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# Utilization of Corporate Social and Environmental Responsibility to Improve Community Economy in Pekanbaru City

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**Abstract.** Based on Article 74 Paragraph (1) of Law Number 40 of 2007, the companies running their business activities in the natural resources and related to natural resources must carry out social and environmental responsibilities. The problem discussed in this research is how the utilization of corporate social and ecological responsibility in improving community economy in Pekanbaru City is? The research method used in this research is socio-legal research. The results of this research is the implementation of CSR program for the community economy that by PT Chevron Pacific. Meanwhile, the other (CSR) program for the community economy performed by PT Asia Forestama Raya is the making traditional markets managed by the community. The conclusion is the government and the society can create CSR program as an alternative source to improve the economy of the community in Rumbai Pesisir Subdistrict of Pekanbaru City.

**Keywords:** Company; Social and Environmental Responsibility; Improving Community Economy

## 1. Introduction

One of the goals of the state as mandated by the 1945 Constitution of the Republic of Indonesia is to improve the welfare of the Indonesian people. In the the 1945 Constitution of the Republic of Indonesia, there are four objectives of the establishment, namely as follows:

- 1) Protect all Indonesians and all of Indonesia's bloodshed.
- 2) Promote general welfare.
- 3) Educated the life of the nation.
- 4) Participate in a world order, based on independence, peace, and social justice.



To improve the welfare of the people, the Government of Indonesia has made various policies, especially in the economic field. To enhance the protection of the community must begin with growing the economy of the city first. As is known, one of the main problems that prevent people from starting a business is regarding capital. Therefore, the government is expected to be able to issue policies in the economic field to provide business capital to the public. The government has issued various policies in the economic field to improve the economy of the community. One of the government's flagship programs through the Coordinating Ministry of Economic Affairs of the Republic of Indonesia is the People's Business Credit. However, the limited amount of budget funds owned by the state so that the government hasn't been able to reach all levels of society to the regions. For this reason, the government must be able to find business capital solutions for the community.

In supporting the business of capital, the government can involve third parties, namely private companies operating in Indonesia. Since 2007, with the enactment of Law Number 40 of 2007 about Limited Liability Companies, companies, especially companies that carry out their business in the natural resources and related to natural resources, should have CSR. Social and environmental responsibilities are the company's obligations that are budgeted and calculated by the company costs. This provision aims to create a harmonious relationship between companies and the community, especially the people who living around the vicinity of the company. Therefore, the government and the society can utilize the company's CSR programs to improve the economy of the community, including the people in Rumbai Pesisir Subdistrict of Pekanbaru City. From the background of the problems described above, the issue discussed in this research is how the utilization of the CSR to improving the economy of the community in the Rumbai Pesisir Subdistrict of Pekanbaru City is?

## **2. Research Method**

Legal research is a scientific activity that is based on specific methods, systematics, and thoughts, which aims to study one or several specific constitutional symptoms by analyzing them [1]. The research method was used socio-legal research. Data sources used in this research are primary data and secondary data. Primary is obtained directly from the results of observations and interviews at the research location; while secondary information is data collected from scientific journals, legal literature, and legislation. Data collection techniques used in this research are observation, interviews, and literature studies. The data analysis technique used in this research is qualitative analysis.

## **3. Result and Discussion**

The primary purpose of a company is to get the maximum profit. The responsibility of the management of the company to the shareholders as the owner of the company. This is the philosophical basis of the establishment of a company. However, the company's operational activities to maximize profits are often detrimental to the community, especially those who live in the vicinity of the company.

These problems are the basis for the birth of the concept of CSR responsibility. That is, the company is not only responsible to the shareholders as the owner of the company, but also responsible for the people who live in the vicinity of the company's area and the surrounding environment [2]. The existence of CSR in Indonesia has gained legitimacy to be carried out by each company. To inseparable from the negative impacts arising from the operation of a business activity that is carried out. The obligation to carry out CSR has been regulated in various laws and regulations [3].

In 2007, there were significant changes in the CSR in the national legal system in Indonesia after the enactment of Law Number 40 on 2007 about Limited Liability Companies. Arrangements regarding corporate social and ecological responsibility aim to realize sustainable economic development to improve the quality of life and the environment is beneficial for the company itself, the local community, and society in general [4]. Provisions concerning CSR are expressly stipulated in Article 74 of Law Number 40 about Limited Liability Companies. Based on Article 74 Paragraph (1) of Law Number 40 of 2007 about Limited Liability Companies, it is affirmed that companies that running their business in the natural resources and related to natural resources, must carry out CSR.

Law Number 40 of 2007 about Limited Liability Companies has changed the paradigm of CSR, from being voluntary based on morals to a legal obligation for the company [5]. As an implementing regulation of Article 74 of Law Number 40 of 2007 about Limited Liability Companies, the government passed Regulation Number 47 of 2012 about CSR of Limited Liability Companies. In the Government Regulation Number 47 of 2012 about CSR regulated on:

- 1) CSR are carried out by companies that running their business in the natural resources and related to natural resources.
- 2) CSR is carried out inside and outside the company's area.
- 3) CSR is carried out based on the annual work plan of the company, which contains the action plan and budget needed for its implementation.
- 4) The implementation of CSR is prepared with due regard for dignity and fairness.
- 5) The implementation of CSR is contained in the company's annual report to be accounted for to the General Meeting of Shareholders.
- 6) Sanctions for companies that don't carry out CSR.
- 7) Companies that have carried out CSR can be given awards by the government.

The implementation of CSR is expected to maintain the good relationship between the company and the community living in the vicinity of the company so that the company's operational activities can run smoothly without any interference from the city [6].

The birth of Riau Provincial Regulation Number 6 of 2012 about CSR in Riau Province further strengthens the legal basis for CSR for companies operating in the Riau Province, including in Pekanbaru City. The ecological regulation regulates the implementation of the CSR to the community [7]. Based on Article 10 of Riau Provincial Regulation Number 6 of 2012 about CSR in Riau Province, it is stated that corporate social responsibility programs can take the form of community empowerment and partnership and environmental development and investment and donations/donations, and promotion. Furthermore, based on Article 11 of Riau Provincial Regulation Number 6 of 2012 about CSR in Riau Province.

It is stated that the field of CSR can be carried out in the areas of education, health, infrastructure, sports, and culture. Then to social and religious arts, environmental preservation life, people's economic endeavors, empowerment of indigenous peoples, as well as other fields of work that have the real impact on improving the quality of society. The Article 10 of Riau Provincial Regulation Number 6 of 2012 about CSR in Riau Province concerning community empowerment and Article 11 of Riau Provincial Regulation Number 6 of 2012 about CSR in Riau Province regarding populist economic efforts. The government and the community should utilize it as the alternative source of business to improve the economy of the community, including the people in Rumbai Pesisir Subdistrict of Pekanbaru City.

Rumbai Pesisir Subdistrict is one of the subdistricts located on the edge of Pekanbaru City so that urban development is rarely touched. In Rumbai Pesisir, there are three companies carry out their business in the field of natural resources and related to natural resources. They are PT. Chevron Pacific Indonesia (CPI) in Lembah Damai Village engaged in petroleum mining, PT Asia Forestama Raya in Limbungan Village, which is involved in the plywood industry, and PT Surya Inti Raya in the Tebing Tinggi Okura Village, which is engaged in oil palm plantations. The company has a strategic role in encouraging the growth of the level of community welfare.

It was done by creating jobs and providing other assistance to the state and society through the company's social and environmental responsibilities. The law requires companies to implement it [8]. Based on the interview with the Public Relations Manager of PT Chevron Pacific Indonesia, it was explained that one of the CSR programs for the community that had been implemented by PT. CPI was called Local Business Development, namely entrepreneurship training, providing fish seeds and fruit seeds, and small project work for community business groups. Based on the results of interviews with the Public Relations Manager of PT Asia Forestama Raya, it was explained that one of the company's social responsibility programs for the community's economy had been running by PT Asia Forestama Raya, namely the provision of a piece of land owned by the company and raw materials of wood for traditional markets managed by the community.

The company's social responsibility program is not only beneficial to the community but also useful to shape the company's image if it is packaged with the right publication [9]. The success of a region in improving the welfare of its people can be realized if all components of society are involved, including real participation from companies operating in the area [10].

#### **4. Conclusion**

Based on Article 74 Paragraph (1) of Law Number 40 of 2007, that companies running their business in the field of natural resources and related to natural resources must carry out CSR program. This provision should be used by the government and the community as an alternative source of business to improve the economy of the population in the Rumbai Pesisir Subdistrict of Pekanbaru City. The CSR program for the community that has been implemented by PT CSR is called Local Business Development, namely entrepreneurship training, provision of fish seeds and fruit seeds, as well as small project work for community business groups. The CSR program for the community that has been managed by PT Asia Forestama Raya is the provision of a piece of land owned by the company along with raw materials wood for making traditional markets managed by the community. The success of a region in improving the welfare of its people can be realized if all components of society are involved, including the real participation of companies operating in the area.

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