

Models of Social Responsibility Practice in Smes in Kediri Regency

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Abstract: *This study's purpose is knowing how the social responsibility implementation by the owners of SMEs in keeping the relationship with the society. This research is a qualitative research. The result of the research shows that type and capital of business can influence the amount of social responsibility practiced by the business owners. The characteristics of the business owners do not influence directly towards the implemented social responsibility. The result of the research also finds that SMEs owners in Kediri Regency unconsciously social responsibility practices in accordance with the applicable constitution.*

Keywords: *social responsibility, SMEs*

I. Introduction

The growth of small and medium enterprises (SMEs) has negative impacts on the surrounding environment. Even though the impacts are not as serious as companies have, but it will be better if SMEs also take part in maintaining the environment. Based on article 5 section 1 of Indonesian Law Number 25 of 2007 about Capital Investment, it can be done by any forms of companies, included a legal entity, unincorporated entity, and personal business entity. In article 15 section b, the capital investors have to undertake the corporate social responsibility. Thus, it can be concluded that stakeholders must practice the social responsibility, not only big companies but also small companies, according to their proportions.

Based on the explanations, this research is going to find out the social responsibility practices which are done by SMEs in Kediri Regency. The commodity in Kediri Regency takes part in creating the continuously increasing growth of SMEs. Based on Industry and Trade Service in Kediri Regency, the growth of SMEs in 2014 as many as 1303 SMEs were registered. From those such numbers, most of the companies were from micro and small businesses, with the number of 420 and 715, respectively. Most of SMEs were from food and drinks industries.

The increasing growth of SMEs in Kediri Regency creates negative impacts due to their operation activities. Even though the impacts are not really serious, if they are unattended then they will negatively affect the society living around the environment. Furthermore, based on East Java Government Regulation Number 4 of 2011 on Corporate Social Responsibility, article 1 section 6 states that social responsibility is practiced by legal entities which produce commercial goods or services. In article 9, the companies are not differentiated by their status as private or state organizations. East Java Government Regulation becomes the supporting materials of the research for further study about SMEs in Kediri Regency and to know how the social responsibility is practiced. The research pre-positions are: a) Manufacturing companies practice social responsibility and participate in reducing negative impacts. The manufacturing companies are more potentially in producing waste that will damage the environment; b) The larger the business capital of SMEs, the more social responsibility activities practice. That is, companies that have the good capital for operating activities would have the ability to practice social responsibility; c) The existence of gender differences affect the owners of SMEs social responsibility activities. The suspected, the male owners of SMEs have differences from the female owners in practicing the social responsibility; d) SMEs owners' age levels influence social responsibility activities. The suspected, the more mature the owners of SMEs, the more aware they have on social responsibility; e) The higher education level of SMEs owners, the more social responsibility activities. The higher education level of SMEs owners increasingly has good knowledge about the types and social responsibility practices that have been done by companies or other institutions. This knowledge is expected to improve the practice of social responsibility in the company.

II. Research Methods

This study will use a qualitative approach to phenomenological research. According to Creswell (2014: 20), phenomenology is a strategy in which researchers identified a phenomenon based on human experience to a particular event. Type of this research phenomenology is transcendental / psychological, the researchers develop a structural description of the others' experience, with the result that the researchers do not focus on the

interpretation of the researchers, but rather on a description of the experience of participants (Creswell, 2007: 59-60). The data are taken using interviews to SMEs in Kediri manufacturing by referring to the division of SMEs based on Central Statistics Agency (BPS). The interview process is conducted by the researcher using systematic questions which have been prepared in accordance with the focus of the study.

III. Discussion

The results of a survey of six owners of SMEs as informants by using a subjective measure, which is based on the business group and the number of employees who indicate the following information:

Type of Business	Group of Business	Number of Employees	Name of Owners	Age of Owners	Education of Owners
Tofu	Micro	2 people	Arifin	46 years old	Bachelor's degree
	Small	5 people	Dahlan	30 years old	High School
	Medium	50 people	Gatot	44 years old	Engineering High School
Bread	Micro	4 people	Umi	26 years old	High School
	Small	6 people	Didit	28 years old	Bachelor's degree
	Medium	45 people	Ninik	32 years old	Bachelor's degree

The Practice of Social Responsibility Based on Business Types

1. Tofu Industry

The survey results of tofu industry in Kediri show that the industrial waste management in business groups do not have similarities. The medium group has a better waste management if compared to the small and micro groups. In the medium group, the waste management is done by the availability of field as the waste reservoir also the waste is converted into biogas. While in the small group which has less environmental awareness, they still try to minimize the negative effects on the environment. It is supported by the statement one of the participants, "I canalize the waste into the backyard". The group which has the least environmental awareness is micro-enterprises. This group disposes the waste directly to the river behind the house. However, this activity claimed by the owner does not interfere with the activity in the community.

From those findings, it can be concluded that the awareness level of environmental management is influenced by the background of different business establishments. Rutherford and Oswald (2000) state that owners with more experience can affect business performance. This is also supported by I Welmilla, et al (2011) that owners' experience will affect the growth and development of SMEs. In the other research by Moya, et al (2012) also confirms that experience is one of determining factors of the survival of a business.

2. Bread Industry

The wastes of bread industry are broken bread, egg shells, and industrial waste such as cardboard boxes and sacks of flour. The waste management in the medium group is already high manageability. One of the informants said, "We collect the broken products in a special trash can, and later there will be some buyers who will process it for feeding their cattle and ducks." Moreover, for other waste, such as eggshell, this group is helped by the local society to collect it and it will be fed to their cattle.

Next, the small group has a similar way to the medium group to manage the waste, broken bread. One of the informants said, "It will be directly wasted into a special trash can, but sometimes there are some people who will gather it". While for egg shell waste, this group does not really manage it and just throws into dustbin directly. The next business group is micro enterprises which are slightly different from the previous ones. There is no treatment to manage the waste. The informant said, "Usually the broken bread will be either trashed or given for goat food. While for the egg shell, we just throw it away into dustbin immediately."

These three business groups use a special place in order to separate the trash from the manufacturing waste with the household waste. However, there is a little different in the medium group which is helped by the local society to accommodate the industrial waste, and this does not happen to the other two groups, small and micro groups. From the above explanation, it can be concluded that the age of the business may affect the level of industrial waste management. According to Islam, et al (2011), this research shows the life of a business is a factor that affects the success of businesses in SMEs. Furthermore, in the other research Hui, et al (2013) the result shows that the life of the company represents the company experiences as a positive impact on the sustainability of an institution. The result of Kipsha (2013) also supports that the age of the company can make the company develop organizational routines become more efficient and better performance. The findings of two types of businesses, tofu and bread industries, can be summarized that the practice of social responsibility in Kediri Regency based on the type of business affected by 1) the owners' experience, 2) the age of the business. If these findings are applied to theoretical stakeholders concepts, the greater the owners' experience and the age of the business, they will increase the value of business activities which marked with high manageability. This is also supported by research Lahdesmaki (2012: 52). It states that a close relationship with stakeholders can increase the strength directly with stakeholders through a process of social responsibility.

The Practice of Social Responsibility Based on Capital of Business

The survey data indicate that the capital owners of SMEs mostly are from the personal fund. In establishing a business, the owners tend to spend their personal fund rather than to loan money. Harash, et al (2014: 162) says that there is a relation between the availability of funds with the performance of SMEs. This can be seen from the owners who are brave enough to take risks through cooperation and loan in order to improve the performance and expand the market. This brave action is marked by the addition of cooperative relations as expressed by the informant, "We are helped by many relations then finally we successfully open a gift shop named GTT".

This can be proven by the research findings that the practices of social responsibility done by the owners are 1) to absorb more labors from the local community, 2) to be a committee of community activities, 3) to provide training, 4) to assist social institutions regularly, 5) to give bonus for customers as promotion, and 6) to give friendly service for customers. Not only from the social side but the practices of social responsibility also given to employees, such as 1) to provide a specialized physician for the employees and their families, 2) to give bonus or allowance, 3) to invite employees on vacation or eating out together. Furthermore, in the field of environment, social responsibility is practiced in the form of 1) the supply of rice fields as waste container production, 2) processing waste into biogas.

It can be interpreted that the higher the risk, the more the owners will result. The other factor that influences the business success is a different innovation from the owner by adding a variety of products. The products are derived from the local society which the result in an increasing performance was also felt by the local community. Zider (1998: 132) said that if the cooperation fund forms role in the period of innovation in the company's lifecycle. This is also supported by a statement Andayani (2011: 152) that businesses which use radical innovation is to harness the power of innovation not only in manufacturing but also in marketing and finance. One of the capital business that only comes from private capital owners is a group of small business bakery industry. Social responsibility of business conducted include 1) employment, 2) providing products to support social institutions and worship places. In addition, social responsibility in other areas of practice are 1) providing health funds, 2) giving dorms for employees, 3) taking employees a walk around or eating together. In the environment aspect, the practices of social responsibility are 1) processing the broken bread for animals food, 2) separating industrial waste with household waste.

By using private capital, the risks faced by owners can be minimized if compared to one with business loans. Now, the question is why owners avoid the risks by using private capital instead? The research finding can be seen from this interview with the informant, "To extend and add the numbers of employees yet because I think the level of production and number of employees are still appropriate. The demand is still adequate so far." From the above statement can be interpreted that the owner avoids taking a risk since he has been satisfied with current situation. The owner assumes at this time the fulfillment of the product is adequate for the community needs. The lack of risk-taking by the owner makes him not do some innovations and even not take over the market. Ozsomer, et al (1997: 403) stated that the uncertain environment or unstable condition is actually a conducive situation to develop the company through product or market.

On the other hand, the business group which uses capital loan is micro business bakery industry. The risk faced by the owner is a considerable effort. It is proven so far to pay the loan, this family business does not divide the salary expenditures. It has to be done as an effort to pay it back faster. From those risks, the practices of social responsibility undertaken by the owner are 1) to donate product for charities or local community, 2) to give donations, 3) to separate industrial waste with personal garbage. From those exposures, although the social responsibility is counted low, but the owner still practices it. The factor which influences the practice of social responsibility is to pay back the loan as soon as possible so that the burden is greater. This high risk is also less supported by product innovation by the owner. It is proven the owner does not increase the variety of products in the market.

From the findings, it can be seen that the owners have different risks and different types of innovation. Employers who use radical innovation in products, finance, or marketing have a higher risk level and capable of enhancing business performance. In businesses that use incremental innovation by improving the existing product proved to have a lower level of risk. The findings above, it can be concluded that the practice of social responsibility in Kediri based on capital of the business is affected by 1) the amount of capital, 2) the performance of the business, 3) innovation. This is supported by study Jenkins (2009) that innovation through an additional activity such as the use of environmentally-friendly technologies and the introduction of new products can be used as a strategy that can be combined with social responsibility activities. The other study that supports is from Asongu (2007) which states that the key to success in utilizing the kind of innovation the company from the perspective of CSR is the communication to the local government, the press and local people who have benefited from these activities. From the business ethics point of view, the study found the relationship between owners and employees who treat employees as family, so that owners try to minimize social gaps that may occur. It is said by the informant, "We tried to treat the employees like family so that they will stay longer

with us also not to discriminate among employees." These results are supported by research Lahdesmaki (2012: 84) that the relationship between business owners with employees is a friendship, so that the owners tend to use their sense whether the employees work properly or have a problem.

The Practice of Social Responsibility Based on Owners' Characteristics

1. The Practice of Social Responsibility Based on Owners' Gender

The findings show that there are no differences in the practice of social responsibility activities undertaken SMEs owners both male and female owners. This indicates that both of the owners have similar preference social responsibility activities. This finding is applied in the aspect of an employee. Most owners treat the employees as relatives so there is no different treatment among the employees. This finding is suitable with research Olli et al (2001) found that female business owners have a better environmental behavior than the male business owners. The results of this study support the findings of Johnson et al (2004) found no association between owners' gender and environmental behavior.

2. The Practice of Social Responsibility Based on Owners' Age

The results show that the age of the owners does not really affect the social responsibility practice, either young or old. This research finds that the practice of social responsibility is different in terms of the types of business. However, considering the length of business operation, it influences the business owners' behavior. This inconsistency can be directed to the level of experience of the owners. The inconsistency can be known to the perspective of the level of experience. The lower level of experience can influence the business owners' behaviors. Therefore, the solution is increasing their experience in terms of implementing environmental behaviors. The findings do not successfully support Johnson et al (2004) that older people tend to be more consistent in forming their environmental practice. It is different from the findings of Gadenne et al (2008) that demography factor of the business owners can influence their attitude and environmental behaviors towards the source of finance.

3. The Practice of Social Responsibility Based on Owners' Levels of Education

From the perspective of business owners' education backgrounds, the findings do not find a big influence towards social responsibility practices. It means that higher education does not guarantee a high level of social responsibility practices. This research supports Gadenne et al (2008) that the formation of environmental behaviors in business is not influenced by the owner's education backgrounds. This research also supports Johnson et al (2004) which does not provide any influence of business owners' education backgrounds towards their environmental behaviors. Furthermore, the social responsibility practice within the SMEs environment can be formed through the diversity of value and culture within the owners and the surrounding environment.

IV. Summary Results Discussion

- a. Social responsibility which is widely practiced by SMEs Kediri, are:
 - Waste management
 - Bonus and employee health fund
 - Donations for local community activities
 - Contribution to the social place
- b. Based on the type of business, social responsibility varies according to the business characteristics.
- c. The larger the SMEs capital, the more the value and variation of social responsibility.
- d. The age of SMEs owners does not directly affect the value and variation of social responsibility. This means that older owners do not necessarily have more social responsibility better than SMEs younger owners.
- e. The education level of the SME entrepreneurs does not consistently affect the social responsibility. That is, the owners who have higher education level do not necessarily have a greater social responsibility than the SMEs owners who are less educated.
- f. Based on the innovative ability, the owners who have higher capital and innovation will practice more the social responsibility.

V. Conclusion

The social responsibility activities undertaken SMEs in Kediri are influenced by diverse factors. Most SME owners have practiced the social responsibility based on the owner's personal initiative. However, the diversity of types and variations of social responsibility are affected by several factors, such as the types of business and the capital of business. Both factors significantly affect the various numbers of social responsibility undertaken by SMEs. The personal characteristics factor of business owners does not affect the various number of social responsibility practices.

This study successfully finds the different practices of the social responsibility which are affected by the types of businesses and the capital of business. For future research, it is suggested to expand the variety of business and business owners' personal characteristics in order to find broader and more concrete outcomes about the practices of social responsibility in SMEs.

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