. These changes can have a positive or negative impact on the surrounding community, both from the aspect of natural physical

conditions as well as social and cultural conditions. Currently the population is more aware of the impact that occurs on the environment (Muttakin & Khan, 2018). Various social impacts caused by the establishment of a company in an area force the company to take part and play an active role in protecting the environment in carrying out its activities (Badaruddin, 2018; Pradita & Suryono, 2019). Garcia-Chiang (2018) in his research in Mexico on social responsibility states that it is necessary to develop appropriate approach and assessment methodologies for implementing corporate social responsibility measures in each region to stimulate local development.

Corporate Social Responsibility (CSR) is one of the obligations that must be carried out by the company. CSR has been strictly regulated in Indonesia, namely in Law Number 40 of 2007 concerning Limited Liability Companies; Law Number 25 of 2007 concerning Investment, and Regulation of the Minister of State for State-Owned Enterprises Number Per-5/MBU/2007 concerning SOE Partnership Program with Small Business and Community Development Program. Especially for state-owned companies; Law Number 4 of 2009 which is known as the Minerba Law as stipulated in Article 108 paragraph (1) by using the term Community Development and Empowerment Program; Law Number 13 of 2011 in Article 36 paragraphs (1) and (2) which contains funds set aside by companies for handling the poor; Government Regulation Number 23 of 2010 in Chapter XII concerning Implementation of Community Development and Empowerment and Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility required by limited liability companies.

Corporate Social Responsibility means that a corporation must be responsible for its actions that have an impact on society, community and the environment (Lawrence & Weber, 2018). CSR is actually the company's responsibility for the impacts, both positive and negative impacts (Widiastuti, et al., 2018). CSR is a business commitment to act ethically, operate legally and contribute to improving the quality of life of employees and their families, local communities, and the wider community. The CSR concept involves an active and dynamic partnership between the government, companies, and local communities (Nurbaiti & Bambang, (2017)

To avoid the negative impacts caused by mining activities, it is necessary to carry out CSR activities (Tilt, 2016; Torrico, et, al., 2018) which is the company's obligation

to improve environmental conditions that have been exploited, including vaguely to increase the influence of the company's branding in the eyes of the public (Mallik & Sahu, 2019; MirasRodríguez, Met, al., 2020). In fact, many of the Corporate Social Responsibility (CSR) practices in Indonesia are still in the clarity stage which are only assistance to the community. Most companies still carry out CSR not only as social responsibility but also as a commercial advantage for the company (Nayenggita, et, al., 2019)

Kolaka Regency is one of the regencies in Sulawesi Province Southeast Asia which has abundant natural resources for the welfare of its people from the mining sector. The Kolaka Regency Energy and Mineral Resources Office (2014) noted that the potential distribution of Nickel mines has an area of 44,062 Ha, Onix an area of 635.7 Ha, Marble covering an area of 30,010 Ha, Quartz Sand covering an area of 53,040 Ha, and Sabak Stone covering an area of 130,313.6 Ha. The enormous potential for nickel mining in this area has attracted the interest of many local and foreign businessmen to exploit both officially and illegally.

On another aspect, the company's not yet optimal in carrying out CSR activities is one of the reasons the government issues a regional regulation. There are several indicators that can be used as a measure of the seriousness of the company in carrying out CSR activities. Among them, *First*, not all companies have a Standard Operating Procedure (SOP) regarding CSR. *Second*, not all companies have a special department or division that handles CSR, because so far CSR activities are still carried out by the Public Relations (Humas) or *Human Resources Development* (HRD) division. *Third*, the company does not focus on preparing Human Resources (HR) who have the capacity to manage CSR (Yulina & Sobandi, 2020).

THEORY

In principle, social responsibility is a contribution, what does it mean? That every activity carried out by an agency or organization, should be cohesive. Where the profits obtained are distributed proportionally and professionally to the entitled parties, including the community. This confirms that every action is not only concerned with the parties directly involved, but the outermost, even the farthest, must be considered

(Fahrial, et al., 2019). Of course, in the business context this is known as *Corporate Social Responsibility* or CSR for short.

Recently the term CSR has echoed in various large institutions, this is in line with the world financial institution program, which stipulates CSR as part of good organizational governance (*good governance*). Echoing CSR, in principle, reminding the role of economically capable parties for their work as social beings, so a little of the profits obtained can be used for the welfare of the community (Pramukti & Buana, 2019). Regardless, in a business context it is seen as an expense.

In addition, CSR is perceived as part of an organization's strategy in dealing with economic conditions. What does it mean? The fact is that companies need the role of the community in building their existence, in the context of CSR it is a positive image. With the rapid access to information, this has become a business advantage, so there is no "no" reason for an institution to increase CSR activities as part of strengthening its brand or image (Rosilawati & Mulawarman, 2019; Zuraidah, 2019).

In social studies CSR is seen as a form of organizational concern, whose contribution is to affect people's emotions, and with that the organization gets a good assessment (Nayenggita, et al., 2019; Rinawati & Sadewo, 2019). In the context of government, this becomes a political force, that CSR is part of a strategy to maintain power, why is that? Because the community gets direct benefits from government work, namely through CSR programs, of course this is directly the basis for community assessment of government performance. That the presence of CSR is the truth of the implementation that is needed by the community, rather than other exclusive programs, which is not really felt.

In one study, it was stated that power is not seen as real but partisanship with the community, and this can be done through social activity programs (eg CSR). Furthermore, if necessary, the government makes a concrete policy on all potentials that can be accommodated related to social responsibility activities from various parties, so as to reach the community broadly and sustainably (Hakim, et al., 2019; Gumuru, 2018).

METHOD

This study uses descriptive analysis with the type of case study research in the Local Government of Kolaka Regency. The form of the research design is a single setting case study. The subjects of this study were the Assistant I of the Local Government of Kolaka Regency, Balitbang, BPKAD, the Department of Tourism, the Department of Education and Culture, community leaders and local communities living close to the mining site. Determination of research subjects was carried out using purposive sampling and snowball sampling.

RESULTS

The results of the SWOT analysis show that the strategy of the Local Government of Kolaka Regency in managing the CSR program is in a condition that has not been able to take advantage of opportunities optimally and is very weak in overcoming problems or obstacles faced. This result is supported by the results of an in-depth interview with the Secretary of the Kolaka Regency BPKAD, who stated "That so far the Kolaka Regency Government has only received reports from companies related to the implementation of the CSR Program and the amount of the budget for each CSR program was not known beforehand".

Specifically, what is meant by "not being able to take advantage of opportunities optimally" are:

1. There is no special unit that handles CSR programs, so the implementation is less professional. This has an impact on many things, including lack of planning, lack of orientation, lack of operational and technical guidelines, lack of facilities, and lack of support.
2. It has not been able to maximize the potential for the absorption of CSR budget, both internally and externally, so that the CSR program has not had a broad impact.
3. The implementation of CSR programs cannot be done collaboratively with related parties, so the scale is not large.
4. The CSR program has only been implemented, has not been structured and oriented, so that the impact has not been significantly felt by the community.

Meanwhile, what is meant by "weak in overcoming the problems or obstacles encountered" are:

1. The performance of the unit appointed as the implementer is less than optimal, psychologically gives the impression of being less motivated in carrying out CSR programs. So that when there are obstacles in the field (during program implementation) they have not been handled professionally.
2. Lack of support from the leadership, this makes the CSR program perceived as an important activity as long as it is carried out.

The researcher also found a similar phenomenon from the results of interviews with the Secretary of the Kolaka District Education Office related to the CSR Program in the form of scholarship assistance, which stated that "the Kolaka District Education Office only received reports on the implementation of the CSR Program and was not given the authority to determine scholarship recipients.

The results of the interview can be said that the involvement of the Local Government of Kolaka Regency in the management of the CSR program is still relatively low and it can be seen from the weakness factor instrument of the Internal matrix which shows the highest score weight among other instruments in the internal matrix.

Adrianus states that the CSR Program includes four main foundations which are interrelated with one another (Hakim, et, al., 2019), including:

1. The basic foundations of CSR in economic activity include: good financial performance, healthy capital investment, compliance with tax payments, no bribery/corruption practices, no conflict of interest, not in support of a corrupt regime, respect for intellectual property rights/patents , and do not make political contributions/lobbying,
2. The basic foundations of CSR in environmental issues, include: not polluting, not contributing to climate change, not contributing to waste, not wasting water, not practicing energy wasting, not taking plunder land, do not contribute to noise, and maintain biodiversity
3. The main foundations of CSR in social issues, include: ensuring the health of employees or affected communities, not employing children, having a positive impact on society, protecting consumers, upholding diversity, maintaining privacy , do charity practice accordingly i with needs, being responsible for *outsourcing* and *off-shoring*, and access to certain goods at reasonable prices

4. The main foundations of CSR in welfare issues include: providing compensation to employees, utilizing subsidies and facilities provided by the government, maintaining health employees, maintaining safe working conditions, maintaining occupational safety and health, and maintaining work/life balance.

In the context of implementing CSR, *stakeholders* must be embraced and involved in the planning, implementation and evaluation stages. Even if *stakeholders* are not involved in the planning process, at least they will get a contribution in the form of a positive impact from the program being implemented. If there is one *stakeholder* who does not get benefits or satisfaction from the company, then it has the potential to become a problem for the company's sustainability in the future.

CONCLUSION

The Kolaka Regency Government's strategy in managing CSR programs is in a condition that has not been able to take advantage of opportunities optimally and is very weak in overcoming problems or obstacles faced. Strengths, weaknesses, opportunities and threats faced by the Local Government of Kolaka Regency in implementing CSR management strategies in Kolaka Regency are: (Strengths), Available Regulations, Available HR, Political will of local governments, (Weaknesses), Lack of local government involvement and CSR implementation, Report on the Use of CSR Funds is administrative in nature, CSR Funds are managed by the company, (Opportunities), The number of mining companies is quite large, natural resources (nickel) are abundant, as a source of financing for development programs, (threats), Weak coordination between companies and local governments, centralized management of CSR funds and low synchronization of CSR programs with local government development programs.

The implementation of the CSR Program carried out by the Regional Government together with the Company towards the Kolaka Regency Community is still not optimal, this is evidenced by the impact of the CSR Program on the Community Welfare of the Kolaka Regency community which is only felt by the people who live around the Company.

1. Coordination between the Company and the Regional Government related to the implementation of the CSR Program will be further improved in the future

2. Synchronization between the CSR Program and the Kolaka Regency Local Government Program should be paid more attention so that the CSR Program that will be implemented is in line with the Regional Government Program

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