

Corporate Social Responsibility Shouldn't Do Infrastructure? Spending and Overcoming Poverty with Graduation Model Theory

Lego Karjoko¹, I Gusti Ayu Ketut Rachmi Handayani², Jadmiko Anom Husodo³, Dararida Fandra Mahira.

¹Sebelas Maret University, Indonesia, legokarjoko@staff.uns.ac.id.

²Sebelas Maret University, Indonesia, ayu_igk@staff.uns.ac.id.

³Sebelas Maret University, Indonesia, jadmikoanom@staff.uns.ac.id.

⁴Sebelas Maret University, Indonesia, adararida@student.uns.ac.id.

Abstract

Until now there is still a lot of poverty around plantation companies such as what happened in East Kalimantan which amounted to 80,000 and in West Java almost half of the heads of families live in poverty around PT Perkebunan Nusantara VIII which is a state-owned plantation. This Study examines efforts to overcome poverty around plantation companies through corporate social responsibility using graduation model theory based on community participation. Using a socio-legal framework, empirical legal research is the study methodology used. In an attempt to combat poverty, the plantation firms' perspectives on CSR are included in the kind of primary data. Secondary data from research on CSR and Graduation Model are then added to the main data. Methods of data collecting included literature reviews and interviews. Qualitative analytic approaches were employed in the study. A definitive description of CSR, which makes it hard for many businesses to know what it really means, according to the findings. This leads to less than ideal corporate social responsibility implementation. The community believes that they are not benefiting from the presence of plantation corporations because of this. In order to combat poverty in the area of plantation firms, it is necessary to have a clear grasp of what corporate social responsibility is and to use Graduation Model Theory to empower the community. With this research, it is hoped that it can be a solution for plantation companies to carry out CSR that is more effective for the community and can erase the bad view in the eyes of the community regarding plantation companies.

Keywords: *Community; Corporate Social Responsibility; Graduation Model Theory; Plantation Company; Poverty.*

1. INTRODUCTION

Corporate social responsibility policy based on community participation is a strategy to reduce poverty¹ around the plantation.² Realizing that there is still a

¹ Ummy Athiq, "Kebijakan Program Bantuan Langsung Sementara Masyarakat Ditinjau Dari Konsep Negara Welfare State Policy of Temporary Direct Aid Program Analyzed," 2014.

² Plantation business is one of the ways that many people use natural resources. According to the most recent statistics, there are 2,213 plantation enterprises in Indonesia that have expanded from Sabang to Merauke, which serves as evidence of this. In 2022, Indonesia's plantation sector became the largest contributor to exports, amounting to 622.37 trillion rupiah with the palm oil commodity being the largest contributor with a value of 468.64 trillion rupiah. The success of this plantation sector, of course, cannot be separated from the role of regions such as East Kalimantan with its superior commodities consisting of palm oil, cocoa, rubber, coconut, and pepper which are able to produce up to 17,220,588 tons with a total plantation area in 2022 of 1,575,966 hectares. Not only from exports, the plantation business is also able to absorb labor in East Kalimantan as much as 75,933,583. In addition to East Kalimantan, the West Java region is also capable of producing up to 334.2 thousand tons in 2023 with a total plantation area in 2023

lot of poverty around plantations, various plantation companies have empowered the community through *corporate social responsibility*.³ on 2023, PT Teladan Prima Agro invested 4,535.5 billion on corporate social responsibility initiatives that addressed the economy, health, education, infrastructure, social, cultural, and religious aspects, and institutional relations.⁴ as well as PT Perkebunan Nusantara VIII, which has disbursed Rp 4.75 billion over the last five years, with 69 % going toward social, 13 % toward education, 11 % toward the environment, and 7 % toward health. This money is delivered via physical infrastructure and other means.⁵ Every instance of CSR is implemented in the vicinity of the estate business.⁶ However, until now the poverty rate in East Kalimantan is still large where in 2023 alone it reached 231.08 thousand people⁷ and in West Java in March 2024 it amounted to 3.89 million people.⁸

Various kinds of literature explain the concept of CSR.⁹ There are 3 domains related to corporate social responsibility, namely corporate social responsibility budget sources, nomenclature, and programs. For example, Ackerman and Bauer state that the duty of CSR is decided by management.¹⁰ The According to the European Commission, corporate social responsibility (CSR) is the idea that businesses should consider ecological and social issues while conducting their operations and interacting with consumers.¹¹ The World Business Council for Sustainable Development defines CSR as a companies continuous pledge to act morally, support growth, and enhance the standard of living for its employees and the general public.¹² Carroll argues that there are 4 concepts related to CSR, namely in the economic field such as providing occupation, in the legal field such as complying with applicable laws, in the ethical field such as respecting the moral rights of the community, and in the discretionary field such as fulfilling the activities desired by the community.¹³ There are various theories related to corporate social responsibility, namely instrumental theory, political theory, integrative theory, and corporate social

of 363.8 thousand hectares with its leading commodities, namely coffee, tea, cocoa, sugar cane, rubber, coconut, palm oil, and tobacco. For labor in the West Java plantation sector as a whole, it is able to absorb up to 12.22 million people in August 2023. Despite being able to absorb a large workforce, in the vicinity of East Kalimantan plantations there are still 80,000 plantation workers who are still living in poverty and in West Java, in the tea plantation area owned by PT Perkebunan Nusantara (PTPN) VIII in the Pangalengan District area, South Bandung, approximately half of the families (59.7 %) of 504 families experience poverty.

3 ALEXANDER PHUKTJILEN, BEATUSTAMBAIP, "Has the Implementation of Csr in Increasing the Income of Palm Oil Farmers Community been Optimal?" Russian Law Journal 11, (3) (2023): 801-12,

4 PT Teladan Prima Agro, Sustainability Report of PT Teladan Prima Agro Tbk, 2023.

5 Report on the Visit, Specific Work, and Commission Vi, "In the Context of Reviewing the Company's Performance during the Session Period Iii Session Year 2022-2023," 2023.

6 Results of *Focus Group Discussion* with PT Teladan Prima Agro and PT Perkebunan Nusantara VIII.

7 Badan Pusat Statistik Provinsi Kalimantan Timur, "Number of Poor People by Regency/City (Thousand), 2021-2023," 2024,

8 Statistics Indonesia, "The Percentage of Poor People in West Java in March 2024 Decreased to 7.46 Percent," 2024,

9 Artan Nimani, Valbona Zeqiraj, and Denis Spahija, "The Importance of Corporate Social Responsibility for Companies: The Developing Market Study," Journal of Governance and Regulation 11, no. 4 Special Issue (2022): 314-20,

10 R. A Ackerman, R. W., & Bauer, *Corporate Social Responsiveness: The Modern Dilemma* (Reston Publishing, 1976).

11 COMMISSION OF THE EUROPEAN COMMUNITIES, "Promoting a European Framework for Corporate Social Responsibility," 2001,

12 R Holme and P Watts, "Corporate Social Responsibility: Making Good Business Sense," 2000.

13 Archie B. Carroll, "A Three-Dimensional Conceptual Model of Corporate Performance," Academy of Management Review, 4(4), 497-505." Academy of Management Review 4, no. 4 (1979): 497-505,

performance. The practice¹⁴ in Indonesia,¹⁵ through Law Number 40 of 2007 concerning Limited Liability Companies,¹⁶ says that the source of the corporate social responsibility budget comes from the Company's funds which is oriented towards instrumental theory which views that corporate social responsibility is only a tool to achieve economic and welfare goals by maximizing shareholder value as measured by share prices and strategic goals to achieve competitive advantage and long-term profits,¹⁷ while Law Number 19 of 2003 concerning State-Owned Enterprises says that the source of corporate social responsibility comes from profit after tax which is oriented towards ethics. These two different orientations cause confusion,¹⁸ especially for State-Owned Enterprises in the form of a Company, because State-Owned Enterprises in the form of a Company are subject to Law Number 40 of 2007 concerning Limited Liability Companies and Law Number 19 of 2003 concerning State-Owned Enterprises. With the many definitions of CSR and program, it is difficult to be universally accepted¹⁹ and causes many companies to find it difficult to understand this concept,²⁰ so that many companies carry out CSR in the field of infrastructure development such as PT Teladan Prima Agro and PT Perkebunan Nusantara VIII. Even policy makers also consider infrastructure development as part of the company's CSR.

Numerous policies²¹ mandate Corporate Social Responsibility (CSR) to engage in infrastructure initiatives typically designated for government²² responsibilities. For instance, in East Kalimantan, Article 4 of the East Kalimantan Governor Regulation Number 27/2021 stipulates the necessity for adequate housing and food provisions for reforestation efforts. Similarly, in West Java, Article 5 of the West Java Provincial Regulation Number 2 of 2013 outlines the guidelines for CSR and partnership and community development programs. As a result of this policy,²³ many companies end up spending more funds in the field of infrastructure development such as that carried out by PT Teladan Prima Agro which in 2023 spent Rp 1.95 billion. The expenditure of funds in this field is greater than the focus of other fields such as the economy of 222.2 million, education of 1,214.4 billion, health of 70.9 million, social of 454.7 million, environment

14 Suparno et al., "The Evolution and Implications of CSR in Indonesian Tobacco Companies: A Bibliometric Analysis Based on Business Law Theory," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 7, no. 2 (2024): 293–319, <https://doi.org/10.24090/volksgeist.v7i2.12029>.

15 Lelisari Siregar et al., "Penerapan Ketentuan Corporate Social Responsibility (Csr) Pada Perusahaan Swasta the Implementation of Corporate Social Responsibility (Csr) in Privately Owned Companies," no. 6 (2013): 220–34.

16 Pertamina Persero et al., "Pelaksanaan Corporate Social Responsibility Di Pt . Pertamina (Persro) Cabang Bima Implementation of Corporate Social Responsibility By Pt," 2015, 264–81.

17 Elisabet Garriga and Domènec Melé, "Corporate Social Responsibility Theories: Mapping the Territory," *Citation Classics from The Journal of Business Ethics: Celebrating the First Thirty Years of Publication*, 2013, 69–96, https://doi.org/10.1007/978-94-007-4126-3_4.

18 Syariful Alam, Sholahuddin Al-Fatih, and Merve Ozkan Borsa, "Islamism and The Challenge of Democratization in Indonesia," *De Jure: Jurnal Hukum Dan Syar'iah* 15, no. 2 (2023): 198–213, <https://doi.org/10.18860/j-fsh.v15i2.23398>.

19 Nimani, Zeqiraj, and Spahija, "The Importance of Corporate Social Responsibility for Companies: The Developing Market Study."

20 Nimani, Zeqiraj, and Spahija.

21 Gusliana HB, "The Authority of the Local Government in Forest Management and Its Implication toward Local Autonomy in Riau Province," *Jambe Law Journal* 1, no. 2 (2019): 251–67, <https://doi.org/10.22437/jlj.1.2.251-267>.

22 Yudha Trishananto et al., "Formulating Policies for Halal Tourism in Indonesia Based on Islamic Law," *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 24, no. 1 (2024): 47–70, <https://doi.org/10.18326/ijtihad.v24i1.47-70>.

23 Putu Eva Ditayani Antari, "The Implementation of Omnibus Law in Indonesia Law Making Process on Philosophy Review," *De Jure: Jurnal Hukum Dan Syar'iah* 14, no. 1 (2022): 179–94, <https://doi.org/10.18860/j-fsh.v14i1.15757>.

of 53.7 million, and institutional relations of 564.2 million.²⁴ Even PT Teladan Prima Agro's *corporate social responsibility* focus is on infrastructure development.²⁵ The same thing was also done by PT Perkebunan Nusantara VIII. It is not surprising that poverty around plantations is still prevalent.

This research uses empirical *legal* research that emphasizes phenomena that occur in society,²⁶ with *socio legal*.²⁷ The data used includes qualitative primary data through interviews and secondary data through literature studies related to *corporate social responsibility* and *Graduation Model Theory*. The data obtained is then processed by means of reduction, namely selection, simplification, and discarding unnecessary data so that later it produces meaningful data.²⁸

This study will go over how plantation businesses engage in corporate social responsibility (CSR), particularly with regard to reducing poverty and how efforts to overcome poverty with the *graduation model theory*?

2. ANALYSIS AND DISCUSSION

2.1. Corporate Social Responsibility activities carried out by PT Teladan Agro Prima and PT Perkebunan Nusantara VIII

The way in which CSR is implemented by PT Teladan Prima Agro is is executed based on ESG (*Environment, Social, Governance*) which is further outlined through the Sustainable Development Goals (SDGs) consisting of the economy (SDGs 8); education (SDGs 4); health (SDGs 3); infrastructure (SDGs 9); social, cultural, and religious; environment; and institutional relations and outlined in the principles of the Sustainable Palm Oil Policy (KSL) company which consists of 4 pillars namely *Good Corporate Governance, agro ecological, socio territorial, and economic viability*.²⁹ The execution of PT Teladan Prima Agro's CSR is governed by regulations, including Government Regulation of the Republic of Indonesia Number 47/2012 regarding the Social and Environmental Responsibility of Limited Liability Companies and East Kalimantan Governor Regulation Number 27 of 2021 concerning the execution of partnerships, growth of communities, and priority social and ecological responsibility initiatives in East Kalimantan.³⁰

The requirements and goals of the local community are taken into consideration when PT Teladan Prima Agro designs its CSR implementation.³¹ This activity is conducted to determine the requirements of the local community, since the areas of infrastructure and education will be the emphasis of CSR in 2023.

PT Teladan Prima Agro invested Rp 1.95 billion in infrastructure development projects including roadways, bridges, and waterways, totalling Rp 4,535.5 billion in 2023.³² economic sector such as empowerment of SMEs of 222.2 million,³³ education

24 Agro, Sustainability Report of PT Teladan Prima Agro Tbk.

25 Agro.

26 Yogesh Kumar Singh, *Fundamentals of Research Methodology and Statistics*, New Age International, 2006.

27 Sulistyowati Irianto, *Socio-Legal Studies* (Denpasar: Pustaka Larasan, 2012).

28 Johnny Saldana Matthew B. Miles, A. Michael Huberman, *Qualitative Data Analysis*, Third Edit (SAGE, 2014).

29 Agro, Sustainability Report of PT Teladan Prima Agro Tbk.

30 Results of *Focus Group Discussion* with PT Teladan Prima Agro.

31 Results of *Focus Group Discussion* with PT Teladan Prima Agro.

32 Results of *Focus Group Discussion* with PT Teladan Prima Agro.

33 Results of *Focus Group Discussion* with PT Teladan Prima Agro.

sector such as providing scholarships and providing teaching and learning facilities of 1.214.4 billion,³⁴ health sector such as the provision of Health Social Security Organizing Agency (BPJS) for the community of 70.9 million,³⁵ social sector of 454.7 million, environment of 53.7 million, and institutional relations of 564.2 million.³⁶

PT Perkebunan Nusantara VIII implements *corporate social responsibility* based on Sustainable Development Goals (SDGs) which are concerned with education; the society, economic, and social; health; and security and public order and the environment.³⁷ and West Java Provincial Regulation No.2/2013 about West Java's Community Development Programs, Partnerships, and priority social and ecological responsibility Guidelines. The use of CSR funds realized amounted to Rp 4.75 billion in the last 5 years with a composition of 69 % for social, 13 % for education, 11 % for the environment, and 7 % for health where CSR is in the form of physical infrastructure.³⁸ The provision of *corporate social responsibility* is carried out in region 1 which consists of the village or kelurahan where the business unit/plantation is located; region 2 which consists of the sub-district where the business unit/plantation is located;; region 3 which consists of the regency/city where the business unit/plantation is located; and region 4 which consists of the province where the business unit/plantation office is located.³⁹

In Indonesia,⁴⁰ legislation⁴¹ pertaining to corporate social responsibility include Law Number 40/2007 on Limited Liability Companies and Government Regulation Number 47/2012 on the Social and Environmental Responsibility of Limited Liability Companies. Local regulations governing corporate social responsibility exist, such as East Kalimantan Governor Regulation Number 27/2021, which concerns the execution of East Kalimantan's top initiatives for social and environmental responsibility, partnerships, and community development, as well as West Java Provincial Regulation Number 2/2013, which describes the guidelines for CSR, partnerships, and initiatives for community growth in West Java. Nevertheless, the regulations mandating the establishment of corporate social responsibility frameworks can be found in regional statutes, such as Article 5 of the West Java Provincial Regulation Number 2/2013, which deals with the Instructions for Corporate Social and Ecological Responsibility and Collaboration and Community Improvement Programs in West Java, and Article 4 of the East Kalimantan Governor's Regulation Number 27/2021, which deals with the carrying out of Particular attention Programs for Social and Ecological Responsibility and Collaboration and Community Growth Programs in East Kalimantan. It specifies requirements for environmentally friendly food and housing projects. As a result of

34 Results of *Focus Group Discussion* with PT Teladan Prima Agro.

35 Results of *Focus Group Discussion* with PT Teladan Prima Agro.

36 Agro, Sustainability Report of PT Teladan Prima Agro Tbk.

37 Building The Foundation Towards Sustainability and Building The Foundation Towards Sustainability," Annual Report 2020 Theme Explanations Building The Foundation Towards Sustainability," 2020.

38 Visit, Specific, and Vi, "In the Context of Reviewing Company Performance during the Session Period Iii of Session Year 2022-2023."

39 Foundation Towards Sustainability and Foundation Towards Sustainability," Annual Report 2020 Theme Explanations Building The Foundation Towards Sustainability."

40 M. Wildan Humaidi, Hariyanto, and Mabarroh Azizah, "Green Philanthropy: Islamic Activism on Indonesia's Environmental Democracy," *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 24, no. 2 (2024): 167–91, <https://doi.org/10.18326/IJTIHAD.V24I2.167-191>.

41 A. Zaenurrosyid, Hidayatus Sholihah, and Nurhidayatulloh, "The Islamic Philanthropy Model Based on Maslah } Ah } Principles for Developing Islamic Campus in Java," *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 24, no. 2 (2024): 279–304, <https://doi.org/10.18326/IJTIHAD.V24I2.279-304>.

this policy,⁴² many companies end up spending more funds in the field of infrastructure development and community empowerment in overcoming poverty is not optimal.

2.2. Graduation Model Theory in Efforts to Alleviate Poverty around Plantation Companies through CSR Activities

The implementation of CSR should still be a major issue, especially on poverty alleviation which is a structural problem, although poverty alleviation is not always the only reason for implementing CSR.⁴³ Currently, many companies are increasingly aware of this, so many of them use community empowerment strategies through CSR in overcoming poverty,⁴⁴ In different ways. Among these are those made possible by Porter's strategic philanthropy technique⁴⁵, Prahalad's theory of "development from the bottom up" (the bottom of the pyramid),⁴⁶ as well as Kao et al.'s empowerment approach.⁴⁷ Additionally, it should be mentioned that philanthropy and bottom of the pyramid development strategies are the most popular ways that corporate social responsibility is employed to combat poverty in developing nations.⁴⁸

Most often, the philanthropic approach is used because it contributes to the creation of shared value. Philanthropy is also focused on social investment since it may provide both social and financial advantages. The philanthropy technique, however, may not always provide definitive outcomes since charity may not always be a good approach for the underprivileged. Philanthropy's reliance on short-term development principles is one of the reasons this endeavour has failed.^{49 50}

Prahalad's approach⁵¹ suggests that, in addition to using the benefits presented by doing so, multinational firms should play a part in fostering more equitable and compassionate communities by facilitating regional approaches, developing new objectives, and increasing market accessibility. This strategy is also founded on labour market and natural resource theories, which seek to up skill and train the poor in order to increase their employment options (e.g., employment or self-employment), integrate them into corporate supply chains (e.g., Initiatives for local suppliers), or create their own self-employment.⁵² Furthermore, according to labour theory, the labour market is where businesses look for people to carry out their operations and workers provide their services in return for pay. This theory makes the assumption that higher-paying

42 Ahmad Siboy, "Pilihan Desain Penyelesaian Sengketa Kewenangan Lembaga Negara," *De Jure: Jurnal Hukum Dan Syaria'h* 14, no. 1 (2022): 75–91, <https://doi.org/10.18860/j-fsh.v14i1.12736>.

43 Aina Tarabini, "Education and Poverty in the Global Development Agenda: Emergence, Evolution and Consolidation," *International Journal of Educational Development* 30, (2) (2010): 204–12,

44 Uwem E. Ite, "Poverty Reduction in Resource-Rich Developing Countries: What Have Multinational Corporations Got to Do with It?," *Journal of International Development* 17, (7) (2005): 913–29,

45 Michael E. Porter and Mark R. Kramer, "The Link between Competitive Advantage and Corporate Social Responsibility," *Harvard* 84, no. December (2006): 78–92.

46 C. K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, *International Journal of Productivity and Performance Management*, 2005.

47 Tzu Yi Kao et al., "Poverty Reduction through Empowerment for Sustainable Development: A Proactive Strategy of Corporate Social Responsibility," *Corporate Social Responsibility and Environmental Management* 23, no. 3 (2016): 140–49,

48 Nicolas J.f. Ragodoo, "CSR as a Tool to Fight against Poverty: The Case of Mauritius," *Social Responsibility Journal* 5, (1) (2009): 19–33,

49 A. Prasad, P. Arjun, and R. Sampath Kumar, "Role of Corporate Sector in Alleviation of Poverty: A Study of CSR Programs in Visakhapatnam Steel Plant," *Indian Journal of Commerce and Management Studies, Educational Research Multimedia & Publications* 2, (2) (2011): 174–81.

50 Rochelle Spencer, "CSR for Sustainable Development and Poverty Reduction? Critical Perspectives from the Anthropology of Development," *CSR, Sustainability, Ethics and Governance*, no. April (2018): 73–87,

51 Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*.

52 Kao et al., "Poverty Reduction through Empowerment for Sustainable Development: A Proactive Strategy of Corporate Social Responsibility."

occupations are more valued because they require a certain kind of training, which increases the value of highly skilled individuals.⁵³

A better method of community development⁵⁴ in overcoming poverty through *corporate social responsibility* through the opinion of Kao et al.⁵⁵ which splits via growth in capacity and labour expansion in the market. Thus, the CSR strategy is a framework for strategic philanthropy,⁵⁶ growth in capacity,⁵⁷ labour expansion in the market,⁵⁸ and markets at the base of the pyramid.⁵⁹

With the many methods⁶⁰ that have been described, companies can implement *corporate social responsibility* activities that suit the conditions of the local community. Medina⁶¹ analysed a number of research in this field and determined the kinds of activities that businesses carry out, such as community development projects, business-related initiatives, and community service projects. Core business-related objectives, according to her study, include developing corporate social responsibility programs with underserved areas. They can acquire products and services that will meet their fundamental requirements, and these activities also aid in mapping the potential harmful effects of these activities. Community assistance programs, on the opposite hand, focus on providing the technology, financial resources, and technical know-how that the poor need to overcome poverty. These include material or monetary gifts, volunteer work, support for certain enhancements to essential infrastructure services (e.g., schools and hospitals), campaigns to address particular concerns (e.g. nutrition), etc. On the other hand, community development programs concentrate on increasing local population capacity and enabling them both individually and collectively to become self-sufficient. Activities that fall under this category include basic education and training, strengthening local suppliers, encouraging entrepreneurship, building major infrastructure (like roadways, fluids networks, medical facilities, and educational associations), providing technical and/or specialized advice (like legal services), and gaining access to micro lending and funding.

The implementation of corporate social responsibility in Indonesia, which emphasizes infrastructure development, has the potential to neglect important aspects, one of which is community empowerment in poverty alleviation. This area is often overlooked by companies even though it is the community that is most affected.⁶² Therefore,⁶³ companies can develop corporate social responsibility to overcome poverty through

53 Stan Masters, "Analysis of Nine-Month Interviews for Supported Work: Results of an Early Sample," 1977, 94.

54 Muh Afif Mahfud, Naufal Hasanuddin Djohan, and Muhammad Fahad Malik, "Land Bank in Indonesia: Disoriented Authority, Overlapping Regulations and Injustice," *Jambura Law Review* 6, no. 2 (2024): 240–63, <https://doi.org/10.33756/jlr.v6i2.24166>.

55 Kao et al., "Poverty Reduction through Empowerment for Sustainable Development: A Proactive Strategy of Corporate Social Responsibility."

56 Porter and Kramer, "The Link between Competitive Advantage and Corporate Social Responsibility."

57 Kao et al., "Poverty Reduction through Empowerment for Sustainable Development: A Proactive Strategy of Corporate Social Responsibility."

58 Kao et al.

59 Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*.

60 Danial Kelly, "Natural Resources Law in Australia: Principles and Practices," *Jambe Law Journal* 1, no. 2 (2019): 155–76, <https://doi.org/10.22437/jlj.1.2.155-176>.

61 Rita D. Medina-Muñoz and Diego R. Medina-Muñoz, "Corporate Social Responsibility for Poverty Alleviation: An Integrated Research Framework," *Business Ethics* 29, no. 1 (2020): 3–19,

62 Laurensia Andriani, "Mandatory Corporate Social Responsibility in Indonesia," *Mimbar Hukum - Fakultas Hukum Universitas Gadjah Mada* 28, no. 3 (2016): 512, <https://doi.org/10.22146/jmh.16669>.

63 Emmy Latifah and Moch Najib Imanullah, "Applying Precautionary Principle in Fisheries Management," *Jambe Law Journal* 1, no. 1 (2018): 13–34, <https://doi.org/10.22437/jlj.1.1.13-34>.

the Graduation Model Theory, where programs focus on investments at the household level. This program has a duration of 18-36 months to lift extremely poor households out of poverty. The components of the program include targeting, consumption support, savings, financial inclusion, skills transfer, asset transfer, life skills training and microfinance, which are implemented in a sequential manner. The Graduation strategy uses practical training to support a series of investments in basic necessities, resilience, social inclusion, confidence, business, money, and life skills, as well as new livelihood options.

The graduation approach originated with Sir Fazle Hasan Abed, who in 1972 founded the Bangladesh Rural Advancement Committee (BRAC), a nongovernmental organization based in Bangladesh. In 2002, BRAC developed the Targeted Poverty Reduction Program in Bangladesh. BRAC pioneered the Graduation approach based on its decades of experience in development work, particularly when it realized that many community empowerment activities did not have a sustainable impact on the extreme poor. The Graduation approach is comprehensive in that it integrates social protection, livelihood development, and microfinance approaches.⁶⁴

As students leave university to pursue future careers after gaining the requisite information and abilities, the word “graduation” is based on the analogy that is used in development discourse.⁶⁵ In addition to increasing domestic capacity and empowering family to participate in positive and productive relationships with the community and local economy, graduation fairly addresses the root causes of poverty. As families in severe poverty start to escape hardship, children start to enjoy stable, safe lives and have hope for a better future.

In general, this approach consists of four pillars: basic needs, income generation, finance and savings, and social empowerment, which must of course be adapted to the conditions of the community, since each region has different problems.⁶⁶

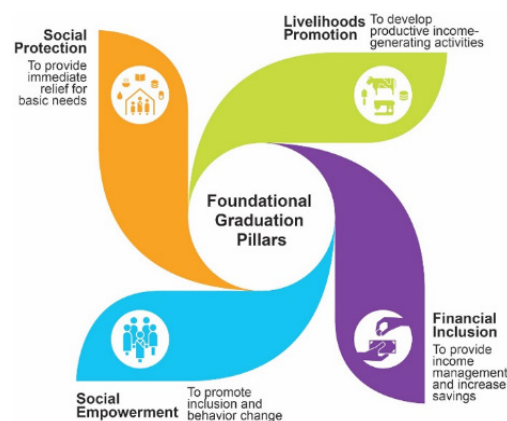


Figure 1: Four Basic Pillars of Graduation
Source: Isabel Whisson Nazia Moqueet, Jo Zarembo.⁶⁷

⁶⁴ Isabel Whisson Nazia Moqueet, Jo Zarembo, “Ultra Poor Graduation Handbook,” BRAC World Vision, 2019, 134.

⁶⁵ Stephen Devereux and Rachel Sabates-Wheeler, “Graduating from Social Protection? Editorial Introduction,” IDS Bulletin 46, no. 2 (2015): 1–12.

⁶⁶ Bangladesh Rural Advancement Committee, “Graduation-Overview-May-2021,” no. May (2021).

⁶⁷ Isabel Whisson Nazia Moqueet, Jo Zarembo, “Ultra Poor Graduation Handbook,” BRAC World Vision, 2019, 134.

1. Social protection

consists of preventative, protective, and promotional measures to enhance basic income security, including crisis support, consumption assistance, as well as obtaining health services and education.

2. Livelihood promotion

To promote spending, asset accumulation, and economic empowerment especially for women ensure stable and diverse sources of income for families. Market access, technical and business skills training, and asset or financial transfers for sustainable livelihoods or connections to formal employment are examples of interventions.

3. Financial Inclusion

Financial inclusion leads to improved revenue, risk mitigation, and financial independence. Interventions that are often used include monetary awareness training, utilization of either official or unofficial savings accounts, credits, and insuring systems

4. Social empowerment

giving families the tools they need to think confidently, encouraging community involvement, and encouraging constructive behaviour change. Interventions that are backed by a dedication to gender equality include coaching, social integration, and life skills training that covers all four pillars.

Through proper nutrition, education, and optimism for the future, the four pillars may help families become more resilient, empowering parents to provide for their children's needs and safeguard them. The Graduation strategy helps both men and women discover their own worth, better their status in society, and realise how they may affect their own circumstances.

Although local contexts influence graduation interventions, the fundamental requirements for this strategy are always the same. A graduating program must fulfil the following requirements in order to be classified as Very Poor:

1. Integration of the four main pillars of *graduation*: Home coachings should be included into graduation programs as a comprehensive intervention that integrates the four primary foundations of social safety, economic growth, monetary inclusion, and empowerment in society.
2. Assessment of local context before implementation: An evaluation that has been carried out before implementation should be used to customize graduation to the local environment. The assessment must be contemporary and assess context, fragility, market and earnings, genders and social integration, as well as current stakeholders and offerings, all from a viewpoint that prioritizes the impoverished and children.
3. Rigorous targeting: Accessing very impoverished households with at-risk children subsisting on less than \$1.90 USD daily (contextually adjusted) necessitates the implementation of stringent targeting protocols that include several procedures and verification, ensuring transparency, inclusive, and gender sensitivity. Local communities and, if applicable, the government should be included in the targeting process.
 - 1). Time-bound approach: *Graduation* ought to occur between 18 and 24 months following participant selection and be time-bound.
 - 2). Explicit exit plan with connections to services, financial markets, and social resources: So that families may continue to move ahead once the program ends, graduates should have a clear exit plan that connects them to markets, financial services, social safety programs, and community resources.

- 3). Clear and measurable *graduation* criteria: Clear, quantifiable, gender-inclusive graduation criteria pertaining to earnings, funds, nutritious food, societal advancement, and child welfare should be part of the graduation strategy.
Robust monitoring and adaptive learning framework: The evaluation system for the graduation method should be part of an adaptable curriculum and should track families' achievements towards graduation on an ongoing basis (at least monthly).
- 4). Routine domestic instruction for participants: A significant coaching component should be included during graduation, with front-line staff members doing frequent check-ins. This is important because mentorship helps individuals learn more deeply, overcome obstacles, efficiently manage their livelihoods, and behave in constructive ways. Inequalities in gender relations within families and communities may also be addressed with coaching.
- 5). Sufficient ratio of committed graduation personnel to participants: There should be enough staff members to guarantee weekly or biweekly help at the home level, with adjustments made for contextual considerations.⁶⁸ Businesses that adopt this idea should be educated, knowledgeable about the graduating process, and capable of providing the really poor with help in a gender-sensitive and compassionate manner.
- 6). Commitment to Gender Equality: Each graduation approaches treatment must be seen through the lens of gender equality, including integrating gender into the design of programs, planning, execution, observing, and evaluation as well as assessment.

Through specific programs in nutrition, wellness, and social protection such as eating support, vocational education in sanitary practices, illness prevention, and immunization and links to medical care, graduation can improve the health of moms and kids in communities that are at risk. Evidence indicates that children under five years of age from participating homes in Bangladesh showed a decrease in wasting and potentially underweight conditions.⁶⁹ The nutrition improvements may be attributed to household food security, vitamin A nutrition, and longer nursing alone. Both girl and boy in non-participant households showed similar trends, suggesting that graduation could have positive externalization for society.⁷⁰

Globally, Graduation has been identified as a key strategy in social protection as a means of equipping poor people with the skills, assets and capabilities to earn sustainable livelihoods⁷¹ and as an approach where the benefits far outweigh the costs of the program.⁷² More than 70 Graduation programs have been implemented by both governmental and nongovernmental organizations,⁷³ but to date, no company has implemented empowerment through the Graduation model through corporate social responsibility.

Although no company has yet implemented corporate social responsibility using the Graduation Model, the Indonesian government, through the Ministry of National Development Planning/National Development Planning Agency of the Republic of

68 The ratio of staff to participants may vary according to factors such as population density, travel costs to remote households, labor costs, etc. An adequate ratio usually ranges from 1 facilitator to 40 households in very sparsely populated areas, or 120 households in very densely populated areas.

69 Michael MacLennan, Fábio Veras Soares, and Ian Orton, "Debating Graduation," Policy in Focus 14, no. 2 (2017): 76.

70 MacLennan, Soares, and Orton.

71 Devereux and Sabates-Wheeler, "Graduating from Social Protection? Editorial Introduction."

72 Munshi Sulaiman et al., "Eliminating Extreme Poverty: Comparing the Cost-Effectiveness of Livelihood, Cash Transfer, and Graduation Approaches," *Cgap*, no. 11 (2016): 1–24.

73 Nazia Moqueet, Jo Zaremba, "Ultra Poor Graduation Handbook."

Indonesia, is attempting to formulate a policy entitled “The Graduation Model Theory of Change,” which can be seen in the following table:

The “Graduation Model” Theory of Change

Cash Transfer + Asset Transfer + Saving & Credits + Training Coaching = Graduation

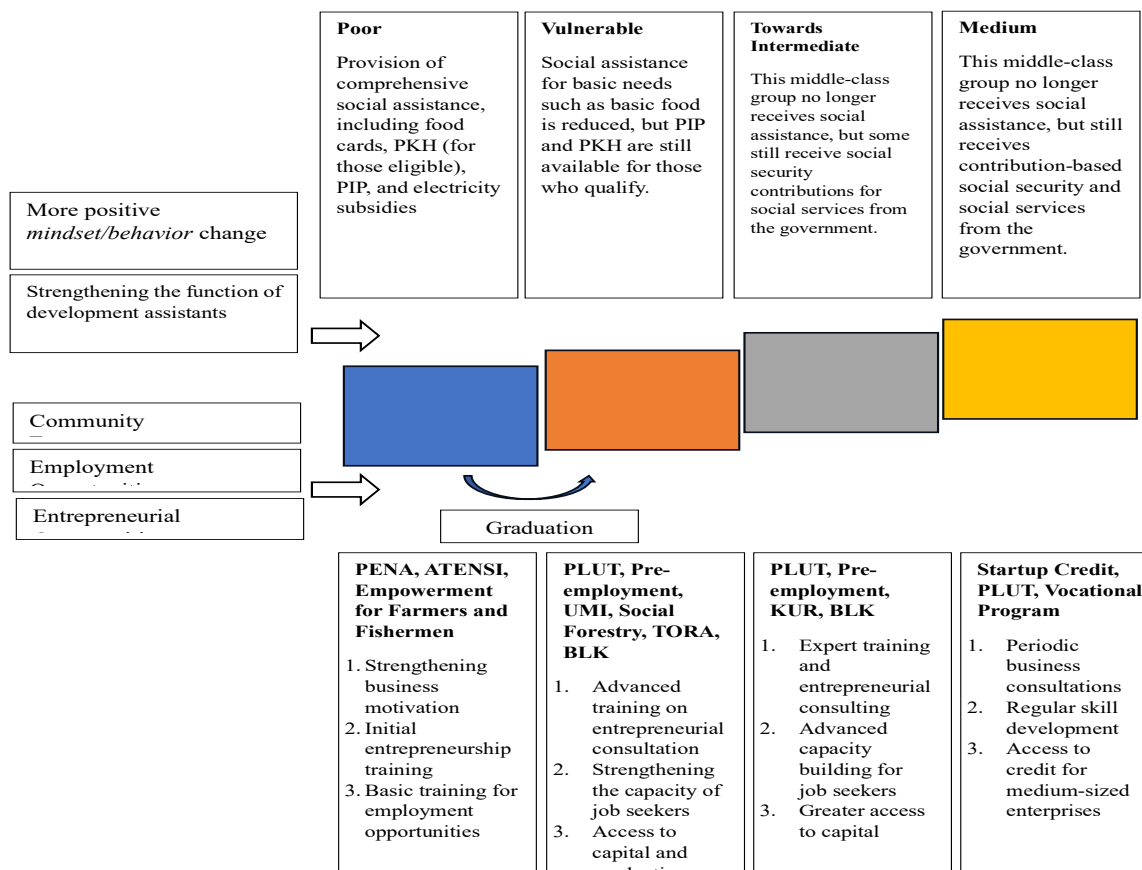


Figure 2. Graduation Model Theory in Indonesia

Source: Source: Ministry of National Development Planning/National Development Planning Agency of the Republic of Indonesia.

3. CONCLUSION

To date, there is no definitive definition of corporate social responsibility, making it difficult for many companies to understand its true meaning. This is especially true for state-owned enterprises in the form of limited liability companies, which are required to comply with Law No. 40 of 2007 on Limited Liability Companies and Law No. 19 of 2003 on State-Owned Enterprises. Government Regulation No. 47 of 2012 on the Social and Environmental Responsibility of Limited Liability Companies does not provide more detailed provisions on the implementation of corporate social responsibility that affects society. Finally, local governments have established corporate social responsibility policies that place more emphasis on infrastructure, such as in West Java through Article 5 of West Java Provincial Regulation No. 2 of 2013 on Guidelines for Corporate Social and Environmental Responsibility and Partnership and Community Development Programs

in West Java, and in East Kalimantan through Article 4 of East Kalimantan Governor Regulation No. 27 of 2021 on the Implementation of Priority Programs for Social and Environmental Responsibility and Partnership and Community Development Programs in East Kalimantan. and Community Development in East Kalimantan, which requires activities related to livable housing and food for reforestation. This has resulted in the implementation of corporate social responsibility being suboptimal and always viewed negatively by the communities living around the companies. Community empowerment through corporate social responsibility can be implemented using the Graduation Model Theory, which focuses on social protection, livelihood, financial inclusion and social empowerment to reduce poverty around plantation companies.

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