

## **Banyuwangi Regency Government Policy Concerning Corporate Social Responsibility in An Improvement Effort Cultural Tourism**

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### **Abstract**

This research design is about how companies use social responsibility as a form of ethics to improve performance in the long term. Entrepreneurs, governments and society as a whole must ensure that companies are socially responsible. Companies have a social responsibility that is not only limited to providing funds for cultural improvement programs, but also treating their employees well, building long-term relationships with the environment, and running sustainable programs. The urgency of this research is expected to be able to provide direction to companies to carry out social responsibility in making policies and making decisions in accordance with regional government policies that support regional cultural tourism. Companies have an obligation to make policies, take decisions, and do things that are beneficial to society, which is known as social responsibility. Organizational strategies, structures and systems, as well as cultural and organizational strengths achieve organizational goals. The theories raised include the theory of social responsibility and local culture, as well as the reformulation theory of government policy design. By using a qualitative descriptive analysis method supported by interviews, documentation and focus group discussions (FGD), it is hoped that it can provide solutions to reformulate government policies that can support cultural tourism through corporate social responsibility. This research aims to reformulate the draft government policy regarding corporate social responsibility to lead and support Banyuwangi regional culture in an effort to improve the community's economy and the Banyuwangi cultural tourism industry. The output of this research is to provide a policy design reformulation to the Banyuwangi government regarding corporate social responsibility.

### **Keywords:**

corporate social responsibility policy; cultural

### **Introduction**

Is corporate social responsibility now considered an investment, not a profit? The Indonesian government introduced Presidential Decree Number 59 concerning Guidelines for Implementing Corporate Social and Environmental Responsibility in 2012. This decision provides guidelines and criteria regarding the implementation of Corporate Social Responsibility in Indonesia and stipulates that every company must report their Corporate Social Responsibility activities regularly. Companies in Indonesia are also encouraged to implement sustainable business practices that consider the social

and environmental impacts of company activities (Ebekozi et al., 2023). Many entrepreneurs are not happy with the cancellation of the Limited Liability Company Law, especially Article 74, which has caused polemics. According to data collected by researchers, companies spread across Banyuwangi Regency, both BUMN and BUMS, are still not implementing corporate social responsibility to the maximum, meaning that Banyuwangi, which is dubbed as a district that has cultural tourism, is still not supported by companies spread across the Banyuwangi area through corporate social responsibility program. The problem is that the Regency Government has not formulated policies regarding corporate social responsibility starting from 2014. This research is expected to be able to unravel problems between the government, companies and the community in supporting the progress of regional cultural tourism. The urgency of the research is that it is hoped that the regional government can reformulate the design of regional regulatory policies regarding corporate social responsibility and offer a model for distributing corporate social responsibility to improve the regional cultural tourism industry of Banyuwangi Regency, which is currently well known as the city of the cultural festival entitled Sunrise of Java.

The state of the art and novelty in this research is how to apply three aspects of the field into a single study, the three aspects of the field include policy implementation, then corporate social responsibility, and the next aspect is local culture or local wisdom. There are several previous studies, but only one or two aspects of the field without being combined. Therefore, researchers try to collaborate from the field of public administration science, namely regarding (government policy implementation), the field of business economics (corporate responsibility), and from the field of cultural arts (local wisdom).

Potential findings in this research include:

- a) The influence of local cultural values on the implementation of Corporate Social Responsibility?
  - Adaptation of the Corporate Social Responsibility program according to local norms and customs
  - Differences in Corporate Social Responsibility priorities based on cultural context
- b) The role of traditional leaders and community figures in implementing Corporate Social Responsibility?
  - Involvement of cultural stakeholders in Corporate Social Responsibility planning
  - The impact of support from cultural figures on the success of the Corporate Social Responsibility program

- c) Integration of local wisdom in the Corporate Social Responsibility strategy?
  - Utilization of traditional practices in community empowerment programs
  - Cultural preservation through Corporate Social Responsibility initiatives
- d) Public perception of Corporate Social Responsibility based on cultural background?
  - Variations in societal expectations of the company's role in different cultural contexts
  - The influence of culture on the level of acceptance of the Corporate Social Responsibility program
- e) The impact of Corporate Social Responsibility on socio-cultural changes in society?
  - Transformation of traditional values due to Corporate Social Responsibility program intervention
  - Potential cultural conflicts arising from the implementation of Corporate Social Responsibility

#### 1.1. Specific Objectives of the Research

Through this research, an agreement can be reached that it is hoped that local companies and the district government will provide guidance to studios established to preserve traditional cultural values through the Corporate Social Responsibility program. The aim of this research is also to encourage the Banyuwangi Regency government to reformulate regional regulations to require companies in Banyuwangi Regency, both BUMN and BUMS, to have Corporate Social Responsibility programs that are more directed and supportive of regional culture. As done by PT. Pertamina and PT. PLN towards Batara Papring village.

The chairman of Batara Papring Village, Widie Nurmahmudy, has played a real role in preserving culture through the distribution of Cultural Corporate Social Responsibility. Even though up to now he has not directly developed cultural studios, his work has been proven by providing artistic facilities and infrastructure, such as gamelan, angklung and barong dance attire as well as places to practice and perform. The chairman of Batara Papring Village, Widie Nurmahmudy, not only provides a place in Kemiren but also helps provide funding when cultural actors perform outside the city or even abroad.

This research design discusses how companies use social responsibility as a form of ethics to improve performance in the long term. Entrepreneurs, governments and society as a whole must ensure that companies are socially responsible. Companies have a social responsibility that is not only limited to providing funds for environmental programs, but also treating their employees well, building long-term relationships with the environment, and running programs that support regional

culture in Banyuwangi Regency (Perda. Banyuwangi Regency No. 3 of 2014 About Corporate Social Responsibility).

**Figure 1.**

**Cultural CSR activities of PT. Pertamina in Batara Papring village, Banyuwangi.**



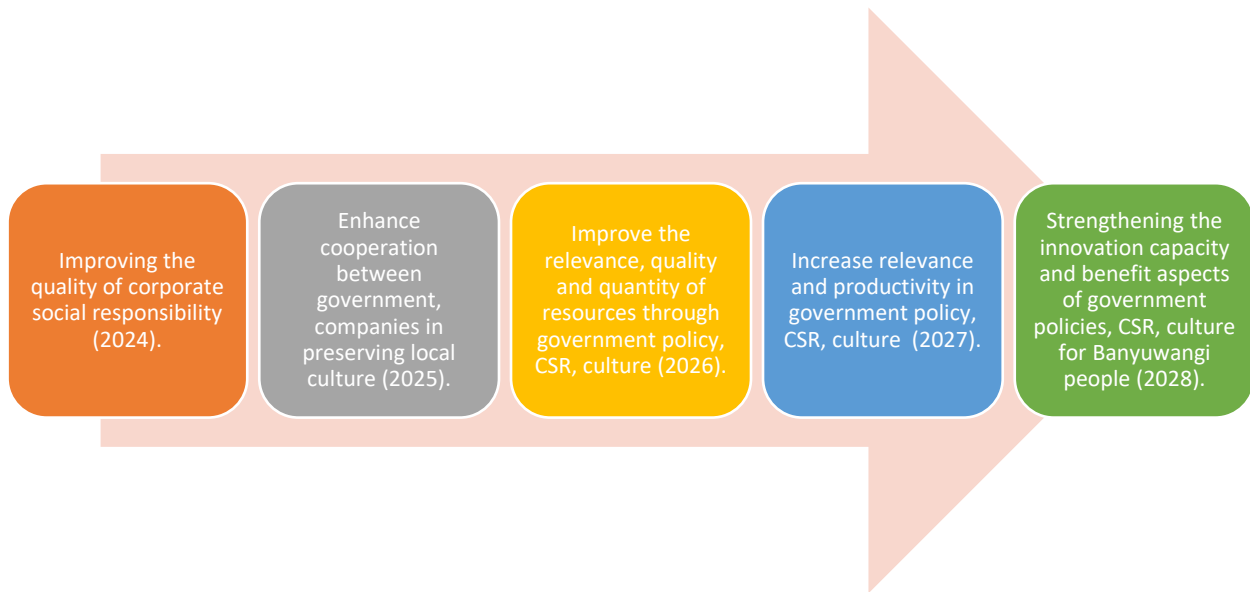
## 1.2. Research Urgency

The urgency of this research is expected to be able to provide direction to companies to carry out social responsibility in making policies and making decisions according to local government policies that support regional cultural tourism. Companies have an obligation to make policies, take decisions, and do things that are beneficial to society, which is known as social responsibility. Organizational strategies, structures and systems, as well as cultural and organizational strengths achieve organizational goals. The theories raised include theories of social responsibility and local culture, as well as theories of reformulation of government policy design. Through this research, an agreement can be reached that the hope is (Hidayah et al., 2018):

- a) Can analyze corporate social responsibility answers in various cultural contexts, as well as through government policies;
- b) Able to identify the influence of culture on the implementation of corporate social responsibility;  
And
- c) Can pivot the company's strategy in aligning social responsibility programs with local cultural values.

The chairman of Batara Paping Village, Widie Nurmahmudy, has played a concrete role in preserving culture through the distribution of Cultural Corporate Social Responsibility. Even though up to now we have not exclusively built cultural studios, this agreement has been clearly proven through the provision of art facilities and infrastructure, such as gamelan, angklung, dance and barong as well as places to practice and perform (Pakaya Idris & Samboteng, n.d.).

Image 2. Roadmap and Strategic Value



## Research Method

(TOPIC): Corporate Social Responsibility

(PROBLEM): The TSP policy may not be in favor of preserving local culture

(URGENCY): There needs to be a TSP policy that supports local culture

(NEWNESS/ORIGINALITY): Researchers try to collaborate from the field of public administration science, namely regarding (Reformulation of government policy design), the field of business administration science (corporate social responsibility), and from the art tourism industry (local culture) as a novelty.

(OBJECTIVE): Reformulate policy designs regarding corporate social responsibility to support regional culture in an effort to improve the community's economy and the cultural tourism industry.

(CONTRIBUTION): For the government, this research can have a positive impact, because through policies regarding TSP, it can improve the community's economy through cultural tourism.

For companies, this research can increase public trust, especially art and culture lovers and practitioners, so that companies gain profits and image in the long term. For culture, this research can encourage the development and preservation of cultural tourism, improve the economy of arts actors to become independent, with synergy between government, companies and culture.

**(METHODS)** This research uses a qualitative approach with data collection techniques through interviews, FGD, observation and documentation (Sandberg et al., n.d.). strategy in solving policy reformulation problems using Thomas R. Dye's theory (*PS(H)-IV-Public Policy and Administration in India-1-Thomas r Dye*, n.d.) which consists of 4 dimensions including:

- 1) Problem formulation dimensions,
- 2) The dimensions of the policy agenda,
- 3) Dimensions of selecting policy alternatives and
- 4) Dimensions of policy determination have been tested and researched.

Then Thomas R. Dye (IMISCOE Research Series Visual Methodology in Migration Studies Karolina Nikielska-Sekula Amandine Desille Editors New Possibilities, Theoretical Implications, and Ethical Questions, n.d.) described the public policy process in several stages, including:

- a) Identification of policy problems
- b) Preparation of agenda
- c) Formulation of policy
- d) Ratification of policy
- e) Implementation of policy
- f) Evaluation of policy.

## **Research results**

The historical journey of Corporate Social Responsibility in Indonesia cannot be separated from the regulations that bind it. There are several legal bases for Corporate Social Responsibility in Indonesia, both directly and indirectly, which are regulated in laws and regulations such as: Law no. 23 of 1997 concerning Environmental Management, which states that everyone has the right to play a role in managing and maintaining the environment. Thus, community participation in supporting Corporate Social Responsibility is necessary to preserve the environment (Liou et al., 2023). UU no. 13 of 2003 concerning Employment, which requires companies to pay attention to the welfare and work safety of employees. UU no. 25 of 2007 concerning Capital Investment, concerning the obligation of companies to carry out Corporate Social Responsibility activities as part of corporate

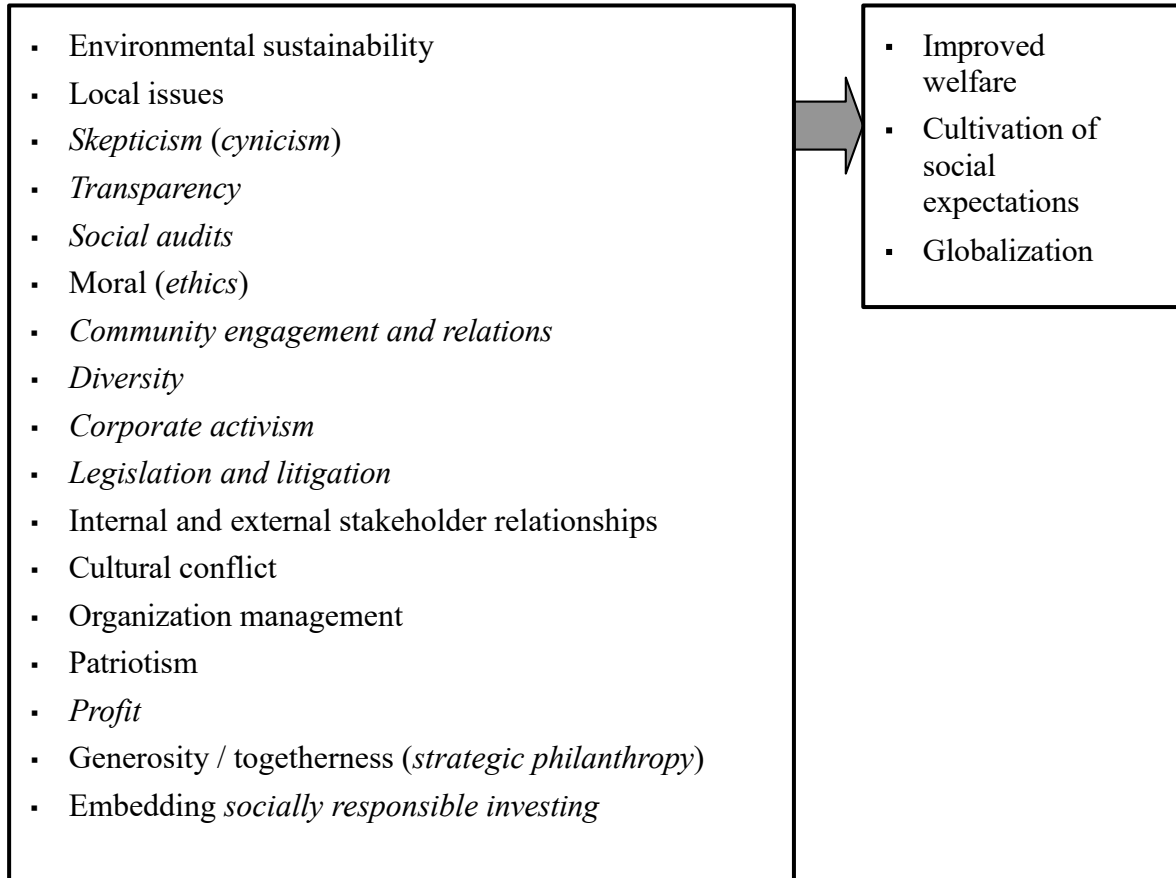
social responsibility. UU no. 40 of 2007 concerning Limited Liability Companies, which requires companies to pay attention to social and environmental aspects in their operations. Government Regulation no. 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies, which regulates the implementation of Corporate Social Responsibility by companies. In addition, several organizations such as the Global Reporting Initiative (GRI) and ISO 26000 provide guidance and frameworks for companies in implementing Corporate Social Responsibility practices.

In the early 20th century or 1900s, large companies in the United States began to establish social departments or "corporate philanthropy". The department is responsible for providing financial assistance to charitable organizations and other social activities. In 1953, an economics professor, Howard Bowen, wrote a book entitled "Social Responsibilities of the Businessman". The book discusses the concept of "corporate social responsibility" and is the beginning of modern Corporate Social Responsibility practices. In the 1960s and 1970s, Corporate Social Responsibility practices began to be adopted by large companies throughout the world. In 1971, Milton Friedman, a famous economist, wrote an article entitled "The Social Responsibility of Business is to Increase its Profits" which challenged the concept of corporate social responsibility. This article sparked debate about corporate social responsibility and made a major contribution to the development of the modern concept of Corporate Social Responsibility.

From the above definitions, it can be concluded that in practice CSR must be in line with legal regulations, bring benefits, be ethical, respect social values, and fulfill aspects of accountability. In other words, CSR is the responsibility of a corporate organization (corporation) for the impact of its decisions and activities on society and the environment that is transparent, ethical, consistent with sustainable development and community welfare, taking into account the expectations of stakeholders, in accordance with applicable law, in line with international norms of behavior, and integrated in the management of the corporate organization. Thus, there are at least seven elements of corporate social responsibility, namely the environment, human rights, labor, community empowerment, organizational governance, consumer issues, and sound business practices. Schematically, the aspects contained in CSR can be seen in Figure 3(Nazir et al., 2023).

**Figure 3.**

**Essential Elements of CSR in a Global Perspective (Nazir et al., 2023).**



**Identification of policy problems**

CSR has become a shared need between business, government, and society based on the principles of partnership and cooperation. On the one hand, CSR is a strategy that must be carried out so that companies are able to maintain the continuity of their activities. On the other hand, CSR has become important due to the rapid economic development, the increasing complexity of social problems, and the relative lack of institutionalization of social responsibility in several companies that focus on cultural development.

In connection with the identification of policy problems, the Department of Social Affairs (Silva, 2023) provides four reference criteria for the classification of CSR programs. The four reference criteria are: (1) community norms and values; (2) applicable laws and regulations; (3) business practices and corporate culture; and (4) individual perspectives. (3) business practices and

corporate culture; and (4) individual perspectives. A full explanation of the four criteria is provided below.

First, community norms and values are important to consider considering that their existence and application differ across regions and ethnicities. Therefore, the implementation of CSR programs must be in line with the norms and values of the community in which the company operates. This should be noted because the introduction of changes or activities is sometimes sensitive to the norms and values of a community.

Second, from the aspect of laws and regulations, the reference for the classification of CSR Programs is based on, among others: (1) Law No. 6 of 1974 on Basic Provisions of Social Welfare; (2) Law No. 1 of 1995 on Limited Liability Companies; (3) Law No. 19 of 2003 on SOEs; (4) Government Regulation No. 25 of 2000 on Central Government Authority and Autonomous Regional Authority; (5) Law No. 32 of 2004 on Local Government; and (6) Law No. 40 of 2007 on Limited Liability Companies, especially regarding Social and Environmental Responsibility.

Third, business practices and corporate culture are another important classification reference because each company has specific business practice and culture characteristics. These characteristics correspond to the type of business (manufacturing, services, etc.), the scale of the work unit, financial performance, sensitivity, history (length of time) of operational activities, and the scope of business operations, which in turn affect the implementation of CSR programs both in serving internal interests (employees and their families) and for external interests (the public or the wider community).

Fourth, individual perspectives should be taken into account since people have different backgrounds and aspirations. This needs to be realized because some individuals may benefit while others may be negatively impacted by the implementation of CSR programs. Therefore, the key word in answering this individual perspective is “participation”, which is a mechanism for beneficiaries to guarantee equity and sustainability of CSR programs. The above classification reference is intended to assist companies in the decision-making process so that CSR programs can be implemented effectively and efficiently, accountable to all stakeholders, and beneficial both for the social environment of the community and for the company itself.

### **Preparation of agenda**

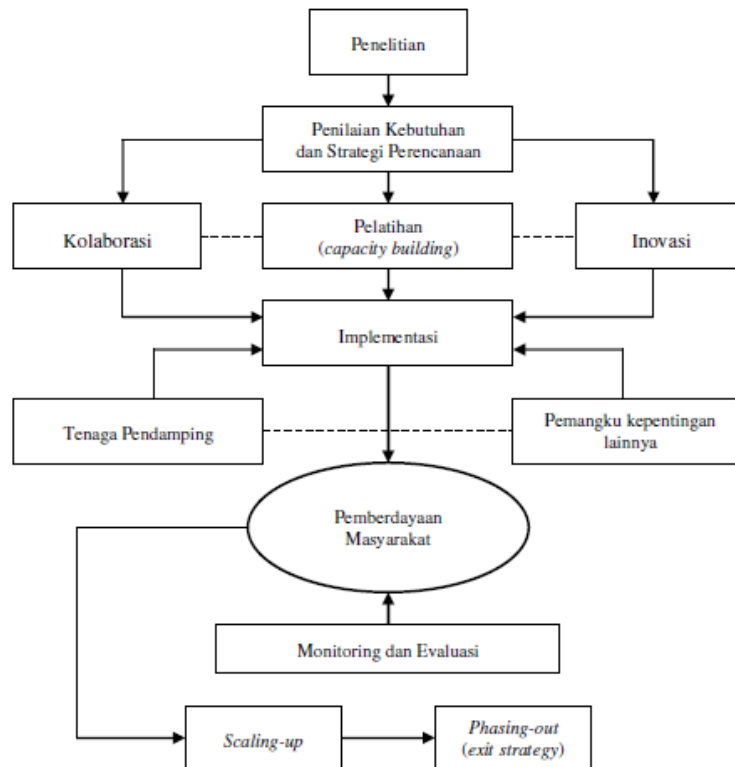
In setting a policy agenda to determine public problems to be solved, the Banyuwangi Regency regional government has prepared very carefully to establish a corporate social

responsibility policy. Through a problem structuring process, where policy issues can develop into a policy agenda, with the following conditions (Katsir et al., 2024):

1. Has a big effect on the interests of society;
2. Make an analogue of fishing with public policies that have been implemented;
3. Able to be linked to existing national/political symbols;
4. Market failure occurs;
5. Availability of technology and funds to solve public problems.

Given that the implementation of CSR programs depends on the availability of funds, time, and energy of the parties concerned (especially companies), community empowerment is the main concept that must be carefully prepared in advance. The terms of reference can be seen in Figure 4.

**Figure 4.**  
**Reference Concept for Community Empowerment**



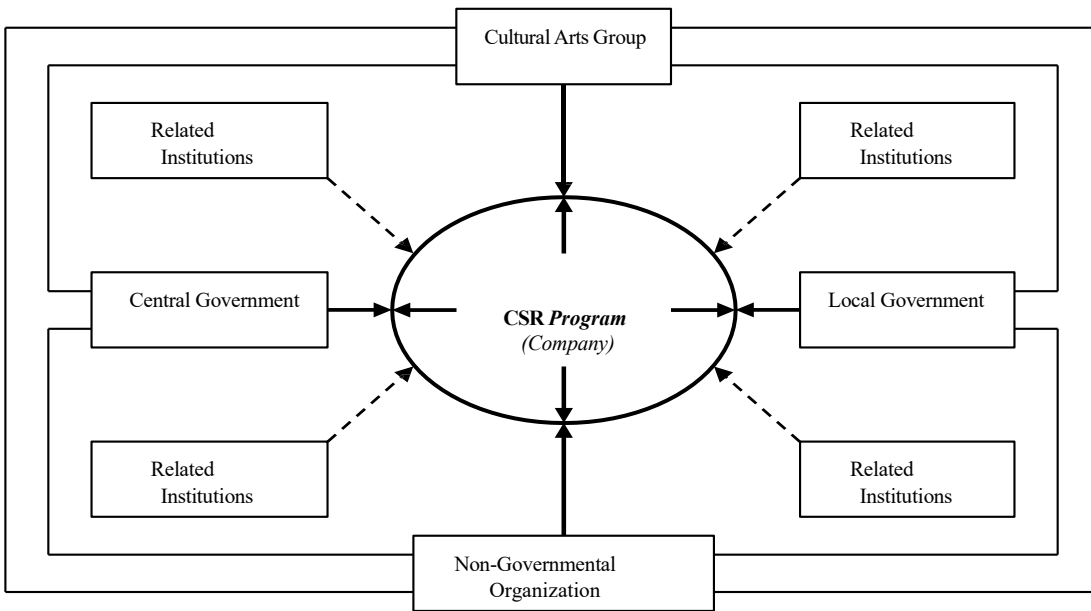
### Formulation of policy

Community empowerment is not easy, but it is also relatively easy. Commitment, patience, as well as learning by doing and iterative action are the key ingredients in implementing community empowerment. Another important thing is that all activity processes are well documented. It can be

noted that the components of the CSR Program include sponsors (companies), facilitators (central government, local government, and related institutions both formal and non-formal, including NGOs), and targets or targets (Cultural Arts groups).

**Figure 5.**

**Recommendations for CSR Program Implementation from the Perspective of Local Wisdom**



The implementation of the CSR Program by involving all the above components is designed based on institutional engineering mechanisms. The steps include the following, (Nazir et al., 2023):

1. Formation of a forum (steering committee) that includes all components of the company, government (all levels), community and community organizations (farmer groups), non-governmental organizations, and other relevant institutions (stakeholders).
2. Initiation of institutional relationships and organization of activities based on a memorandum of understanding.
3. Program concept planning by all implementers discussed in periodic meeting forums.
4. Planning discussions with priority/focus on important, practical, and strategic issues with short-term and long-term community empowerment dimensions.
5. Allocation of funds for activities discussed through the forum, including for example how much the company and government contribute or if necessary from other related institutions.

### **Ratification of policy**

The preparation of the activity agenda, in the preparation of the Company's social responsibility policy, which is used to prepare and provide input for policy formulation in Banyuwangi Regency has been carried out in accordance with the provisions in activity adoption, where policy adoption is a stage for determining policy choices through stakeholder support. This stage is carried out after going through a recommendation process with the following steps (Baglioni, 2024): 1. Identifying policy alternatives, 2. Identifying certain and selected criteria to assess the alternatives to be recommended, 3. Evaluating these alternatives using relevant criteria so that they are effective. The positive policy alternatives outweigh the negative effects that will occur.

**Figure 6.**

### **Visit of the Untag Banyuwangi academic community to Batara Village**



### **Implementation of policy**

At the activity implementation stage, corporate social responsibility policies in Banyuwangi Regency are still very weak, only state-owned companies are implementing these policies well. In accordance with chapter V, implementation of corporate social responsibility, articles 8-11, regional regulation number 3 of 2014. Policy implementation is a series of activities after a policy is formulated. Quoting (Söderberg & Liff, 2023), he stated that policy implementation is not just related to the mechanism of translating political decisions into routine procedures through bureaucratic channels, but more than that, policy implementation concerns issues of conflict, decisions and who gets the benefits. what of a policy.

### **Evaluation of policy.**

The process of evaluating corporate social responsibility policies in Banyuwangi Regency has not been implemented well. In accordance with the opinion of (Katsir et al., 2024), evaluation is an activity that aims to assess the benefits of a policy. Managerially, evaluation is an attempt to measure and provide objective value regarding the achievement of results that have been planned and determined previously. In evaluating corporate social responsibility policies, in general there are three aspects that are expected from a policy evaluator, namely: 1. Aspects of policy formulation, 2. Aspects of policy implementation, and 3. Aspects of evaluation. (Waller et al., 2024). The facts on the ground are that only companies under the auspices of BUMN remain committed to implementing corporate social responsibility, through programs that support local Banyuwangi culture.

### **Conclusion**

Globally, CSR has become a demand for companies to demonstrate social responsibility and healthy business behavior. This matter was discussed at the UN Global Compact meeting in Geneva (Switzerland) on 25 July 2007. In line with that, in Banyuwangi Regency, CSR also received important attention with the issuance of Law no. 40 of 2007 concerning Limited Liability Companies, especially regarding Social and Environmental Responsibility. Despite resistance from the corporate sector, the law needs to be implemented as intended. Reward and punishment accompanied by law enforcement must be sought to motivate companies to fulfill their social and environmental responsibilities based on applicable laws and regulations in accordance with Regional Regulation number 3 of 2014 and Regional Regulation number 43 of 2015. Reactions from companies can be overcome through socialization and brainstorming between stakeholders.

Regarding the development of the cultural sector, CSR programs should be implemented through the legitimization of statutory regulations as well as socialization processes and brainstorming activities. The "pick up the ball" initiative accompanied by incentives and social security policies from the government through community participation supported by other stakeholders is needed to invite companies to jointly implement CSR programs in the arts and culture sector, in accordance with Thomas R. Dye, that is:

- a) Identification policy problems
- b) Preparing the agenda
- c) Policy formulation
- d) Ratification of policies

e) Policy implementation

f) Policy evaluation.

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