The Role of Academics in Corporate Social Responsibility to Increase Business Capacity of Micro Small and Medium Enterprises

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ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) in Indonesia has a significant role in national economic development. In addition to supporting the economic growth and providing job opportunities, MSMEs also take a role in distributing development results. Based on Statistics Indonesia (BPS) in 2016, from a total of 59,693,791 business units in Indonesia, 99.89 percent is MSMEs and its contribution to Indonesia’s Gross Domestic Product (GDP) reached 62.5 percent, workforce absorption up to 95 percent and its contribution to exports non-oil and gas up to 16.45 percent. However nowadays, MSMEs has to face some problems. One of which is related to capital and business development. The capital and business development issues can be solved through Corporate Social Responsibility (CSR) program. Yet, CSR requires a suitable strategy for a successful and effective implementation. This research is analytical descriptive using normative juridical approach. The results showed that the implementation of CSR could not be felt optimally in order to develop MSMEs. The concept of CSR implementation by the collaboration of stakeholders is expected to provide a solution so that CSR can be implemented appropriately and effectively. One of the stakeholders in CSR is the academics, where CSR in a broad sense can also be a Community Service Program in Universities.

Keywords: business capacity, collaboration, community service, CSR, MSMEs

A. INTRODUCTION

The Indonesian economy as regulated under Article 33 of the 1945 Constitution of the Republic of Indonesia (the 1945 Constitution) is based on economic democracy. This means that both the economic system, the objectives to be achieved, economic development, policies and programs must all be based on economic democracy. Economic activities are carried out by all, for all, and under the leadership of the ownership of members in the community by prioritizing the prosperity of the public.

Government policies in economic development in accordance with the 1945 Constitution must be directed towards the realization of economic democracy, where the community must play an active role in these development activities. The characteristics of economic democracy are the compilation of the economy as a joint effort based on the principle of kinship. The economy is structured and developed as a joint effort of all people in a sustainable manner based on the principles of justice, efficiency, and economic democracy to realize prosperity, welfare, and social justice for all people.¹

Economic development in Indonesia in its implementation must pay attention to the principle of sustainable development. The concept of sustainable development requires a harmonious relationship between the government, the business world, and the community (stakeholders). In carrying out its activities, both companies, communities, and universities or in this case academics must participate in carrying out the national economic development agenda that is in line with the goals of the Indonesian people, namely to improve public welfare, educate the life of the people and to participate toward the establishment of a world order based on freedom, perpetual peace, and social justice.

In the framework of sustainable development, one of the implementations is by regulating Corporate Social Responsibility (CSR). Companies are required to take part in promoting public welfare as the agenda of running the development of the national economy and also required to carry out the principles of sustainable development. Corporate Social Responsibility is regulated under Law No. 40 of 2007 concerning Limited Liability Companies (Company Law). Based on Article 1 Paragraph 3 of the Company Law, social and environmental responsibility means a Company’s commitment to participate in sustainable economic development in order to enhance the quality of life and the environment that benefits the Company itself, the local community, as well as society at large.

CSR is a voluntary action that business can take over and above compliance with minimum requirements. The essence of CSR is to run beyond compliance with law, where companies that want to be sustainable, must pay attention to the 3P aspects of profit, people, and the planet. Companies in running their business must pursue profit (profit), the company must also pay attention and be involved in the fulfillment of the welfare of the people (people), and also contribute actively in preserving the environment (planet).

CSR is a responsibility that can be divided into four interrelated aspects namely, economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility. Many interpretations states that CSR are forms of mere social contribution. The word social is often interpreted as generosity. Even though CSR is related to sustainability and acceptability, it means being accepted and continuing to do business in a place, and you want your business to be sustainable in the long term.

CSR in its implementation is not only regulated or sourced under Article 74 of Company Law (in the narrow sense), but also originates from the business ethics of private companies, State-Owned Enterprises (SOEs) programs such as Community Development and Regional Development and Community Service Programs in universities (in a broad sense). In the implementation there was an attribute shift which was originally only a moral obligation to a legal obligation.

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Universities, in this case academics, have a very strategic role. Higher education as a center of scientific activity is required to play a positive active role in solving problems that are developing and faced by the community by producing knowledge that can either be directly used or as a bridge to solve the problem, in the sense of finding a problem.

Academics as an important element in higher education must be the main initiator in solving various problems that exist in society. In implementing its role, academics are guided by the Tri Dharma of Education, namely education, research, and service. Academics must be able to produce students who have strong personalities, superior abilities, intelligent, and creative so they can compete with other nations in dealing with problems from local to global. Academics must also be able to find a theory or concept to solve the problems that exist in society. And last but not least, academics must be able to play a direct role in solving problems in society, one of which can be through the Community Service program.

Article 20 of Law No. 20 of 2003 concerning the National Education System (National Education System Law) states that universities are obliged to carry out research and community service in addition to carrying out education. In line with that, in Article 45 of Law No. 12 of 2012 concerning Higher Education (Higher Education Law) also stated that community service is an activity of the academic community in practicing and cultivating science and technology in order to realize public welfare and educate the nation.

CSR programs can support sustainable development by implementing their programs for community empowerment both in the economic, social and environmental fields. Community empowerment can be carried out one of them to Micro, Small and Medium Enterprises (MSMEs). The role of MSMEs in sustainable economic development is enormous. In addition, the empowerment of MSMEs as an effort to reduce gaps in order to realize the improvement of people’s welfare were done through economic development and with the active participation of the community so that its benefits can be felt by the community at large.6

Nowadays, MSMEs has several problems, one of which is related to capital problems and to increase business capacity. The CSR program is a tool that can be used to be a solution to the problems faced by MSMEs. A systemic, comprehensive and accurate effort or concept is needed from various stakeholders in implementing CSR to develop the MSMEs so that it can run well and effectively.7

Based on the description above, several problems were formulated, including: First, how does the juridical study of the implementation of CSR based on positive law in Indonesia. Second, how does

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the role of MSMEs in developing the economy in Indonesia. Third, how does the role of academics in implementing CSR programs based on the Higher Education Law.

B. RESEARCH METHOD

The research method used in this article is the normative juridical approach method, which is a legal research method that prioritizes how to examine library materials or what is called secondary data material in the form of positive law in this case governing CSR, MSMEs, and Higher Education. The normative juridical approach method used in this study includes research on the principles of law, systematics of law, and synchronization of law. This research is analytical descriptive, which describes the facts of the data obtained based on the reality in this case the activities related to CSR, MSMEs, and universities in Indonesia. These facts are then analyzed with applicable law and conclusions drawn.

C. RESULT AND ANALYSIS

1. Juridical Research of the Implementation of CSR Based on Positive Law in Indonesia

CSR is a company’s decision to provide virtue values for the community, which means that CSR is a business obligation that every activity must be based on the aims and values of society. In its implementation CSR must refer to someone’s obligation to consider the impact of decisions and actions on the social system as a whole.

The concept of CSR was first introduced in 1953 by Howard R. Bowen with the publication of “Social Responsibility of the Businessmen”. The basic idea of CSR is about the company’s obligations to run its business in line with the values of the objectives to be achieved by the community where the company operates. Corporate Social Responsibility is a corporate social program to provide assistance and empower communities around the company as a form of social responsibility or compensation for things that are lost from the community due to the company’s operations.

According to the International Organization for Standardization in ISO 26000 Guidance Standards on Social Responsibility, CSR is the responsibility of an organization for the impact of decisions that are realized in the form of transparent and ethical behavior that is in line with sustainable development and community welfare. The responsibility must consider stakeholder expectations, in line

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with established laws and international behavioral norms, and be integrated with the organization as a whole. ISO 26000 does not use the term CSR but uses the term Social Responsibility, which means that CSR is not only for corporations but for all forms of organization, both private and public.\textsuperscript{12}

The concept of CSR has evolved from a philanthropic basis to a more productive direction through Community Development which in essence, CSR activities that were previously thick with social voluntary patterns shifted towards patterns of community empowerment.\textsuperscript{13} Carrying out social responsibility is normatively a moral obligation for every type of company.

In Indonesia, CSR has become an obligation for every company. The government has issued several regulations related to CSR, including Law No. 40 of 2007 concerning Limited Liability Companies (Company Law), Government Regulation No. 47 of 2012 concerning Limited Corporate Social and Environmental Responsibility (Government Regulation Limited Corporate Social and Environmental Responsibility), Law No. 25 of 2007 concerning Investment (the Investment Law), Law No. 22 of 2001 concerning Oil and Gas (Law on Oil and Gas), Law No. 19 of 2003 concerning State Owned Enterprises (SOEs Law), Regulation of Minister of SOEs No. PER-02/MBU/7/2017 concerning the Second Amendment to the Regulation of the Minister of State-Owned Enterprises No. PER-09/MBU/07/2015 concerning the State Owned Enterprises Partnership Program and the Community Development Program (Regulation of the Minister of SOEs Partnership Program and the Community Development Program), Law No. 20 of 2003 concerning the National Education System (Law on the National Education System), and Law No. 12 of 2012 concerning Higher Education (Higher Education Law).

In Article 1 Number 3 of Law No. 40 of 2007 Limited Liability Companies mentioned that:

“Social and Environmental Responsibility means the commitment from Company to participate in the sustainable economic development, in order to increase the quality of life and environment, which will be valuable for the Company itself, the local community, and the society in general.”

Furthermore, Article 74 Paragraph (1) of the Limited Liability Company Law states that a company that carries on business activities in the fields and / or related to natural resources is required to carry out social and environmental responsibilities.

The definition of CSR contained in Article 74 of the Company Law basically regulates the following matters:

1. CSR is mandatory for companies that carry out their business activities in the fields and / or related to natural resources. What is meant by “companies that carry out their business activities in the field of natural resources”, are companies whose business activities are to manage and utilize natural resources. Whereas what is meant by “a company that runs its business activities


related to natural resources” is a company that does not manage and does not utilize natural resources, but its business activities have an impact on the function of natural resources;

2. This CSR is a corporate obligation that is budgeted and calculated as a company expense whose implementation is carried out with due regard to propriety and fairness;

3. Regarding sanctions, it is said that companies which do not carry out CSR obligations will be subject to sanctions in accordance with the provisions of the relevant laws and regulations.

Referring to the two important Articles in the Company Law above, the Limited Liability Company can no longer play with social and environmental responsibilities. The Article also explained that companies which did not carry out these obligations could be subject to sanctions in accordance with regulations. This article as a whole explains that social and environmental responsibility is a legal obligation that must be obeyed by the company. CSR is also regulated in the provisions of the Investment Law. Companies must pay attention to the community and the environment in which they operate, this is regulated in Article 15, Article 17, and Article 34 of the Investment Law in which regulates the obligation for companies to carry out CSR programs.

In addition, CSR has also been regulated in the SOEs Law which is further regulated more specifically in the Minister of SOE Regulation of the Partnership Program and Community Development Program for State-Owned Enterprises. There are two forms of CSR carried out by SOEs, namely the partnership program to improve the ability of small businesses to become resilient and independent and the community development program which is a program to empower the social conditions of the community.

Universities are also obliged to carry out CSR in this case which is called community service. Article 20 of the National Education System Law states that universities are obliged to carry out research and community service in addition to carrying out education. In line with that, Article 45 of the Law on Higher Education also states that community service is an activity of the academic community in practicing and civilizing science and technology in order to realize public welfare and educate the nation.

2. The Role of MSMEs in Developing the Economy in Indonesia

One of the goals of the Indonesian people is in accordance with the mandate of the Preamble of the 1945 Constitution, which is for the state to advance general welfare for all Indonesian people. The aim of advancing public welfare as a mandate is the Preamble of the 1945 Constitution, formulated in Chapter XIV of the National Economy and Social Welfare. This chapter includes two articles namely Article 33 which regulates the national economy and Article 34 relating to social welfare. The term general welfare has a broad understanding, including social welfare and material welfare (economic welfare). Another term that is almost identical (synonym) with general welfare is the term people’s welfare.
National economic development must be sustainable based on economic democracy.14 The state in the context of creating public welfare has an obligation to move the people’s economy. It does not only involve large businesses but also involves MSMEs. For the Indonesian nation based on Pancasila, moving the economy is to achieve the goal of prosperity stated in the fifth principle of Pancasila namely, “Social Justice for all the people of Indonesia”.

In line with this, it is further regulated regarding community involvement in developing the economy in MPR RI Decree No. XVI/MPR-RI1998 concerning Economic Politics in the context of Economic Democracy, which explains that MSMEs need to be empowered as an integral part of the people’s economy that has a position, role and strategic potential to realize a more balanced, developing and equitable national economic structure. MSMEs Empowerment is a self-sufficient concept which was adapted as the concept of economic independence. Therefore, with such an important role of MSMEs, the government must be able to pay attention so that MSMEs can obtain assurance of business certainty and justice.

MSMEs is a productive business unit that stands alone, which is carried out by individuals or business entities in all economic sectors.15 In principle, the distinction between MSMEs and Large Enterprises are generally based on the value of the initial assets, the average turnover per year or the number of permanent workers. However, the definition of MSMEs based on these three measuring devices is different in each country. Therefore, it is indeed difficult to compare the importance or role of MSMEs between countries. There is no general agreement in distinguishing a Microeconomy from a Small Business or Small Business from a Medium Business, and finally from a Large Business. However, in general, a Micro Enterprise does five or less permanent workers, although many businesses of this category do not employ salaried workers, which in literature is often called self employment.

MSMEs are identical with groups of entrepreneurs whose classification of capital, assets, or profits is quite low.16 Efforts to empower MSMEs have been carried out by issuing a legal umbrella in the form of Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs Law) which was then followed by the issuance of Government Regulation No. 17 of 2013 concerning the Implementation of Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises. The purpose of empowering MSMEs based on Article 5 of the MSMEs Law is to create a balanced, developing and equitable national economic structure. In addition, the aim of empowering MSMEs is also to grow and develop MSMEs capabilities into a strong and independent business and the latter aims to enhance the role of MSMEs in regional development, create jobs, income distribution, economic growth and alleviate people from poverty.

MSMEs is a business activity that can expand employment opportunities and provide broad economic services to the community, and can play a role in the process of equity and increase community income, encourage economic growth, and also in realizing national stability. In addition, MSMEs is one of the main pillars of the national economy that must obtain the main opportunities, support, protection, and broadest development as a form of firm alignment to the people’s economic business groups, without ignoring the role of large businesses and SOEs.

The MSMEs industry is one of the economic pillars that drives the wheels of the economy in Indonesia. The MSMEs Law has a significant role in providing a legal basis for the protection of micro and small businesses. Specifically related to financing, normatively it has been regulated in the MSMEs Law, as in Article 22 of the MSMEs Law which states that the Government is making several efforts to increase sources of financing for Micro and Small Businesses, including developing sources of financing from bank loans and non-bank financial institutions, developing institutions venture capital, institutionalization of factoring transactions, increased cooperation between Micro and Small Businesses through Savings and Loans Cooperatives and Cooperatives of Conventional and Sharia Financial Services, as well as the development of other financing sources in accordance with laws and regulations.

The role of MSMEs in the history of the economy in several countries has had a positive impact on the economy including: First, the rapid economic growth as happened in Japan, has been linked to the size of the small business sector. Secondly, in creating jobs in the United States since World War II, the contribution of MSMEs cannot be ignored. Developing countries are starting to change their orientation when looking at experiences in countries about the role and contribution of MSMEs in economic growth. MSMEs play important roles in development and economic growth, not only in developing countries, but also in developed countries. In developed countries, MSMEs are very important not only because these business groups absorb the most labor compared to large businesses. In developing countries, especially in Asia, Africa and Latin America, MSMEs also play a very important role, especially from the perspective of employment opportunities and sources of income for the poor, income distribution and poverty reduction, and rural economic development.

MSMEs has a very strategic role in national economic development, this is none other because MSMEs besides having a role in supporting economic growth and creating employment opportunities can also play a role in the distribution of the results of development itself. Based on data from the Statistics Indonesia (BPS) in 2016, out of a total of 59,693,791 business units in Indonesia, 99.89 percent consisted of small and micro enterprises respectively 684,196 units (1.15 percent) and 58,943,768 units.

19 Ibid., p. 12.
In addition, the contribution of MSMEs to Indonesia's GDP reached 62.5 percent, employment up to 95 percent and its contribution to non-oil exports up to 16.45 percent.\(^{20}\)

The role of MSMEs in Indonesia is very important to be able to stimulate growth in employment opportunities and income growth. MSMEs Empowerment is an effort to reduce gaps in order to realize the improvement of people’s welfare through economic development and with the active participation of the community so that its benefits can be felt by the community at large. One of the ways to empower MSMEs is through CSR programs.

3. The Role of Academics in the Implementation of CSR Programs Under the Higher Education Law

Higher education is \textit{candradimuka} crater, a place where academics are formulated, so they have responsibilities in the form of teaching, educating, training and motivating the academic community to become a generation that have high enthusiasm and fighting spirit, intelligent, creative, innovative, and have a good personality. The output from universities is expected to be an independent community and able to create various employment or business opportunities.

Higher education is a continuation of secondary education which is held to prepare students to become members of the community who have academic and professional abilities in applying, developing and creating science, technology and arts. To achieve this goal, juridically formal tertiary institutions do not only serve as teaching centers because the teaching and learning process carried out in the classroom without being supported by relevant research results will decline and will not develop.

Higher education as a scientific community is required to play an active role positively in solving problems faced by the community by producing knowledge that is ready to use, in the sense of the problem finder. Thus the knowledge obtained through research can be used to explain, to predict or events in the life of society, the business world and the industrial world. Therefore universities must be able to produce graduates (outputs) who have strong personalities, superior abilities, intelligent, creative so that they are able to compete with other nations in the face of globalization. Therefore the existence of higher education has an important position and function in the development of a society. The process of social change in society is so fast, demanding that the position and function of the higher education can really manifest in a genuine role.

Higher education has a very strategic role in the midst of the community. This strategic role is often formulated into three major discourses, namely teaching universities, research universities and bastion of civilization. Traditionally the three roles are implied in the spirit of \textit{tridharma} of higher education in Indonesia.

Tri Dharma of Higher Education is the vision of all universities in Indonesia. The Tri Dharma of Higher Education is one of the goals to be achieved by these universities. It consists of three things, namely Education and Teaching, Research and Development, and Community Service. In carrying out the main duties of the Tri Dharma of Higher Education, namely conducting Education, Research, and Community Service, an academics must carry out the process of internalizing noble values which later becomes college grounds culture. Academics are becoming the main actors in the formation and development of the character of the academic community with exemplary.

Academics in Higher Education have both functional status and additional duties in structural positions, therefore they must position themselves as the spearhead in the formation of the character of social care begins with exemplary, inheritance of noble values, respecting differences of opinion, and can find concepts and theories in solving problems that exist in society.

Higher Education does not only function in the field of education and research, but also includes matters relating to the Field of Community Service. Therefore academics are required to be active in every activity facilitated by Higher Education in order to be able to participate in the field of community service. Academics activities in the field of community service are expected to solve social problems that occur in the community.

Community service in its practice utilizes science and technology and local wisdom, and art in order to advance public welfare and educate the nation’s life. Based on Article 47 Paragraphs (1) and (2) of the Higher Education Law, Community Service is carried out in various forms of activities by the academic culture, expertise, and/or academic autonomy of the academic community and the socio-cultural conditions of the community. Thus, it can be concluded that community service is a variety of activities in an effort to improve the quality of human resources as a form of caring for others.

Community service is an academic activity in utilizing science and technology to advance the welfare of society and to educate the nation's life. Community service can be implemented into various activities that are certainly beneficial to the community both within the university and outside the university environment.

Community Service in universities can be collaborated with one of them with CSR programs in the company. CSR programs in companies and Community Service programs in many tertiary institutions focus on developing MSMEs. The equality of objects or targets of CSR and Community Service programs, namely MSMEs can be a meeting point for collaborating with each other. Where academics or universities as scientific people are obliged to be actively involved in finding solutions to solve existing problems in the community by producing knowledge that is ready to be used. The existence of Higher Education is very important in its position and function in life that exists in a society that continues to develop. Solutions in the form of theories or concepts can later be implemented to overcome the problems faced by CSR programs.
The role of academics in CSR programs is to focus more on finding theories and concepts that are appropriate for implementing good and effective CSR. In addition, collaborative implementation of CSR between universities and companies can also cover up various weaknesses in each of these parties in carrying out their programs. Community empowerment in this case the MSMEs in its implementation requires considerable funding. Community service funds in higher education are unlikely to be sufficient in empowering these communities. Therefore, universities must innovate in the implementation of the community service, one of which is by utilizing existing funds from parties outside the university who also have the same goal in empowering the community, in this case, CSR funds. CSR programs in the company are also expected to run well and appropriately by using theories or concepts discovered by academics.

D. CONCLUSION

In the implementation of CSR there was an attribute shift which initially was only a moral obligation to a legal obligation. In Indonesia, CSR has been regulated in several laws and regulations including: Limited Liability Companies Law, Government Regulations for Limited Liability and Social Responsibility, Investment Law, Oil and Gas Law, SOEs Law, SOEs Minister Regulation Partnership Program and Community Development Program, and other broad-based CSR arrangements, namely regarding Community Service in the National Education System Law and the Higher Education Law.

The implementation of CSR can be aimed at empowering MSMEs to advance and develop. MSMEs in Indonesia have a very important role in national economic development. It can stimulate growth in employment opportunities and income growth. MSMEs Empowerment is an effort to reduce gaps in order to realize the improvement of people’s welfare through economic development and with the active participation of the community so that its benefits can be felt by the community at large.

Community Service in universities can be collaborated with one of them with CSR programs in the company. The role of academics in CSR programs is to focus more on finding theories and concepts that are appropriate for implementing good and effective CSR. In addition, collaborative implementation of CSR between universities and companies can also cover up various weaknesses in each of these parties in carrying out their programs.

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