



## Analysing CSR Practice in Regional Development Bank (*Bank Pembangunan Daerah*) in Indonesia: A case study and proposed solutions

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**ABSTRACT:** This article discusses about the corporate social responsibility (CSR) of regional development banks (*bank pembangunan daerah* or BPD) in Indonesia through a case study of a BPD in East Java province. As a company majority-owned by the local provincial government or governments, a BPD is expected to support the regional development agenda and take a role in improving the local economic welfare, including through CSR programmes, besides providing typical financial and banking services. This improves the notability of BPDs' CSR programmes, as well as forms expectations on the programme. A suitable and improved CSR programme is therefore necessary to allow BPDs to fulfill its role as a supporter of the local development agenda of the government. This article starts by a brief introduction on the topic of CSR and BPDs in Indonesia, literature review, identification of the issues, analysis, and finally concluded with proposed solutions in relations to the case study. The research in this paper is conducted in qualitative method. Data used for research in this paper were obtained through interviews, company reports, and observation during the author's internship at the company.

**KEYWORDS:** *Bank pembangunan daerah*, BPD, Corporate social responsibility, CSR, development agenda

### I. INTRODUCTION

Corporate social responsibility (CSR) has become an important part of contemporary business landscape. The earliest idea of corporate responsibility was conveyed by Bowen (1953) in *Social Responsibilities of the Businessman*, in which he stated that corporate responsibility is derived from a moral dilemma experienced by businessmen. Their goal is to gain profit and maximise assets as much as possible. At the same time, businesses are pressured to recognise the impact of their decisions on the society. In more contemporary sources, Khan, et. al. (2012) describes CSR as a process undertaken by organisations or business in developing its actions and culture to meet social consciousness. It can therefore be defined that CSR stems from the assumption that businesses that have profited from the society should give back to the very same society, as well as meeting the interests of all involved stakeholders.

As time progresses and the public becomes increasingly conscious about consumer issues and civil rights, especially during the 1960s (Carroll, 2016), CSR started to be adopted by companies from all over the world. This gave rise to international standards to standardise corporate responsibility programmes, one of which is the widely-used ISO 26000: Guidance on Social Responsibility. ISO 26000 was introduced in 2010 by the International Organization for Standardization. The standard is voluntary and non-binding, nor it is a form of certification. It acts as a guidance for companies to conduct their responsibility affairs and is divided into 7 (seven) core subjects: (1) organisational governance, (2) human rights, (3) labour practices, (4) the environment, (5) fair operating practices, (6) consumer issues, and (7) community involvement and development (ISO, n.d). In Indonesia, limited liability companies, known as *perseroan terbatas*, are legally obliged by Act No. 40/2007 to introduce social and economic responsibility programmes which are aimed to benefit the local community and the general public.

CSR is an effective way for businesses to create value for communities. As a result, businesses may enjoy enhanced public reputation and positive impression, and eventually increase confidence on the company hence attracting new investments or business relations (Arief and Pangestu, 2021). Businesses may attract empathy from the wider public, as long as they are aware of their role in creating value for the society through CSR programmes and publicise it through the appropriate communications strategy (Arief and Pangestu, 2021). Virtually, all companies, no matter the size nor their products, are able to give back to the society and environment through social responsibility programmes (Carroll, 2016). This paper focuses on a type of financial company in Indonesia known as *bank pembangunan daerah* (BPD), literally 'regional development bank'. A BPD is owned wholly or in majority by provincial

government or governments (Purwanto, 2019). As the term suggests, BPDs are expected to support regional economic development and community empowerment together with the respective provincial government(s) (Purwanto, 2019).

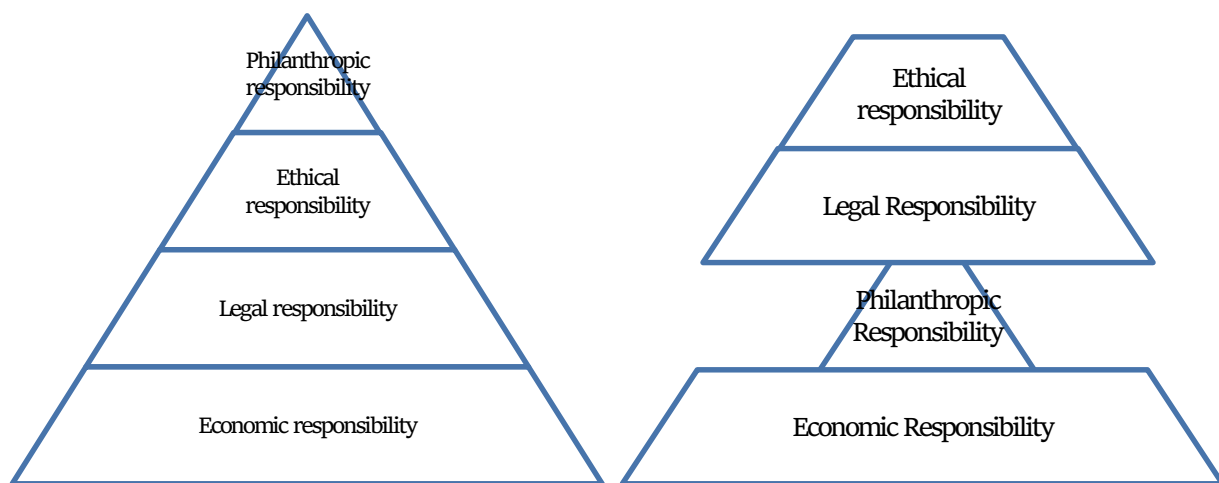
This article focuses on the CSR programme of a BPD in East Java. The bank is majority-owned by the provincial government of East Java, provides banking services, and contributes to economic growth and community empowerment in the province. Such a CSR programme is undertaken to fulfil East Java Provincial Regulations No. 4/211, which states that companies operating in the province shall introduce social responsibility measures by providing monetary grants, subsidy for governmental projects, social service, empowerment of MSMEs, or social assistance to the society. The bank's CSR programme is handled by a specific CSR Unit under the Corporate Secretary, which will be the focus of this case study. This case study is intended to propose solutions to the aforementioned business issues, as well as suggesting standards and strategies that can be implemented by the CSR programmes of other BPDs.

## II. LITERATURE REVIEW

This section describes the theories and past studies on three topics relevant to this research: CSR in developing countries, CSR in the banking industry, and CSV as a way to rethink CSR in contemporary times.

### A. CSR in Developing Countries

According to Khan, et. al. (2012), businesses are willing to introduce CSR programmes due to the following motivations: (1) CSR initiatives improve the reputation of businesses, (2) as a part of marketing or branding strategy that can attract investments, (3) the existence of pressure on human rights and environmental issues, (4) the trend of campaigns on ethical practices, and (5) demand or pressure from their own stakeholders.



**Figure I.** Carroll's CSR Pyramid (left) with ordering in developing countries (right) (adopted from: Carroll, 2016)

Carroll's (2016) CSR Pyramid is one of the most popular CSR model; it explains that CSR consists of four types of responsibilities. Ranked from the most fundamental one, they are economic, legal, ethical, and philanthropic responsibilities. The order in developing countries, however, is modified; philanthropic responsibility gets precedence immediately after economic responsibility (Carroll, 2016), signalling that philanthropy is held in higher regard by the public than the fulfillment of legal and ethical responsibilities. CSR is increasingly intertwined with development agendas (Blowfield, 2005) and in developing countries, they are regarded as a way to expand the local economy and improve the welfare of the people (Sharma and Sathish, 2022) especially when the capability of the local government is limited (Khan, et. al., 2012). It can therefore be known that CSR in developing countries is treated as a way for a business to contribute in alleviating poverty and liberalise the economy (Carroll, 2016).



## ***B. CSR in the Banking Industry***

All companies, irrespective of their size, board structure, or specialisation, are able to introduce responsibility programmes in the form of community empowerment or preservation of the environment to give back to the society from whom they have profited (Nwude and Nwude, 2021). Coupled with the appropriate publication efforts, CSR can improve the company's reputation and attract empathy from the general public (Arief and Pangestu, 2021). Banks started to take sustainability and responsibility issues into account in the 1980s when companies began to integrate for-profit operations with environmental, social, and governance (ESG) concerns (Weber and Chowdury, 2020). Thanks to their financing powers, banks are able to engage on a wide variety of CSR programmes, such as cultural, environmental, economic, healthcare, and educational programmes (Mansoor, 2016).

CSR programmes undertaken by banks usually have the following characteristics: (1) planned and executed in a way that guarantees long-term benefits and positive impression, (2) focused on a particular sector or expertise commonly associated with the bank, (3) concentrated rather than diversified, and (4) complemented with an extensive feedback or evaluation system to ensure the relevance and benefits of the CSR programmes in the long run (Sharma and Shatish, 2022). The prevalence of social and environmental responsibility programmes in many parts of the world gave the urgency of standardising the practice, with *ISO 26000: Guidelines on Social Responsibility* being the widely-used standard adopted by companies, including banks (Licandro, et. al., 2019). The standard, which consists of seven core subjects, calls for transparency, accountability, community development, fair practices, and fulfillment of human rights within and without the organisation (ISO, n.d.).

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## ***D. Rethinking CSR in Contemporary Times through CSV***

As time progresses, corporate responsibility practices are evaluated and developed, giving rise to new ways to understand CSR. One of the popular thinking is Creating Shared Value (CSV) by Porter and Kramer (2011). CSV aims to integrate corporate responsibility with business processes, thus creating value for the society around the company. CSV breaks the common paradigm of business becoming charitable donors through CSR programmes or even treating it solely as a public relations stint (Menghwar and Daood, 2021); it seeks to treat business activities and creating value for the society as one indivisible course of action rather than two mutually-exclusive policies (Masanell and Ricart, 2011). Porter and Kramer (2011) lines out three types of value creation in CSV. First, innovation of new products or services that will benefit the environment, society, and the economy. Second, improving productivity in value chain and governance concerning all stakeholders of the company. Third, empowering the local society for development through investment on welfare as well as increasing business productivity.

Porter and Kramer's (2011) definition of CSV was conceived in the developed world, therefore necessitating a different understanding of the concept in developing countries. Porter and Kramer (2011) calls for CSR to be succeeded by CSV. However, CSV ought to be considered as an extension or supplement of CSR programmes in developing countries where corporate



philanthropy remains the effective and visible method to contribute to the society (Khurshid and Snell, 2021), noting the unique ordering of Carroll’s CSR Pyramid in developing countries as previously mentioned (Carroll, 2016). CSV in developing countries in Asia places a higher emphasis on supporting the local industry, such as micro, small, and medium enterprises (MSMEs), with the expertise that the company possesses, since local industries are seen as a powerhouse of the local economy that may directly improve the welfare of the society (Khurshid and Snell, 2021).

III. RESEARCH METHOD



Figure II. Action research approach (adopted from: Stringer, 2007)

The research in this paper is conducted in qualitative method with the approach of action research, which is divided into three phases: (1) Look, also known as ‘building the picture’ when the researcher describes, define, and explore the issue; (2) Think, in which the researcher interprets and analyses the situation; (3) Act, which is when the researcher proposes solution to address the issues encountered (Stringer, 2007). Based on an insight on the company’s profile and the literature review, the following research questions are identified:

- RQ1 : What issues are faced by the CSR programmes of BPD?
- RQ2: : How should the issues be solved to improve the CSR programmes?
- RQ3 : How should a BPD implement CSV to keep up with the dynamics of corporate responsibility?

This research utilises both primary and secondary sources. For primary sources, results of observation during the author’s internship at the CSR Unit of the bank in May–July 2022 will be used. Semi-structured interviews, also known as qualitative research interviews which have pre-determined themes and are not limited on a fixed questions list (Mathers, et. al., 1998), were also conducted. The author interviewed five individuals. Two of which are staff members of the CSR Unit, and the rest are representatives from CSR beneficiaries. The interviewees were asked about their knowledge on CSR, the bank’s CSR programme and its benefits, and possible improvement to the programme, including the possibility of implementing CSV. The list of interviewees are available on the table below.

Table 1. List of interviewees

Interviewee	Remarks
CSR Unit Staff 1	Works at the bank since 2015 and the CSR Unit since 2016
CSR Unit Staff 2	Works at the bank since 2018 and the CSR Unit since 2019
Beneficiary 1	Organisation received personal computers
Beneficiary 2	MSME supported by the bank’s CSR. Employs people with disability
Beneficiary 3	Organisation received an ambulance

In addition to primary sources, this research also makes use of secondary sources. Defined as data that has existed and is readily available without any prior intention to extract it (Hox and Boeije, 2005), secondary data used in this research are the company’s annual and sustainability reports, company website, laws, and regulations of the local government.

IV. RESULTS

A. Business Issues Identified

As understood from the author’s observation during an internship at the company and the five conducted interviews, the company’s CSR programme is facing several issues, namely: (1) disparity between different CSR fields, (2) the absence of a distinguishing feature of the CSR programme, (3) limited manpower at the CSR Unit, and (4) insufficient dissemination of information.

**Table 2.** CSR value of the company in 2019–21 (adapted from company's 2021 sustainability report).

Field	2019	2020	2021
<b>Culture</b>	Rp 334.200.000	Rp 429.600.000	Rp -
<b>Education</b>	Rp 791.121.592	Rp 869.256.000	Rp 707.470.000
<b>Health</b>	Rp 2.361.740.700	Rp 5.369.360.000	Rp 4.643.759.990
<b>Social &amp; MSMEs</b>	Rp 12.481.352.944	Rp 8.985.314.563	Rp 12.699.255.901
<b>Annual Total</b>	<b>Rp 15.968.415.236</b>	<b>Rp 15.653.530.563</b>	<b>Rp 18.050.485.891</b>

To understand the first issue, the bank's CSR programme consists of four pillars or fields, namely Culture, Education, Health, and Social & MSMEs, each catering to different types of programmes and organisational beneficiaries and all are a compression of the seven core subjects of ISO 26000. Culture is concerned with activities or contributions to arts, youth activities, and sports. Education is commonly associated with assistance to schools or universities as well as the provision of scholarship to the disadvantaged. Health CSR programmes typically provide assistance to hospitals, clinics, and sponsor mass vaccination and circumcision. While Social & MSMEs procure assistance to MSMEs in the form of tools or raw materials, as well as other activities that are yet to be covered by the other three fields. The issue lies on the fact that Social & MSMEs represented 69 percent of CSR funds in 2019–21, while at the same timeframe Education and Culture only accounted for 5 and 1 percent, respectively. To make the disparity more apparent, there were no Culture CSR programme in 2021.

Second, while the existence of four different CSR fields may enable the company to cover as many types of activities as possible and avail assistance to various kinds of organisation, the scheme caused the company's CSR programme to lack a distinctive character. It also contravenes with the idea of Sharma and Shatish (2022) that CSR in banks should be concentrated rather than diversified. When interviewed, a staff member of the CSR Unit said that unlike a large cigarette company which CSR programme is famous for developing new athletes, the bank's CSR programme is yet to have such a unique characteristic that comes up as a top of mind when the company is mentioned.

Third, the bank's CSR Unit, during the time of the research, is short in manpower. The unit, which is under the purview of the Corporate Secretary, is ideally manned by four persons according to the interviewees. In reality, however, the unit was staffed by two. Still related to human capital concerns, the interviewees believed that more trainings and workshops on CSR should be undertaken to keep up with the recent development of contemporary corporate responsibility issues. Fourth, the company's website is yet to contain any information related to the application process and eligibility criteria. This is cited as an issue by the CSR beneficiaries who found themselves relying on firsthand information from the local representatives of the bank, which might be cumbersome when compared to a readily-available information on the website that can be accessed at all times. Additionally, the news section of the website was yet to be updated.

### **B. Supporting East Java's Nawa Bhakti Satya through the Bank's CSR Programme**

In proposing solutions to the business issues faced by the CSR Unit identified above, we have to take the ownership status the bank into account. As mentioned on the introduction, the bank is majority-owned by the provincial government of East Java which controls 51.127% of shares, followed by the government of 38 cities and regencies (*kota* and *kabupaten*<sup>1</sup>) which collectively owns 28.352% of stakes (Indonesia Stock Exchange, n.d.). As a regional development bank that is expected to support the local government in accelerating development (Purwanto, 2019), the bank is set to support the East Java regional development agenda known as *Nawa Bhakti Satya*.

**Table 3.** Nine agenda items of *Nawa Bhakti Satya* (adapted from: Pusat Studi Jatim, 2019)

No	Agenda Item	Remarks
1	<i>Jatim</i> <sup>2</sup> <i>Sejahtera</i> (Prosperous <i>Jatim</i> )	End poverty, improve welfare, and uphold justice

<sup>1</sup> *Kota* and *kabupaten* are the second-level administrative divisions in Indonesia

<sup>2</sup> *Jatim* is the acronym of *Jawa Timur* (East Java)



2	<i>Jatim Kerja</i> (Working <i>Jatim</i> )	Strengthen the economy and expand job opportunities
3	<i>Jatim Cerdas &amp; Sehat</i> (Smart & Healthy <i>Jatim</i> )	Provide accessible high-quality education and health services
4	<i>Jatim Akses</i> (Accessible <i>Jatim</i> )	Revitalise transport infrastructure and improve accessibility, especially to remote villages
5	<i>Jatim Berkah</i> (Blessed <i>Jatim</i> )	Build a society based on social values, norms, and integrity
6	<i>Jatim Agro</i> (Agricultural <i>Jatim</i> )	Improve the agricultural, farming, fishery, and forestry sector for the welfare of farmers and fishers
7	<i>Jatim Berdaya</i> (Empowered <i>Jatim</i> )	Empower MSMEs and village-based businesses to strengthen the local economy
8	<i>Jatim Amanah</i> (Trustworthy <i>Jatim</i> )	Improve transparency and governance to prevent corruption and improper conducts
9	<i>Jatim Harmoni</i> (Harmonious <i>Jatim</i> )	Create harmony between the nature, environment, and culture

*Nawa Bhakti Satya* is conceived by the current administration of East Java and consists of nine items. The agenda, which bears a striking semblance to United Nations’ Sustainable Development Goals, calls for the improvement of the welfare of the people, strengthening of the economy, empowerment of society-based economy, improvement of connectivity, provision of high-quality education, promotion of arts and culture, and strengthening governance and transparency (Pusat Studi Jatim, 2019). Besides by *Nawa Bhakti Satya*, transparency and governance are also called by ISO 26000, the non-binding international standard on corporate responsibility practices. It lines out that companies should disclose their responsibility practices through periodic reporting to supply stakeholders, both internal and external, with information that they may require (ISO, n.d.). Interviews with the two CSR beneficiaries suggests that the company has to improve its dissemination of information regarding their CSR programme, which has been cited as a business issue above, to ease and simplify the application and execution process, even though an examination of the bank’s 2021 Sustainability Report, shows that matters related to transparency and governance process, such as the amount of CSR funds distributed, have been adequately presented. Transparent and well-publicised CSR activities will put the company in an advantageous position. Besides attracting empathy from the public (Arief and Pangestu, 2021), a proper publicisation will increase confidence on the company among stakeholders hence attracting new investment (Chakroun, et. al., 2019) and enable constant evaluation from within and without (Chaleomvivatkit and Jaikengit, 2020).

The bank’s 2021 sustainability report states that their CSR programme is indeed aligned with *Nawa Bhakti Satya* in an effort to support the government of East Java to materialise its development agenda. This confirms that CSR in developing countries is intertwined with narratives of development, welfare, and economic empowerment (Carroll, 2016; Blowfield, 2005) as well as held in higher regard than the other types of responsibility due to the immediate effect it gives to the society (Carroll, 2016). Therefore, the proposed solutions must take these circumstances into account; that it should be aimed to enable regional development banks to support regional development in a more comprehensive and inclusive way. Since regional development banks in Indonesia are commonly perceived as the ‘people’s bank’ that caters to the local society and industries, as opposed to the larger national banks that concentrates their commercial banking activities around the national scale economy (Purwanto, 2019), special attention should be paid to the micro, small, and medium enterprises (MSMEs) who might not yet be catered by the aforementioned larger national banks.

**C. CSR as a Medium to Maintain Business Relations with Clients**

CSR is a part of business process (Khan, et. al., 2012; Carroll, 2016). In addition to giving companies a way to contribute to the environment and society to maintain equilibrium with profit-seeking activities (Tahri and Khamlichi, 2019), CSR can also be employed to maintain business relations with existing clients, attract new investment from entities who share the same vision and goals with the company (Chakroun, et. al., 2019), as well as to improve the reputation of the company by attracting public



sympathy (Arief and Pangestu, 2021). The analysis in this section will focus on how the bank maintains its relations with its clients through the CSR programme.

CSR beneficiaries interviewed by the author stated that they have been a client of the bank before applying for CSR from the company, using the bank's services for accepting payment, employee payroll, or by getting loan. The latter is especially true for MSMEs who borrowed money from the bank through the *kredit usaha rakyat* (KUR) scheme, a loan programme specifically designed for MSMEs. Observation during the internship confirms that one of the eligibility criteria of a CSR beneficiary is that the entity concerned must be a customer of the bank, termed as 'having a business relations', to have their CSR applications reviewed and processed by the CSR Unit. Complimenting every CSR application is a cost and benefit analysis, which is intended to compare the profit generated through business relations with the candidate beneficiary with the value of the CSR, making the latter viable and justifiable under the assumption that the CSR value will eventually be covered by the aforementioned profit.

Besides MSMEs and private non-governmental organisations, government organisations in East Java as well as non-governmental organisations under the purview of the provincial government are also the bank's clients, making them eligible to be a CSR beneficiary. When tied with the development agenda explained on the previous section, the role of these governmental organisations in the CSR gets more emphasised. In addition to providing banking services, the BPD concerned on this research is also expected to support the agenda of these organisations that synchronises with *Nawa Bhakti Satya* through CSR programmes. Besides acting as a CSR applicant, the government of East Java or of the cities and regencies provides a recommendation letter that accompanies applications from candidate CSR beneficiaries. The letter confirms that the CSR programme, if approved, will contribute to local development within their area of jurisdiction. The recommendation letter is required for *all* CSR applications from all organisations. The constant interaction between the bank and the relevant government institutions will enhance relationships and communication between the two. The bank, as a government-owned company, provides banking services, while the government acts as the bank's client and provide guidance or agenda. In return to the profit gained, the bank then introduces CSR programmes for the government that can benefit the society and achieve development goals in the region.

The explanation of findings above determines that the company's CSR programme is considered a part of business process at the bank. The course of each CSR programme requires constant interaction between the company, CSR beneficiaries or applicant—themselves are the client of the bank, and the local government. The CSR programme can therefore maintain the business relations established between the three entities or attract new clients who might be interested to support the regional development agenda, *Nawa Bhakti Satya*, and eventually become a CSR beneficiary of the bank. This confirms the idea offered by Chakroun, et. al. (2019) that CSR is a medium to maintain or attract new client-company relations and attract investments. Therefore, solutions proposed in this research should provide convenience to entities in interacting with the bank for matters pertaining to CSR application process to maximise satisfaction and to ensure that the CSR programme can have the expected deliverables.

#### **D. The Possibility of Implementing CSV in a BPD**

It has been explained on the previous section that CSR is a part of business process rather than solely a philanthropic cause. This section will explore the possibility of stepping it up by having social responsibility integrated with business process under the framework of CSV as suggested by Porter and Kramer (2011) with the case of the bank's CSR programme.

Both interviewees from the CSR Unit stated that creating a new programme based on CSV at the company is not yet possible in the near future, if not complicated. Issues pertaining to human capital, governance, and regulations were cited as the main reasons. First, despite being aware of the concept, CSR staff members interviewed confirmed that they have not received any formal trainings nor workshops on CSV. Second, the bank once drew up a plan to implement a sustainable credit scheme modelled after CSV. In that scheme, clients which are able to demonstrate that their business activities address sustainability concerns and are environmentally friendly would be eligible for loans with less strict requirements as well as partnership opportunities with the bank in executing its social responsibility programme (the interviewees did not mention the form of the said partnership nor provide a clear timeline on when the plan was drawn up). However, the plan was eventually shelved due to be deemed too risky. This confirms Weber and Chowdury (2020) who stated that banks tend to avoid introducing products or programmes, including social responsibility programmes, that are perceived as high-risk and guarantee no return.



Third, the bank's internal regulations has not recognised the concept of CSV yet. Quoting the interviewees, considering that the concept of CSR is already familiar among the public, including the government and stakeholders, and that the company's CSR programmes are highly publicised, there is a slight chance that the said regulation will be revised in the near future. That being the case, the bank currently prefers to maintain the status quo of their CSR programme within the near future and focus their improvement on existing concerns.

Based on the author's observation, even though the bank is yet to implement CSV, both practically and on paper, one annual programme of the CSR Unit resembles the CSV concept. Known as *UMKM Awards*, the programme aims to show appreciation to MSMEs, themselves are the loan client of the bank's *kredit usaha rakyat*, which have succeeded in implementing circular economy, sustainable business process, and inclusivity. Participating MSMEs are assessed by the bank's local branch office. After assessment by the CSR Unit, qualifying MSMEs would be surveyed to confirm and evaluate their business activities. The MSMEs would then be scored and ranked, and the top ten scorers are awarded with funds to obtain raw materials or production tools. The annual event, which is held to commemorate the bank's anniversary, is a way to reward loyal and high-performing MSMEs which have business relationships with the bank. For this research, proposed solutions pertaining to CSV will therefore circulate around *UMKM Awards*; it resembles CSV which regulatory basis is already available for the CSR Unit to adopt to, hence maintaining the status quo.

## V. DISCUSSION

The literature used in this research can be grouped in three different categories: (1) literatures about CSR, its benefits, and its implementation in developing countries, such as Arief and Pangestu (2021), Blowfield (2005), Carroll (2016), Khan, et. al., (2012), and Nwude and Nwude (2021); (2) literatures about the implementation of CSR in the banking industry along with case studies in developing countries, such as Sharma and Sathish (2022), Weber and Chowdury (2020), Tahri and Khamlichi (2019), Chakroun, et. al. (2019), Mansoor (2016) and Chaleomvivatkit and Jaikengit (2020); and (3) the concept of CSV (Porter and Kramer, 2011) as well as its development or suggested implementation in the developing world (Menghwar and Daood, 2021; Khurshid and Snell, 2021). Using information the aforementioned literatures provided and through the research method that has been lined out, this research aims to propose solutions to improve the CSR programme of the bank and address the identified business issues as described below.

First, the CSR Unit should increase the number of its staff members. Considering the heavy tasks borne by the unit, ranging from processing CSR applications, periodic discussions with relevant stakeholders, to field surveys to verify applications, an improvement of the CSR programme will be hindered if the human capital available is limited. Staff members of the CSR Unit should also be properly trained to keep up with the current dynamics of corporate responsibility.

Second, the author suggests to merge Culture and Education CSR fields. The two fields are severely underrepresented when compared to the other fields, especially Social & MSMEs. Even if the funds distributed for the two fields were combined, it would still be less than Health and Social & MSMEs. Programmes covered by Culture and Education also tends to overlap; both are commonly associated with youth activities. Merging the two fields will improve efficiency and improve reporting so that disparity would not occur.

Third, to address the issue of the bank's CSR programme being lacking a unique characteristic, it is suggested that a separate MSME CSR field should be established. Social & MSMEs covers a very wide range of activities ranging from revitalisation of public parks, provision of operational vehicles, to assistance for MSMEs. It is hoped that a separate MSME field will allow a better focus on supporting local economic development as mandated by *Nawa Bhakti Satya* and allow the CSR Unit to make a better preparation of *UMKM Awards* as a routine CSR programme that resembles CSV, considering that the company prefers to maintain the status quo of their CSR programme and refrain from introducing new concepts such as CSV. Moreover, a separate MSME field can be advertised as the bank's primary CSR programme, allowing better public exposure on the programmes and enhancing the bank's reputation as the 'people's bank'.





Fourth, citing the lack of information on the company's CSR programme as an issue, as mentioned by three beneficiaries interviewed, the bank concerned should enhance its dissemination of information of their CSR programme. An accessible information will allow more parties, especially MSMEs which may lack the connection to learn about the bank's CSR directly from the company, to know more about CSR programmes at the bank and simplify application processes, hence enabling the bank's CSR programme to benefit as many parts of the society as possible. The author is aware that some information on the CSR programme, such as the divisions involved in the planning and approval process, is limited for internal use only. However, a glimpse on the required documents, eligibility criteria, and application procedure can be provided to reduce the amount of time that is usually taken to seek for information directly from the company's representatives. The information should be provided on the company's website, preferably through a highly visible portal specifically created for the bank's CSR programme, and the social media. Information on the website should also be routinely updated to reflect current conditions, achievement, and past CSR programmes to help the company in publicising its CSR programmes, which will improve the company's reputation in the process.

Implementation of the proposed solutions described on the previous sections will be a lengthy process that requires interaction not only within the CSR Unit, but also with the other relevant divisions. Any modification or introduction of new programmes to the bank's CSR programme shall be consulted with and approved by the Corporate Secretary as the officer directly responsible for the CSR Unit. If it involves amendment to the company's rules and codes of conduct, such as adding and removing CSR fields, approval from the Board of Directors will have to be sought. Recruitment of new staff members and provisions of trainings fall within the purview of the Human Capital Division. Alteration or improvement of CSR programmes related to products, such as *kredit usaha rakyat* for MSMEs who will be eligible to participate in *UMKM Awards* or introduction of a sustainable credit scheme, must be discussed with the Credit, Micro, and Retail Division which handles financial products and services pertaining to loans and crediting.

The management of the bank is aware and conscious about the importance of fulfilling ISO 26000 in carrying out their responsibility practices. It is important to note that ISO 26000 is not a certification nor a legally-binding standard (ISO, n.d.), meaning that the company is free to carry out modifications or alterations to its CSR programmes. Such actions shall not affect the bank's standing according to ISO 26000—since the standard is solely meant as a guideline—nor hinder the company's corporate responsibility agenda. In other words, ISO 26000 shall not be presented as an obstacle in carrying out improvement to the bank's CSR programme. ISO 26000 does consist of seven core subjects. The interpretation and execution, however, can be very broad and different according to the challenges and circumstances faced by each company.

The author would like to revisit the work of Sharma and Shatish (2022) to demonstrate the relevance of the proposed solutions to CSR programmes typically introduced by banks. First, CSR in banks is ideally concentrated rather than diversified to give the programme a certain 'specialisation' and reduce the probability of errors or failed experimentations. Second, it should be intended to create long-lasting effect and value for the society. The author agrees with this idea, especially in BPDs which are also expected to take part in economic development particularly by empowering MSMEs. The author hence proposes the creation of a separate MSMEs CSR field to allow the company to focus on MSMEs empowerment and publicise it as the premier CSR programme. However, it has to be noted that focusing on MSMEs does not equate to ignoring CSR on the other fields; all of them are still able to run concurrently.

## VI. CONCLUSION

As the term suggests, *bank pembangunan daerah* (BPD, lit. regional development bank) is associated with the development agenda of the provincial government that owns the bank. These circumstances make a BPD being regarded as the partner of the aforementioned regional government in improving welfare, improve the economy, and empower the local industry through the bank's activities, ranging from the provision of products and services to CSR programmes. CSR, which is commonly associated with corporate philanthropy, is the centrepiece of corporate responsibility in developing countries. If a CSR programme is well-planned, able to positively affect the lives of the society, and publicised appropriately, it will become a powerful tool to enhance the reputation of the bank among the public, government, and other stakeholders. A well-maintained relationship and communication between the bank and a CSR beneficiary may positively affect both parties in the long run; it may even lead to new business relations between the two entities.



## VII. CURRENT LIMITATIONS AND FUTURE RESEARCH

As a case study prepared in the action research approach and aimed to propose solutions to the identified business issues, the scope of this article is limited to only one company by using data from 2019–21 to maintain relevance with current dynamics. The author recognises the uniqueness of *bank pembangunan daerah*. Unlike private or national banks, they are closely tied with the agenda and interest of the controlling regional government. This work can therefore be expanded in future research by, for instance, comparing the CSR programmes of different BPDs in order to gain a more comprehensive insight into the Indonesian CSR landscape, especially among financial companies, in different provinces.

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