THE ROLE OF LOCAL GOVERNMENT IN IMPLEMENTING SUPERVISING SOCIAL RESPONSIBILITY

THESIS

As an requirement to obtain Bachelor's Degree

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PONTIANAK

2024

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ABSTRACT

This study aims to explore the important role of local government in Supervising Social Responsibility (CSR) carried out by Micro, Small, and Medium Enterprises (MSMEs) to the community through digitalization located in Pontianak City using Qualitative research methods with a case study approach. The data collected and processed came from in-depth interviews with related parties such as local government, MSME entrepreneurs and local community views and the use of Literature Review in data processing that will be used in this article. The results of the study indicate that digitalization plays an important role in facilitating the process and transparency of CSR implementation and the role of local government in providing a digital platform that allows reporting in digital form in increasing the effectiveness and quality of CSR distribution and information to the community. This study also underlines the importance of collaboration between the government, MSMEs, and the community in encouraging the sustainable growth of a businessat the local level.

Keywords: *Corporate Social Responsibility, MSMEs, Digitalization, Local Government.*

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ABSTRAK

Penelitian ini bertujuan dalam mengeksplorasi peran penting pemerintah daerah dalam pengawasan tanggung jawab sosial (Supervising Social Responsibility/CSR) yang dilakukan oleh Usaha Mikro, Kecil, dan menengah (UMKM) kepada masyarakat melalui cara digitalisasi yang berlokasi pada Kota Pontianak dengan menggunakan metode penelitian Kualitatif dengan pendekatan studi kasus. Data yang dikumpulkan dan diolah berasal dari wawancara mendalam dengan pihak terkait seperti pemerintah daerah, pengusaha UMKM dan pandangan masyarakat setempat dan penggunaan Literature Review dalam pengolahan data yang akan dipakai dalam artikel ini. Hasil penelitian menunjukkan bahwa digitalisasi memainkan peran penting dalam mempermudah proses dan transparansi pelaksanaan CSR serta peran pemerintah daerah dalam penyediaan platform digital yang memungkinkan pelaporan dalam bentuk digital dalam meningkatkan efektivitas dan kualitas pembagian dan penginformasian CSR ke masyarakat. Penelitian ini juga menggarisbawahi akan pentingnya kolaborasi antara pemerintah, UMKM, dan masyarakat dalam mendorong keberlanjutan pertumbuhan suatu usaha di level lokal.

Kata kunci: Tanggung Jawab Sosial Perusahaan, UMKM, Digitalisasi, Pemerintah Daerah.

THE ROLE OF LOCAL GOVERNMENT IN IMPLEMENTING SUPERVISING SOCIAL RESPONSIBILITY

SUMMARY

1. Introduction

Corporate Social Responsibility (CSR) is a company's obligation to contribute to the environment that supports its operations. Guided by ISO 26000, CSR emphasizes sustainability, equality, and justice across business activities, integrating seven key areas: organizational governance, human rights, labor practices, environmental quality, fair operational practices, consumer issues, and community involvement. Beyond benefiting surrounding communities and customers, CSR aims to create mutual benefits for all stakeholders, ensuring long-term business sustainability. Many global companies prioritize CSR as a strategy to maintain healthy, sustainable operations.

CSR also plays a critical role for small and medium-sized enterprises (UMKM), though it often receives less attention in this sector. The 3P principle—Profit, People, and Planet—serves as a foundational concept, encouraging UMKM to balance economic gains with social and environmental contributions. Transparency remains a challenge for UMKM, often leading to social pressure to improve accountability. By empowering local natural and human resources, UMKM can create reciprocal benefits, fostering community development and business growth simultaneously.

The local government has a vital role in supporting UMKM through supervision and fostering programs. By guiding UMKM in implementing CSR, the government helps create new entrepreneurs, generate jobs, and boost regional development. Inspections ensure proper CSR implementation and compliance, while collected data informs criteria for CSR initiatives. These measures enable the government to assist UMKM in aligning their CSR efforts with community and environmental needs, promoting both business sustainability and social responsibility.

Digitalization offers a modern solution for monitoring CSR activities, enabling governments to track and analyze CSR expenditures effectively. This system facilitates data collection and evaluation of CSR programs' effectiveness, helping MSMEs adapt and optimize their initiatives. By leveraging technology, governments can guide MSMEs toward implementing more suitable and impactful CSR programs, ensuring their growth aligns with sustainable development goals.

2. Research Purpose

This research aims to explore the role of local governments in monitoring and facilitating CSR implementation by MSMEs through digitalization. In addition, this research wants to highlight the importance of

collaboration between the government, MSMEs and the community in encouraging business sustainability at the local level.

3. Research Method

This study employs a qualitative research method, emphasizing a naturalistic approach to understanding phenomena (Hendryadi et al., 2019). Conducted in May 2024 in Pontianak, the research focuses on three subjects: a regional MSME supervisory agency, the ABC Cooperative Owner, and the XYZ Entrepreneur. These subjects were selected to explore the role of regional governments in supervising MSME CSR implementation through digitalization to enhance regional economic growth and technological progress. Data collection involved interviews, observations, and literature reviews. The research procedure included analyzing MSME conditions, evaluating local government supervision and guidance, interpreting collected data, and formulating conclusions and recommendations for relevant stakeholders.

4. Result

The main challenge for MSMEs regarding CSR is the lack of information, which is critical for business sustainability. CSR implementation requires careful consideration of decisions and their impacts on the community, environment, and company itself (Andriana & Suhermin, 2024). Digitization offers a solution by creating applications to provide essential CSR information to the community, supported by advanced technology and local government supervision. In Pontianak, the UMKM Center plays a vital role in distributing CSR information and ensuring its implementation by MSMEs. Local government is crucial in supervising CSR processes, acting as a guide and innovator to adapt CSR practices to digital systems. Researchers recommend system updates at the UMKM Center in Pontianak to enhance its role as a connector and supervisory agency for MSME activities and accountability

5. Conclusion

The lack of complete information on social responsibility among MSME business actors can be addressed by local governments through continued support and modernized systems to enhance MSME growth. Digitalization offers an efficient way to disseminate information and implement CSR practices, benefiting businesses, communities, and local governments. Regular implementation of digital tools can streamline processes, open new marketing opportunities, support organizational development, and improve oversight of MSMEs in fulfilling their responsibilities.

The study suggests that the government gradually adapts to digital transformation to accommodate MSMEs and communities still unfamiliar with rapid technological changes. This adaptation will bring significant benefits, including regional economic growth, improved human resources, and enhanced governmental efficiency. For MSMEs like ABC and Cooperative XYZ, while their business systems are functioning well, their CSR knowledge and implementation need improvement. They currently

rely on norms and reactive measures, which limits CSR's potential impact. Adhering to CSR guidelines and theories could optimize its benefits and extend its reach.

Researchers recommend future studies to process more comprehensive data and conduct deeper analyses. This approach will provide more robust insights and enable broader dissemination of findings to practical and empirical contexts.

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CHAPTER I
INTRODUCTION

1.1 Background

Social responsibility is one of the obligations that requires companies to help or give something to the environment that has indirectly helped the company. ISO 26000 has listed several important things that the company does, the framework that has been formed by ISO explains how to help companies or organizations understand CSR and how to implement CSR effectively. ISO 26000 itself is not only a standard that can be accredited but also serves as a very useful guide for companies and organizations in increasing the value of their CSR practices; this standard greatly emphasizes the importance of sustainability, equality, and justice in all aspects of business operations. The concept of ISO 26000 itself is based on the Guidance Standard on Social Responsibility, in its application CSR is required to be integrated into all company activities covered by seven issues: organizational governance, human rights, labor practices, quality environment, fair operational practices, consumer issues, and community involvement and development (Wasik & Rusli, 2022). CSR itself is not only responsible for the surrounding community and buyers who are very misunderstood by some sides, CSR also requires all sides of the company or organization to get a benefit when they do something for the company. It can be concluded that CSR is an important part if the company wants to have a very long operating time. Many international-class companies prioritize CSR with the desire to have a healthy and growing company operating time.

In other words, CSR can be interpreted as a mutually related commitment from business circles, behaving ethically and contributing to economic development, no less important in improving the quality of life of the surrounding community, employees and also families in general. (Achda, 2006; Nurlela, 2019). On the UMKM scale, CSR itself does not get

much attention, although at the UMKM level itself, CSR is an important foundation to convince the surrounding environment of the accountability they should get and also to spread information if the Company in the community has an accountability that they can get. It is unfortunate because the CSR concept has three pillars that are good for the sustainability of a company, especially UMKM, the three pillars are Profit, People, Planet or better known as 3P (Nurlela, 2019). Basically, this concept is a lantern for UMKM to run a business in order to gain benefits not only from the economic side but also from the social side and also the development of a region. Transparency in UMKM scale companies can be categorized as concerning, the problem of this statement not only has an impact on the company's environment but the company itself will also experience a problem. If that result occurs, the Company will be considered from the perspective of society to have received social pressure to act well and provide information about social accountability (Hamudiana & Achmad, 2017). Empowering natural and human resources in the company environment is very helpful in empowering the surrounding community and also the company, the existence of reciprocity allows for the creation of great opportunities that can help both parties.

The role of local government in developing an MSME is an important program. The existence of the MSME sector creates benefits for the region such as presenting new entrepreneurs in order to create jobs, which of course can absorb more workers evenly (Salam, 2022). The local government itself is required to supervise and also foster MSMEs in the area so that they can grow and help the environment around the MSME. Basically, the government must carry out a program that broadens the perspective and also information about the development of a company and the rules that are useful in helping companies, especially MSMEs, in developing the environment and companies they protect. There are often irregularities committed by companies or MSMEs in implementing the Obligations given. According to Suastha (2016) and Herizona & Yuliana

(202), inspections carried out by the government on MSMEs carrying out CSR in the Pontianak City area will be controlled and inspected by government agencies, this inspection itself is carried out so that the implementation of CSR runs smoothly for every MSME that carries out. The use of the data obtained will be useful for local governments in developing the criteria required for MSMEs when they want to implement CSR that will be determined by the MSMEs. The government can also suggest how an MSME carries out their CSR and assist in the implementation of the CSR to ensure the success and sustainability of the MSMEs incubated by the government.

1.2 Research Problem

This research focuses on the important role of local governments in monitoring and implementing corporate social responsibility (CSR) by MSMEs in Pontianak through digitalization. The problem formulations that can be identified are:

1. What is the role of local governments in monitoring and supporting CSR implementation by MSMEs?
2. How can digitalization facilitate transparency and effectiveness in implementing CSR by MSMEs?
3. What are the challenges faced by MSMEs in integrating CSR in accordance with ISO 26000 principles?

1.3 Research Purpose

This research aims to explore the role of local governments in monitoring and facilitating CSR implementation by MSMEs through digitalization. In addition, this research wants to highlight the importance of collaboration between the government, MSMEs and the community in encouraging business sustainability at the local level.

1.4 Research Contribution

1.4.1 Theoritical Research

This research provides a theoretical contribution by expanding understanding of the importance of implementing CSR principles based on ISO 26000 in the context of MSMEs. This research also highlights the relevance of the Triple Bottom Line (3P) theory and legitimacy in CSR monitoring by local governments, which can be a basis for further studies.

1.4.2 Practical Contribution

Practically, this research provides recommendations to local governments to improve supervision and provide a digital platform that makes CSR reporting easier for MSMEs. This research is also useful for MSMEs in understanding the importance of CSR as a strategy for business sustainability, as well as for society to gain direct benefits from more transparent and effective CSR implementation.