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# Model Corporate Social Responsibility Based on Local Wisdom in West Aceh Regency

Model  
Corporate  
Social  
Responsibility

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## Abstract

**Purpose** – The research aims to investigate the realization, the governmental role, and the existence of current corporate social responsibility (CSR) model that has been operated in West Aceh District.

**Design/Methodology/Approach** – The data were collected through two ways: document studies (library research) on legal provisions governing CSR and through field research (field studies) conducted by interviewing persons in West Aceh District.

**Findings** – The implementation of CSR is based on the Regulations Number 40 year 2007, the Regulations Number 47 year 2012, which specifically are implemented based on Qanun (another term of regulation of Acehnesse Government) of Aceh West Government Number 10 year 2015. The CSR program is conducted based on local wisdom of community of West Aceh.

**Research Limitations/Implication** – CSR is the obligation of corporate however the realization and the governmental role sometimes are unconformity, therefore the alternative model of CSR is needed to be formed particularly for corporates which are located in Aceh West District.

**Originality/Value** – In addition to increasing the theoretical understanding of CSR, this paper can be of relevance to corporate liability and community rights.

**Keywords** Corporate responsibility, local wisdom, Aceh

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## 1. Introduction

The obligation of company known as corporate social responsibility (CSR) is the responsibility which can alter the perception and attitude of businessmen so that CSR is defined not only as moral demand but also as an obligation that has to be fulfilled by a corporation.

Article 2 Constitutions Number 40 Year 2007 about limited liability company (hereafter UUP) states that “Companies must have a purpose and business activities which do not conflict with the provisions of legislative regulations, public order, and/or morality”.



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Therefore, the main purpose of company establishment is to gain profit and sustainable business.

As determined in Article 15 point b UUPM that every investor has responsibility to conduct the CSR as stated that:

Corporate Social Responsibility is a responsibility attached to every investment company to keep fostering relationship which is in harmony, in balance and fit for the local community's neighbourhood, values, norms, and culture of local wisdom applied in local community".

Hence, a company has to pay attention on environment and local wisdom where the company runs its business activity. Verse 74 (2) Constitutions Number 40 Year 2009 about limited liability company declares that:

Social and environmental responsibility is the responsibility of Company which shall be budgeted for and calculated as a cost of the Company performance which shall be with due to attention to decency and fairness".

Thus based on the above-mentioned declaration, the social and environmental responsibility shall be done by company which is investing its capital in Indonesia which keeps fostering harmonic neighborhood, culture, norm, and local wisdom applied in local community. Therefore, the company has to perform social and environmental responsibility known as CSR which considers fairness based on values and norms applied in community where the company runs business activity.

## 2. Review of the literature

### a. CSR

CSR is a need for company because by implementing CSR it will keep fostering harmonic relationship between company and social neighborhood which eventually guarantees the continuity of the company (Purba, 2008). The national system of Republic of Indonesia apparently has accommodated the principle norms of CSR as the corporate responsibility in terms of business performance.

Additionally, regulation which affects CSR or more specifically affects the social and neighborhood responsibility has resulted that CSR is not only a *voluntarily* activity but also *mandatory* which means *liability* (Kangihade, 2013).

### b. Local wisdom is traditional knowledge and traditional value patterns

Relation to CSR has not always been met with an open mind by developed nations. Local wisdom on CSR program synergized with local workforce empowering the program.

## 3. Methods

The research employs a sociological or empirical law approach, which focuses on the primary data analysis gathered directly from respondents and informants. The research is descriptive which provides the description of the implementation of CSR based on local wisdom in Regency of Aceh West, at once to find out the hurdle occurrence and the solution that has to be done in terms of CSR implementation in Regency of West Aceh. The data are collected in two ways, which are *Library Research* on legal justification on CSR and *Field research*. The field research is conducted by *interviewing* the informants in Regency of West Aceh.

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#### 4. Findings

Moral values are the foundation of community that requires the Law to govern the substantially obligations of CSR. The alteration of moral responsibility causes legal responsibility to companies to implement CSR, which is based on the fourth principle of Pancasila. Democracy guided by the inner wisdom in the unanimity arising out of deliberations amongst representatives and based on Article 33 of the 1945 Constitutions of Indonesia. Muhammad Hatta considers that future goal of democracy of Indonesia is social democracy which protects all living environment which determines the fate of people. In line with the revision, Baswir adds that the pioneers of economic politics democratically are based on prioritizing the social prosperity before other prosperity. Moral values are the foundation to community that requires the Law to govern the substantial obligations of CSR.

CSR is a facility that can be used as a medium to redevelop social capital by implementing CSR which applies “working collaboration model” among *stakeholders* and allows social capital as basic relations among *stakeholders* which empower poor society in Indonesia.

The implementation of CSR at first time integrated in Regency of West Aceh started in 2013 is based on Memorandum of Understanding (MOU) of Development of Development and Empowerment Program of Community (PPMA) between PT. Mifa Bersaudara and Government of Aceh West N.5/III/NPB/2013, No.043/Mifa- Kab.Ab/NK/VII/2013. The achievement on implementation of PPMA ensures government to definitely build active communication in order to integrate the program and activity based on community empowerment in Regency of West Aceh.

In 2014, the Government of Aceh West develops communication with whole private corporates which operate actively within area of Aceh West Regency. According to the meeting result, the local Government decrees Mayor Regulation Number 26 Year 2014 about Social and Neighborhood Responsibility of Companies (TJSLP) and based on this regulation, the Government of Aceh West issued the local governmental regulation or known as Qanun Number 10 Year 2015 about Social and Neighborhood Responsibility of Companies. In year 2015, 14 private companies signed the MOU of Social and Neigborhood Responsibility of Companies (TJSLP) together with Government of Aceh West with expenditure of CSR of 22 billion IDR (Indonesian Rupiah), followed by ratification of TJSLP Qanun Aceh West Regency Number 10 Year 2015.

Furthermore in 2016, 15 private companies in Aceh West Regency participated in implementing TJSLP/CSR. By allocating the budget of CSR in total 4.1 billion IDR, it is expected that empowerment programs approved by local government and company parties can improve social welfare, community economic strength, and strengthen the continuity of businessmen to maintain the function of living environment sustainably based on community empowerment.

In 2017, the allocation of CSR budget increased from 4.1 billion IDR to 4.9 billion IDR. The realization in 2016 was 76 percent which is expected to keep growing, and is more addressed to the activity for community empowerment such as economic, education, and social culture. In year 2017 the Government of West Aceh targets that the financial realization of CSR is 4.6 billion IDR based on company contribution within 2017. A total of 15 companies have signed the agreement and it will keep increasing because some companies are still waiting the decision from central office, some of those are PT.BNI and BRI2017.

The activity of CSR is based on Qanun of West Aceh Number 10 Year 2015 about the Social and Neighborhood Responsibility of Companies. In order to appreciate the role of the

company in development, the Government of West Aceh Regency confers award named CSR Award in form of plaque and charter. The CSR of West Aceh succeeds to achieve national level on Top 99 Category awarded by the Ministry of State Apparatus Empowerment, and Aceh West Regency is allowed to participate in international competition under United Nations, UNSPA which will be conducted in Netherlands.

The 15 companies are PT (shorten from Limited Liability Company) ASN, PT Prima Agra Lestari, PT Potensi Bumi Sakti, PT. Indonesia Pacific Energy, PT Betami, PT Mifa Bersaudara, PT. Aceh Hydro Power, PT. Agrabudi Jaga Bersama, PT Bank Aceh, and PT. Mapoli Raya. Moreover other three companies which are still waiting the approval of amount of financial allocation for CSR budget from its central office are PT Nirmala Coal, PT.BNI, and PT.BRI.

The implementation of CSR programme in some companies is as follows:

PT. Agra Budi Jasa Bersama (AJB) Company is a company which engages in coal mining sector, with mining licence being at the stage of production operation based on Mayor Decree of Aceh West Number 351 Year 2009. AJB Company operates in Kaway XVI sub-district and Meureubo sub-districts, Aceh West Regency with the width of production area being  $\pm 5.000$  Ha. In terms of education, it provides books/dictates, material, and souvenir for school of Geology and Mining in Aceh West. It also aids educational tool kit for basic school students and other equal schools which lack funds in villages of company's operational area. It assists with props for public kindergartens (named PAUDNI) in villages in the company's operational area and through donation for education to students of Aceh West Regency. The company also provides support of sports for community and youth of West Aceh, art assistance, culture, and so forth for local government and the community of Aceh West including religion, health, and economics as well as *capacity building*.

PT. Agro Sinergi Nusantara (ASN) Company, established on 19 May 2011 started operating on 1 June 2011. ASN Company is a subsidiary company of PT.Perkebunan Nusantara I and IV, which located in Ujong Beurasok Street No. 25, Gampong Lapang, Johan Pahlawan Sub-District, Aceh West District. ASN Company is a company which engages in field of agro industry; its activity consists of the management of plantation area (commodity of palm oil), and the management of production marketing of palm oil, with the width of area being 18.178 Ha. CSR in religious field consists of donation of mosque/meunasah (mini mosque), donation for orphans, and donation of Islamic feast day all in the Regency of Aceh West. In education field the donation is allocated for reciting Al Quran activity in Regency of West Aceh. Moreover, for social culture, youth, and sports, the infrastructure are building and maintenance of roads in villages, the procurement and development of artesian well for villages, , procurement of drainage for roads in villages, and other donations in area of Regency of West Aceh.

PT. Indonesia Pacific Energy (IPE) Company has been established since 2009 and still operates actively in Regency of West Aceh. IPE Company has mining licence in Regency of Aceh West, however the company has not yet done mining/production activity hence the CSR activities addressed in 2015 and the previous year are very limited. IPE Company gives contribution in religious field, *community development in educational field*, infrastructure, and other proposals in other area of Regency of West Aceh.

In terms of implementation, the Government of Regency plays the role as follows: (1) Government obliges to arrange and establish partnership among government, company, and community in order to realize the improvement of community prosperity. (2) Local government has responsibility to pay attention on the function of

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environmental conservation which may be caused by the impact of implementation activity of social and neighborhood responsibility of company (TJSLP). (3) Local government forms TJSLP Forum which is in charge of implementing coordination function, supervision, controlling, and evaluation toward the performance of TJSLP program. (4) Local government should facilitate the implementation Program and TJSLP activity, either financially through family income budget (APBK) or in monitoring. (6) Local government confers award for the company which implements community empowerment optimally in its operational area.

## 5. Discussion

The concept of social and moral responsibility of a company has to be done by every company on any action of its business activity which influences other particular people, community, and environment. The involvement of companies in social activities is useful for community interest broadly to help the community in order to develop and to improve the community prosperity. The benefits of the implementation of social responsibilities are as follows: first the involvement of companies in social activities which is useful for public interest broadly, the involvement aims to develop and to improve community prosperity. Second, the profit realization to companies; the company achievement is considered based on social and moral responsibilities. Third, legal obedience applied in a community in terms of public life in general. Fourth, respect to the right and responsibility of stakeholders or related parties who have interests indirectly with business activity.

The implementation of CSR at the first time was integrated in Aceh Barat starting in 2013, based on MOU on the development and empowerment program for community PPMA. The success of the PPMA ensures definitely the government of West Aceh to build active communication in order to synergize the program and activity based on the community empowerment in West Aceh regency. The local Government decrees Mayor Regulation Number 26 Year 2014 about Social and Neighborhood Responsibility of Companies (TJSLP) and based on this regulation, the Government of Aceh West issued the local governmental regulation known as Qanun Number 10 Year 2015 about Social and Neighborhood Responsibility of Companies.

Based on the result of this study, the implementation of CSR in the Regency of Aceh West is based on local wisdom. The programs planned have been adjusted with values and norms applied in community. It is done in order to ensure that the planned programs can be run appropriately. In the implementation of CSR, a company cooperates with customary institutions such as Tuha Peut, Tuha Lapan, and other prominent figures of community. It is conducted due to expediting the implementation of CSR program.

## 6. Conclusion

The realization of CSR of West Aceh has been conducted based on the constitution and local regulations. The implementation of CSR consists of partnership, environmental conservation, and treatment area. Moreover, the role of local government and community figures in realizing CSR program is the realization of community empowerment based on local wisdom. The guideline is merged in TJSLP Forum of the Regency of Aceh West which is formed by one or some companies to implement TJSLP program by involving the stakeholders as communication medium, consultation, and evaluation of the implementation of TJSLP.

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