Implementation of Corporate Social Responsibility on Corporate Reputation Through Social Capital Strengthening and Increasing Community Welfare

Sukaris
Management Department, Faculty of Economics and Business
Universitas Muhammadiyah Gresik, Gresik Regency, East Java, Indonesia
sukaris21@umg.ac.id

Nadhirotul Laily
Psychology Study Program, Universitas Muhammadiyah Gresik,
Gresik Regency, East Java, Indonesia
nadhirotul.laily@umg.ac.id

Damarsari Ratnasahara Elisabeth
Management Department Sekolah Tinggi Ilmu Ekonomi Mahardhika
Surabaya, Indonesia

Joko Suyono
Department of Management and Business, Narotama University
Surabaya, Indonesia 60117
joko.suyono@narotama.ac.id

Hendra Suwardana
Universitas PGRI Ronggolawe, Tuban, Indonesia,
suwardanahendra@gmail.com

Abstract
Autonomy of the community becomes a central theme of national development that is the responsibility of all elements of the nation's government, private and anyone and any organization. Viewed from the standpoint of government, the support of village funds was very adequate for advanced development and helpless. Alignments of other parties, example through corporate contributions to get involved in community development, empowerment towards Sustainable Development Goals (SDG's). This involvement by the corporate as a form of responsibility for the business activities among the people or the so-called social responsibility (CSR). Path technique analysis used in this study with a sample of 100 respondents, the results showed the effects of implementing CSR directly to the capital strengthening communities and improving the welfare of society as well as to the corporate image. Another result is the implementation of CSR that can explain the positive changes in the corporate's reputation through social capital and the improvement of public welfare. Several things need attention in the context of the implementation of CSR associated with social capital, social welfare and reputation of the corporate that CSR programs should be able to increase the ability of sustainable society and strengthen the conception of CSR in society.

Keywords:
Empowerment, Social Capital, Welfare, CSR, Sustainable
1. Introduction
The issue of community independence is a central theme of national development which is the responsibility of all elements of the nation, both government, private and anyone and any organisation. Judging from the government's point of view, this is clearly seen from the partiality of the policy of empowerment and development through village funds that are very adequate to reach an advanced and empowered village. This policy can also be interpreted as the embodiment of the nine agenda priorities of the Jokowi-JK government namely the third dream, namely to build Indonesia from the periphery by strengthening regional and rural areas within the framework of a Unitary State, and the seventh ideal that is to realize economic independence by moving sectors domestic economic strategy.

Partisanship from other parties, for example, can be seen with the contributions of companies both state-owned enterprises (BUMN) and private companies to engage in community development, empowerment towards sustainable development goals (SDG's). This involvement by the corporate as a form of their responsibility for business activities in the midst of the community. This activity is more commonly referred to as corporate social responsibility (CSR).

The role and plan for implementing corporate social responsibility (CSR) are expected to be able to realize the 3 main tracks of development (triple tracks) that have been proclaimed by the government and are political promises to the public, namely: (1) reduction in the number of unemployed (pro-job) (2) reduction in the amount the poor (pro-poor) and (3) increasing economic growth (pro-growth).

Empowerment, in general, has a significant meaning, namely improving the ability of the community and providing space for involvement in decision making. Model-based empowerment top-down or also called uniformity strategy sometimes less effective or less as needed, so the other alternative is to undertake an implementation plan based on the needs of the corporate social responsibility (bottom-up) without prejudice to the level of performance of the corporate itself.

The implementation of CSR programs will be able to strengthen the social capital of the community if the implementation involves the community in the stages of program implementation, the CSR program provides added value or benefits to people's lives, CSR programs can increase community capacity and can strengthen community institutions. This assumption will enable the community to interact and bring about the strengthening of the social capital of society.

Many CSR research related to the corporate's reputation has been carried out by several experts who focus on CSR research; however, CSR research on the corporate's reputation mediated by social capital and improved community welfare has not been widely carried out.

The output or success of the implementation of CSR programs is one of them is the strengthening of social capital because the social capital of society is fundamentally social relations that are interwoven in the daily lives of citizens, where social ties reflect the results of social interaction in a relatively long time. To produce networks, patterns of cooperation, social exchange, mutual trust, including the norms and values that underlie social relations. Pattern of relationships, so that underlie collective action or collective action between citizens. (Ibrahim, 2006). The creation of these conditions allows the community to have more welfare opportunities at the individual, family and community level. The assumption that social capital will play a role in improving community welfare if social capital consists of responsibility, participation, intensity of interaction, cooperation, trust and common ideas or ideas.

The big role of CSR implementation should be able to present positive outputs, among others, are strengthening the social capital of the community, as the community's capital in implementing development programs and individually can improve the level of welfare and the corporate gets a return, one of which is a good reputation. For this reason, this research becomes an exciting contribution in providing stakeholder confidence in the vital role of CSR implementation. So that the purpose of this study is the implementation of corporate social responsibility programs towards the corporate's reputation through strengthening social capital and improving community welfare.

2. Literature Review
2.1 Corporate Social Responsibility
Business life can take a long time, and in the long run, businesses must provide answers to the needs of the community and community members. This awareness is a result of the success of a society in solving massive economic problems, which are based on hunger, disease and poverty. For this reason, it must be defined by a new relationship between the business world and society to bring business activities closer to social desires to achieve a more quality life. The benefits of business involvement in social problems produce environmental conditions and provide positive things for business managers (Simorangkir, 2003).
The concept of CSR is relatively new. Even in classical corporate theory, the concept of CSR is hard to find. However, the issue of CSR if it is sought by its general character, the concept of CSR gets a relatively strong foothold because of the following two developments: First, in reality, the government agents cannot forever fulfill the welfare of society satisfactorily. Second, markets sometimes fail to allocate resources efficiently. This happens if, one of the actions of the market agent, it turns out to have an impact on the welfare or condition of the other party. Unfortunately, this impact is sometimes not considered by the agent concerned. Economic or corporate activities should be able to have a positive effect on changes in society within the corporate itself. These changes are indeed based on sincere willingness born from within the business/corporate. This is undoubtedly aimed at managing economic and social resources in its implementation to support stable development with the primary requirements of being efficient and even distribution. In a broader sense, CSR is understood as a more "human" concept in which an organization is seen as a moral agent. Therefore, with or without the rule of law, a business organization must uphold morality (Nussahid, 2006).

In an article entitled Corporate Social Responsibility and Resource-Based Perspectives, Brance and Rodrigues (2006) divided the benefits of CSR when linked to the competitive advantage of a corporate, from internal and external. Internally, the benefits include (Mursitama, 2011: 27):

a. Development of activities related to human resources. For this reason, there is a need for socially responsible labor practices.

b. The existence of pollution prevention and the reorganization of the management of the production process and the flow of raw materials, as well as the relationship with suppliers, goes well. The goal is to improve the corporate's environmental performance.

c. Creating an excellent corporate culture, human resource capabilities, and organization.

d. The corporate's financial performance, especially the stock price for companies that have gone public, has become better.

Meanwhile, the external benefits that can be obtained by the corporate from the implementation of CSR are as follows (Mursitama, 2011: 30):

a. The implementation of CSR will enhance the reputation of the corporate as a body that carries out proper social responsibility.

b. CSR is an excellent form of product differentiation. That is a product that meets the requirements of environmentally friendly requirements and is the result of a socially responsible corporate.

c. Implementing CSR and opening CSR activities publicly is an instrument for good communication with the public.

2.2 Corporate Social Responsibility and Community Empowerment

The process of improving community welfare can be applied to various approaches. One of them is community empowerment. The community empowerment approach is not entirely new, but as a strategy, in a related development, it has not been discussed for too long. The term empowerment in the context of society is the ability of the individual concerned.

Empowerment is a process and purpose (Ife, 1995; Suharto 2007). The meaning of empowerment as a goal, namely empowerment, is an indicator of the success of empowerment as a process. As a process, empowerment is a series of activities to strengthen the power and empowerment of weak groups in society, including individuals who experience poverty problems. As a goal, empowerment refers to the situation or outcome that a social change wants to achieve; that is, people who are empowered, have power or have the knowledge and ability to fulfill their needs, both physical, economic, and social, such as having self-confidence, being able to express aspirations, have a livelihood, participate in social activities, and be independent in carrying out their tasks.

Community empowerment is more than just strengthening the community's economy. It includes increasing citizen participation in the political sphere and enhancing the capacity of the community to do things that are in line with their aspirations, abilities and resources. For CSR to be able to empower the community, it is necessary to know the elements of empowerment (Phil Bartle, 2008). These elements can be developed not only to form an indicator of empowerment. However, also, to design the right strategy in making the Comdev program.

Comprehensive community empowerment is empowerment that has characteristics: (1) locally based, (2) oriented towards improving community welfare, (3) partnership-based, (4) holistically; and (5) sustainable (Asian Development Bank; in Vitayala, 2000).
2.3 Social Capital

The development in the modern era which is marked by the increasingly waning social values in society and moving towards individuals and communities that are increasingly individualistic, development programs certainly have to be able to encourage the spirit of togetherness, mutual trust, the community feels part of the development itself so what referred to as social capital, the community will remain and become stronger in the midst of society. Social capital is the ability of social institutions regulate individual, individuals in social institutions are sharing (sharing) the values and norms and make it as a guide in their dealings with one another so that a social institution in question binds each member of the community and will feel trust or build trust. (Rudito and Famiola, 2013; 57).

Uphoff; 2000, Suwartika; 2003, Arrohmah; 2014; dividing the components of social capital into two categories, namely, first, the structural type associated with various forms of social associations and second, the cognitive categories linked to mental processes and ideas based on ideology and culture. The components of social capital include:

a. Social relations (network); are patterns of exchange and cooperation relationships involving material and non-material. This relationship facilitates mutually beneficial and needs-based collective action. This component is included in the structural category.

b. Norm; agreements on rules that are believed and agreed upon together.

c. Trust; this component shows the norm about reciprocity, values to be someone who is trustworthy. In this form also developed the belief that other members will have the desire to act. This component belongs to the cognitive category.

d. Solidarity; there are norms to help others, together, cover joint costs for group profits. Attitudes of adherence and loyalty to the group and the belief that other members will carry it out. This component is included in the structural category.

e. Cooperation; there are norms for collaboration rather than working alone. Cooperative attitudes, desire to dedicate themselves, accommodating, accepting assignments and assignments for mutual benefit, belief that cooperation will be beneficial. This component belongs to the cognitive category.

2.4 Corporate Social Responsibility and Community Welfare

Kolle; (1974), Bintarto; (1989), Harori and Gunarto; (2014) welfare can be measured from several aspects of life first by looking at the quality of life regarding material, such as the quality of the house, food and some. Secondly by looking at the quality of life in terms of physical, such as body health, natural environment, and so on. Third, by looking at the quality of life regarding mental, such as educational facilities, cultural environment, and so on and fourth by looking at the quality of life regarding spiritual, such as morality, ethics, conformity adjustment, and so on. Susanto (2009) states the linkages of CSR and community welfare where companies can carry out their social responsibilities, focusing their attention on three things, namely profit, environment and society.

2.5 Positive Image and Reputation of The Corporate

Corporate reputation is a view, perception, judgment of a person on a particular object due to the information obtained or the interaction that occurred before

According to Seitel, most companies believe that a positive corporate image is an essential, sustainable and long-term success (Ardianto, 2004: 111). According to Bill Canton in Sukatendel said that the image is: "impression, feeling, the public image of the corporate: the impression that intentionally created an object, person or organization". So, the expression Sukatendel that image intentionally needs to be created is positive.

According to Jefkins, (2004: 20), there are several types of images, namely:

a. Mirror image, the perception held by people in the outside view of the corporate.

b. Current image, which is an image or view held by outside parties adopted by the corporate.

c. Wish image, which is an image desired by management.

d. Corporate image, the image of a corporate as a whole, not just the image of the products and services.

e. Multiple images, that each corporate or organization has many units and employees (members), each has its temperament and behavior so that it creates an overall corporate image.

3. Methods and Hypothesis

The approach used in this study is a quantitative approach. To be able to formulate research problems more specifically, a survey method is needed; namely, this study takes samples from the population using a questionnaire as the main data collection tool. There are two survey methods applied, namely descriptive survey and explanatory survey. In this research, the research model was used as an investigation type which is a type of causality which
aims to explain the relationship between variables, while the time horizon is cross-sectional which reflects the picture of a situation at a certain time in the year the research was conducted. The unit of analysis is the recipient community CSR program. The population in this study were 100 recipients of CSR programs. In this study sampling using saturated samples, so that all members of the community, cadres of waste banks, will be sampled. The number of samples taken was 100 people. Measurements were made using a Likert scale with a range of 1 for the values strongly disagree up to 5 to strongly agree. To test the accuracy and trustworthiness of the research instrument, validity and reliability were tested. In answering the research objectives, examining the relationships between variables and assessing the model compiled, model is presented as follows:

![Framework Model](image)

**Research Hypothesis**

a. The implementation of corporate social responsibility directly affects the strengthening of community capital  
b. The implementation of corporate social responsibility directly affects the improvement of community welfare  
c. The implementation of corporate social responsibility directly affects the corporate's reputation  
d. The Strengthening community social capital directly affects the Improving community welfare  
e. The Strengthening community social capital directly affects the corporate's reputation  
f. The Improving community welfare directly affects the corporate's reputation

**4. Results and Discussion**

After testing, it was produced that the model built in this study had fulfilled the underlying assumptions of the use of regression, namely, multicollinearity, heteroscedasticity, autocorrelation, normality. The results of the test instrument both validity and reliability in the study indicate that the instrument used is valid and has a consistent use at different times. With the results of this validity and reliability, the analysis at the next stage can be carried out. In analyzing this research data inferential methods are used to test the research objectives. In order to determine the effect and significance level of independent variables on the dependent variable, the results of the data analysis as follows:

<table>
<thead>
<tr>
<th>Path Model</th>
<th>Path Coefficients</th>
<th>P Value</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>X→Z1</td>
<td>0.433</td>
<td>&lt;0.001</td>
<td>accepted</td>
</tr>
<tr>
<td>X→Z2</td>
<td>0.398</td>
<td>&lt;0.001</td>
<td>accepted</td>
</tr>
<tr>
<td>X→Y</td>
<td>0.218</td>
<td>0.011</td>
<td>accepted</td>
</tr>
<tr>
<td>Z1→Z2</td>
<td>0.261</td>
<td>0.003</td>
<td>accepted</td>
</tr>
<tr>
<td>Z1→Y</td>
<td>0.184</td>
<td>0.028</td>
<td>accepted</td>
</tr>
<tr>
<td>Z2→Y</td>
<td>0.450</td>
<td>&lt;0.001</td>
<td>accepted</td>
</tr>
</tbody>
</table>
Model fit showing that Average path coefficient (APC)=0.324, P<0.001, Average R-squared (ARS)=0.337, P<0.001, and Average adjusted R-squared (AARS)=0.325, P<0.001, then it can be concluded that the model used is fit. And finally Effect sizes of indirect effects 0.028 with p value <0.001

4.1 The Influence of The Direct Influence of The Implementation of Corporate Social Responsibility Programs on Strengthening Community Capital.

Variable implementation of social responsibility programs significantly influences the strengthening of social capital of society. In general, CSR is an improvement in the quality of life that has the ability of humans as individual members of society to respond to existing social conditions that can be enjoyed, utilize and maintain the environment. The results of the study show that the corporate's CSR programs are carried out by involving community participation, beneficial programs, programs that can develop knowledge and programs that can enhance collaboration among community members will be able to strengthen the social capital of the community. So in other words, if the implementation of CSR programs that can bring engagement, participation, usefulness will increase social capital in the community including trust (trust), norms (norms), and networks (networks). The results of this study support the opinion of Kurnia (2016) that CSR and social capital have a two-way relationship that is causality and influence each other and the results of Aprianthiny's research (2015) states that CSR implementation at PT. Tirta Mumbul Jaya Abadi is categorized as social capital because one of the corporate's success is business sustainability. Business sustainability can be seen in internal party organizations and external parties. CSR is one of the factors of business sustainability by increasing trust in external parties, especially to the community environment because with the implementation of CSR the corporate is required to be more responsible for the environment and the community around the corporate.

4.2 The Direct Influence of The Implementation of Corporate Social Responsibility Programs on Improving Community Welfare

The implementation of social responsibility programs significantly influences the improvement of community welfare. In general, CSR is an improvement in the quality of life. It has the ability of humans as individual members of the community to respond to existing social conditions that can be enjoyed, utilise and maintain the environment. The results of the study show that the corporate's CSR programs are carried out by involving community participation, beneficial programs, programs that can develop knowledge and programs that can enhance collaboration among community members will improve community welfare. The results of this study support Mapisangka's research (2009), in the study on the implementation of CSR on the welfare of the community that variables such as corporate social responsibility, organizational social issue and corporate relations programs significantly have a positive influence on improving the welfare of the community and among variables, the variable corporate relations program has the most influence in influencing the improvement of people's welfare in the Batamindo industrial area, Batam.

4.3 The Direct Influence of The Implementation of Corporate Social Responsibility Programs Directly Affects The Corporate's Image

The implementation of a social responsibility program significantly influences the reputation of the corporate. In general, the implementation of CSR programs is an improvement in the quality of life. The results of the study show that the implementation of the corporate's CSR program is carried out by involving community participation, beneficial programs, programs that can develop knowledge and programs that can enhance collaboration between citizens will be able to shape or influence the corporate's excellent reputation. The results of this study support the research of Laksana (2012), the implementation of corporate social responsibility in shaping the corporate's reputation (Case Study of the Education Care Program at PT. Pupuk Kalimantan Timur), that in terms of implementation, CSR programs, especially caring for education, have been very good but still have deficiencies in communication strategies so that the program can also benefit the corporate's image and reputation towards the corporate's stakeholders.

4.4 The Influence of The Implementation of Corporate Social Responsibility Programs on The Corporate's Reputation Through Social Capital And Improving The Welfare of The Community

The application of CSR programs is an improvement in the quality of life with the ability of humans as individual members of the community to respond to existing social conditions that can be enjoyed, utilise and maintain the environment. The results of the study show that the implementation of the corporate's CSR program is carried out by

© IEOM Society International
involving community participation, beneficial programs, programs that can develop knowledge and programs that can enhance collaboration between citizens will be able to shape or influence changes in the corporation's reputation. The establishment of this reputation consists of the existence of a corporation that is considered significant, a proper commitment; the community already feels part of the corporation, success in the implementation of the program and also the public is more confident in the certainty of the corporation's concern for the surrounding environment. The formation of the corporation's reputation can also be through the strength of the community's social capital and increasing public welfare. This research supports Arrohmah (2014), The Influence of Social Capital on Community Participation in Corporate Social Responsibility (CSR) Programs and Their Impacts on Community Economic Capability, from the documentation study concludes that CSR is an inseparable part of efforts to create community welfare, as well as participation The level of community participation in CSR is related to the economic capacity of the community. In general, empowerment is a series of activities to strengthen the power of weak groups in society, including individuals who experience poverty problems. Local economic empowerment means enabling the surrounding community to be economically independent or at least provide a boost to economic development in the area. With the existence of CSR, it is expected to have a positive influence on the welfare of the community and the economic development of the surrounding community. Community empowerment can be realised through the involvement of the whole community in its implementation. With this full involvement, it can strengthen social capital in the community, and this will have a positive impact on the image and sustainability of the corporation's value. Besides, it is also known that high social capital will affect the desires of civil society participation in various forms.

5. Conclusions
The results of this study are the implementation of corporate social responsibility programs directly affect the strengthening of community capital, the implementation of corporate social responsibility programs directly influence the improvement of community welfare, the implementation of corporate social responsibility programs directly affect the corporate's image, and the implementation of corporate social responsibility programs can explain the positive changes in the corporate's reputation through community social capital and improvement of community welfare. Research results can be an opportunity for future managerial practices and research agendas. Managerial Practices; Several things need attention in the context of implementing CSR programs that are associated with social capital, community welfare and the reputation of the corporate including; a). CSR programs must be able to improve community capacity for long-term (sustainable) activities not in the context of spending program funds; b) The corporate must continue to encourage the recipient community to have the responsibility and ownership of the program implemented; and c) The corporate must implement a more concrete CSR program in increasing income economically because it is the primary objective in the concept of triple bottom CSR. The research agenda allows further research to add to the effectiveness variables of business institutions or business groups assisted by CSR programs.

References
Mapisangka Andi, Implementasi CSR terhadap Kesejahteraan Hidup Masyarakat, JESP, Vol. 1, No. 1, 2009
Mursitama, Corporate Social Responsibility (CSR) di Indonesia, Teori dan Implementasi : Studi Kasus Community Development Riaupulp INDEF. *Institute for Development of Economic and Finance (INDEF)*: Jakarta, 2011

**Biographies**

**Sukaris** is a lecturer at the Faculty of Economics and Business, University of Muhammadiyah Gresik, East Java, Indonesia. This college is under the supervision of the Ministry of Research, Technology and Higher Education. His last education was Masters in Management Science at Airlangga University, Surabaya, Indonesia. Currently pursuing a doctoral program in management at Airlangga University, Surabaya, Indonesia. Her research interests are in marketing, tourism and community development. Apart from teaching and researching, he is also active in community service activities, especially community empowerment.

**Nadhirotul Laily** is a lecturer at the Faculty of Psychology, University of Muhammadiyah Gresik, East Java, Indonesia under the supervision of the Ministry of Research, Technology and Higher Education. His last education was a Masters in Professional Psychology at Airlangga University, Surabaya, Indonesia. Currently pursuing a Doctoral Program in Psychology at the Sultan Idris Education University (UPSI), Perak, Malaysia. His research interests are in the fields of interpersonal mistreatment, well-being, and employees’ development. Apart from teaching and researching, he is also active in community service activities, especially community empowerment.

**Damarsari Ratnasahara Elisabeth** is a lecturer at Sekolah Tinggi Ilmu Ekonomi Mahardhika, Surabaya, Indonesia. She is a teacher in the field of management. She got bachelor degree in industrial management from Insitut Teknologi Adhi Tama Surabaya, Indonesia and master degree in management focusing in human resource management from Sekolah Tinggi Ilmu Ekonomi Mahardhika, Surabaya, Indonesia.

**Joko Suyono** is a lecturer at Narotama University, Surabaya, Indonesia. He is also as Head of Master of Management at Narotama University, Surabaya, Indonesia. He got bachelor degree in business administration and also accounting, he got master degree in industrial management and also in marketing management, and he got doctoral degree in business administration. Prior becoming a lecturer, he is a practitioner as senior manager in some multinational corporation such as Stanley Works Indonesia (USA Company), Ericsson Indonesia (European Company) and Lotus Indah Textile Industries, a multinational company in the textile, spun yarns.

**Hendra Suwardana** is a lecturer at the PGRI Ronggolawe University Tuban East Java Indonesia, he teaches in the field of management at the Industrial Engineering Study Program, Engineering Faculty. His last education was Masters in Management Science at Airlangga University, Surabaya. His research specialization includes management science and organizational development strategy. In addition to teaching, he is active in carrying out community service in strengthening the field of community local economic empowerment.