The impact of a cement company's CSR programmes on the lifestyles of a rural community: a case study in the Ring 1 area in Tuban, East Java, Indonesia

Rustinsyah

To cite this article: Rustinsyah (2016): The impact of a cement company's CSR programmes on the lifestyles of a rural community: a case study in the Ring 1 area in Tuban, East Java, Indonesia, International Journal of Sustainable Development & World Ecology, DOI: 10.1080/13504509.2016.1201020

To link to this article: http://dx.doi.org/10.1080/13504509.2016.1201020

Published online: 25 Jun 2016.
The impact of a cement company’s CSR programmes on the lifestyles of a rural community: a case study in the Ring 1 area in Tuban, East Java, Indonesia

Rustinsyah

Faculty of Social and Political Sciences, Airlangga University, Surabaya, Indonesia

ABSTRACT
The studies about patterns and impacts of a company’s corporate social responsibility (CSR) programmes on the local communities have been conducted in a number of developed countries. The similar studies, however, were still rarely conducted in developing countries, particularly in Indonesia. This study aims at discussing the impact of the CSR programmes of a cement company on the lifestyles of a rural community in six villages in Tuban district of East Java Province in Indonesia. The study was conducted from January to September 2015, using qualitative data collection and analysis. This study found that the presence of the cement company has made both positive and negative impacts to the rural community. For the positive impacts, we can see the development of infrastructure that makes the villages become more representative; the emergence of new business opportunities, such as food stalls and boarding houses; and the improvement of the quality of human resources through free health care, education, and religious activities. The supports from the cement company, however, have not been distributed equally among the villagers. In addition, we can also see the following negative impacts: the increase of social tense among the villagers due to the tight competition to obtain work in the cement company; the uneasy relation between the local people and the immigrants who work in the cement company; the decrease in the number of people working in agricultural sectors, as most of them have moved or wish to move to the cement company.

1. Introduction
A cement company is included as a mining industry because it exploits natural resources and produces cement. According to Kemp (2010), the presence of mining industries contributes to poverty reduction and human development. However, the presence of mining companies in rural areas can also result in various issues. Taylor (2014) shows that the presence of the mining project of oil and gas in a remote area has caused tension between the local residents and non-resident workers or immigrant workers.

Realizing that the presence of the company has impacts on the surrounding population, the company created CSR programmes by employing community practitioners in order to facilitate the local community development. The CSR as a process is in the form of economic measures to communicate the social impact of the environmental activities of a company on social groups affected by the activities of the company (Gray et al. 1987, p. 9). The government expects that the CSR will contribute to sustainable development (Steurer 2010). The CSR is also a strategy to establish communication, negotiation, conflict resolution (Owen & Kemp 2012).

In Indonesia, the company’s responsibility to implement CSR is regulated by Law No. 40 of 2007 on Limited Liability Companies. The Law requires all companies engaged in extractive industries or natural resource-based industries to implement corporate social responsibility programme. The United Nations through the Global Compact (Leisinger 2007) and the World Bank confirms that CSR is potential to address poverty (World Bank and the International Finance Corporation 2008).

Jha and Cox (2015) stated that the last few decades have seen an increase in firms trying to be socially responsible because they benefit from acting socially responsibly. Realizing its responsibility, a cement company in Tuban, East Java Province, Indonesia, has been implementing CSR programmes for the local communities. The programme has been initiated at a small scale since the factory was still in the construction process in 2007. This study, however, was conducted in 2015 since it aims at determining the impact of the CSR programmes that have been implemented for several years, by focusing, particularly on the budget for the year 2014, because the company has just had its first produce on 17 June 2014.
According to the City’s Development Planning Board of Tuban, during January–December 2014, the budget of the CSR programmes of the cement company for the local communities was Rp2,656,846,200 (approximately USD190,000). The implementation of the CSR programme for the villages in Ring 1 area is expected to accelerate the rural development and provide benefits to the socio-cultural and economic life of the local communities. There are six villages included in the area of Ring 1. Company’s activities along with CSR programmes had a variety of impacts on the rural development which has also changed the lifestyle and consumption patterns of the local people.

This study aims at explaining the impact of the CSR programmes of a cement company in a rural area in Tuban district, East Java Province, Indonesia. The analysis includes the discussion on the dynamic development and the changes in the life styles of rural community.

2. CSR and the rural community

The activity of a cement company includes the exploitation of natural resources to obtain their raw materials to make cement. This has impacts on the environment where the local communities live. Therefore, the company has created CSR programmes as the forms of the company’s responsibility towards the local communities. The CSR programmes are expected to contribute to the development of the rural area and the communities.

The definition of CSR has long been discussed by various experts. Votaw (1973) states that CSR is the idea of social responsibility or legal liability to others. Schermerhon (1993) mentions that CSR is business organization’s concern to act in their own ways that serve the interests of the external public. Valor (2005) defines CSR as a business commitment to behave ethically and contribute to economic development while improving the quality of life of its workforce, and their families as well as local communities and society. Meanwhile, according to Nuryana (2005), CSR is an approach whereby company integrates social concern in their business operations and interaction with stakeholders based on the principle of voluntary and partnership.

Within the CSR concept, a company should not only think about the interests of shareholders (capital owners), but also think about the interests of all stakeholders (Susanto 2007). The company may carry out its social responsibility by focusing on three things, namely profit, environment, and society. It is intended to be an integration to prevent conflict of social tensions with local communities. In this study, CSR is the social responsibility, concern, and approach of the company that exploits limestone, to the local communities, to preserve the environment, and maintain sustainable development in the Ring 1 area.

The concept of CSR is closely related to the concept of corporate social disclosures which was started more than 50 years ago. Mathews (1995) suggests that CSD is essential because (a) the disclosure of corporate social responsibility has a positive impact on organization performance; (b) the disclosure may legitimize organization behaviour and affect the perception of other stakeholders; and (c) the disclosure signifies the recognition of the organization and moral responsibility. Some consider this disclosure as a strong signal of company’s commitment to the practices of corporate social responsibility for corporate sustainability and local community development.

The strategies to implement the CSR have been amended from time to time. In early 1973, the US National Association of Accountants formed a committee to identify the corporate social responsibility disclosure. There were four social responsibilities, namely community involvement, human resources, physical resources and the environment, as well as care service (Keller 1974). Organizations, such as the World Business Council for Sustainable Development which was the coalition of 120 international companies have identified that the key components of social responsibility were human rights, worker’s rights, environmental protection, community involvement, and relationships with suppliers (WBCSD – World Business Council for Sustainable Development 1998).

Meanwhile, according to the World Bank, CSR consists of several main components of environmental protection, job security, human rights, health protection, leadership and education, humanitarian assistance toward disaster, company’s interaction with society and business standards market, economic and enterprises development (Purnawan 2010). In general, some instances that were identified related to social responsibility were the environment, equal opportunity among personnel, community involvement, and the products of each of these areas.

Every company that tries to achieve sustainable development needs to pay attention to the three main pillars, i.e. social, economic, and environmental sectors (cf. Moldan et al. 2012). In addition, Schrettle et al. (2014) suggested that in order to achieve sustainable development, it is necessary to identify the relevant drivers of the company and to develop a framework which includes the dimensions that may influence the decision-making within the company.

An agreement of the World Summit on Sustainable Development in Johannesburg, South Africa in 2002 was intended to encourage companies in the world in order to create a sustainable development. In this case, the role of CSR is seen as an attempt to achieve good corporate governance, good corporate citizenship, and good business ethics of a business entity.
Based on the annual report of KPMG (2005), more and more companies have included their CSR programmes in their sustainability report. Guthrie and Parker (1990) in his study in 150 companies in the United States, England, and Australia found that 98% of British, 85% of the US, and 56% of Australian companies had made a report on the companies’ CSR. It indicates that the companies reported issues of human resources (40%), community involvement (31%), the environment (13%), and issues related to energy and products (7%). In Canada, the CSR reports of major banks focused on issues of human resources, products, and business practices, while the CSR reports of oil companies focused more on human resources, community involvement, and the environment (Zeghal & Ahmed 1990). Similarly, large-scale study on annual liability reports of 100 companies in 16 countries and 250 Fortune companies highlighted the trend of increasing corporate social reporting in the last 13 years. Topics related to social issues discussed by more than two-thirds of companies included the category of core labour standards, working conditions, community involvement, and philanthropy (KPMG 2005).

In the context of Asian countries, several studies have been focused on companies in the countries, such as Malaysia and Hong Kong. A study conducted by Kin (1990) found that out of 100 public companies in Malaysia, 66% made social reporting. A similar study conducted by Lynn (1992) in Hong Kong found that nearly 17 companies (out of 264 companies being investigated) carried out social activities with an emphasis on staff development and public relations.

There are several reasons why company needs to report the CSR. It serves as evidence of how company discloses measures to address social issues. Most addressed social issues are categorized into four, namely community involvement, human resources management, environmental protection, and energy and products and services improvement. Generally, issues related to human resources become the most popular theme (Gray et al. 2001). These issues vary. Moreover, in annual report, the issue is the indicator of the concern on the interests of the organization and its stakeholders. Company creates CSR as a form of insurance against disruption, reputation, damage, to fulfil obligation, rather than as a genuine attempt to facilitate development of the poor and marginalized (Kemp 2010). In India, social responsibility disclosures correlate with the company’s reputation as shown in the awards granted and social evaluation scores (Kansal et al. 2014).

There are successful and unsuccessful CSR programmes. According Budimanta (2008), the success of a company in its activities in a society is not only in the form of the acceptance of the company to carry out their activities but also its participation and its full function on the lives of the society in general as a whole of social, economy, politics, and technology. The research result of Cheung et al. (2010) concluded that the performance of large companies in Asia in the 3-year period 2001–2004 which showed a positive relationship between the increase in CSR practices and market appreciation.

The means used for the implementation of CSR is the community development programme. The indicator of success is the sustainable community life with all its social and environmental changes that can be accepted and regulated by existing social institutions, and sourced from the culture of the communities concerned. The participation of each stakeholder plays a role in the attempt of community development and provides profit for the company and society. The participation serves as empowerment process individually or in groups. For example, the CSR of KPC (Kaltim Prima Coal), a coal mine company of East Kutai that provided CSR fund of five million dollars in 2007, in the form of cultivation of new varieties of prime Borneo tangerine. The new variety was called Citrus Reticulate Blanco. KPC (Kaltim Prima Coal) also assisted and financed the cultivation of certain plants, and it was expected that the result could increase revenue, build schools, independent business groups, and others (Untung 2008).

The ICMM (International Council on Mining and Metals) and the World Bank (2005) concluded that the mining investment provided an opportunity for economic growth, poverty reduction, and involvement in the economy in the early stages of development of a country. However, in some cases, not all people optimally respond to the CSR programmes implemented by the companies. There was as case of a CSR programme of a company that leads to social tension and conflict between the company and the surrounding communities, for example, the indigenous people of Sangata, East Kutai, who rallied to the KPC’s office to demand compensation (Antara News 2010, www.antaranews.com).

The dynamics of rural communities can be affected by outside interventions. One of the forms of intervention on the local community is the development programme of the government and private sectors. The presence of companies with production activities and the implementation of the CSR programme may influence the dynamic development of rural community. Silva and Cooray (2014) shows that the implementation of CSR programmes and the assignment or local people to work in the projects have developed the human capital. The implementation of the CSR programmes was one of the company’s strategies to build social relationships with the local communities in order to create harmonious conditions in the environment and local community empowerment.
Avetisyan and Ferrary (2013) mention that the development of CSR in France and in the United States depends on the nature of local and global stakeholders’ involvement in this process and their interactions.

In Indonesia, there are still very few studies on the implementation of the CSR programmes of a company that operates in a rural area. Consequently, it is necessary to conduct a study in a rural area in Indonesia to determine the impacts of the CSR programmes of a big company operating in the area. The discussion does not only focus on the positive impacts of the CSR programmes, but also explore the possible negative consequences resulting from the CSR programmes in particular and the existence of the company in general.

3. Research method

This study was conducted in the Ring 1 area of a multinational cement company that produces cement and exploits limestone in the area to be used as raw materials. The location is in Tuban, a rural area in East Java Province, Indonesia. Tuban is one of the areas in East Java which has the potential of abundant natural resources, particularly limestone. The Ring 1 area was directly affected by the activities of the company in exploiting the limestone and producing cement. The activities of mining limestone and producing cement had impacts on the economic conditions and the surrounding environment. The data in Table 1 show the villages in the Ring 1 area of the cement company, and the reasons for their inclusion in the Ring 1 area.

The locations in the Ring 1 area are agricultural villages and their residents raised livestock, such as cows and goats. Almost every house had a cowshed which contained between 2–6 cows or goats. The villages in the Ring 1 area had slightly different characteristics from one to another. For example, Mliwang was an area of dry land in which the residents managed the forests and grew crops during the rainy season. The residents of Kedungrejo, although they also farmed on dry land. The agricultural area in Sawir was a flat area and easily accessible. Merkawang and Karang Asem were villages with dry land farming system and rice fields. The irrigation system used a pump well so that most of the farm could produce rice, maize, and beans. In Glondong Gede, the water sources were good, so that if they wanted to, the farmers could plant rice throughout the year, but usually during the dry season, the farmers only planted corn or beans because growing rice in the dry season costs a lot for taking up the groundwater.

This study was conducted from January to September 2015 using a qualitative method. This means that the data collection was carried out through observation, interviews, and documents related to the CSR programme. The observation in this study was conducted directly by observing the implementation of the company’s CSR programmes. The interviews were conducted with the villagers who lived in the four villages in the Ring 1 area. The interviews were also conducted with the officials of the company especially with the Community Relations Department and other stakeholders as their partners in implementing the company’s CSR programmes. The partners of the company for the CSR programmes are KPD (Kelompok Perwakilan Desa – Village Representative Group), Team 6, and PKM (Pusat Kegiatan Masyarakat – Centre for Community Activities).

The steps for the data analysis were as follows: First, taking notes on the documents or reports made by the company and the local partners in planning, and implementing CSR and other activities. Second, classifying the dimensions of the CSR programmes carried out by the company. The dimensions of the company’s CSR programmes were classified into seven types, they are: (a) environment; (b) infrastructure development; (c) education and religious affairs; (d) health; (e) economic empowerment; (f) human resources; and (g) others. Third, interpreting the dimensions of CSR programmes in the villages in the Ring 1 area. Fourth, describing the results of observations, and interviews with local residents about the response to the presence of the company as well as their programmes for local communities. Fifth, explaining the changes in the lifestyle of the local people in the Ring 1 area.

This study was limited in a rural area in Indonesia and focuses on one particular company that operates in that rural area. However, the result of this study may also be applicable on other countries that have the similar conditions as those in Indonesia, and in particular, in this rural area.

4. Overview of the cement company and its CSR programmes

According to local residents and administrators of PKM (Pusat Kegiatan Masyarakat – Centre for Community Activities), in 1980–1990, a national

Table 1. The Ring 1 area.

<table>
<thead>
<tr>
<th>Number</th>
<th>Name of the village</th>
<th>Reason to include it in the Ring 1 area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sawir</td>
<td>The area of the production, the exploitation of raw materials, and the company’s office</td>
</tr>
<tr>
<td>2</td>
<td>Mliwang</td>
<td>The area of the exploitation of raw materials</td>
</tr>
<tr>
<td>3</td>
<td>Glondong Gede</td>
<td>The conveyor access to transport coal and other goods to the port</td>
</tr>
<tr>
<td>4</td>
<td>Merkawang</td>
<td>The area of the company’s activities</td>
</tr>
<tr>
<td>5</td>
<td>Karang Asem</td>
<td>The old company’s office</td>
</tr>
<tr>
<td>6</td>
<td>Kedung Rejo</td>
<td>The area of natural resources as raw materials for cement, but not yet exploited</td>
</tr>
</tbody>
</table>
company called PT.DA, planned to build a cement factory in the region so that the company conducted land acquisition in the area where the company’s office would be built, as well as exploitation of natural resources to be used as raw materials for cement. However, due to the 1998 economic crisis, in 2000, the company sold their assets to the current cement company. The current company bought the land to be used as a cement factory and area of exploitation of raw materials. When the company acquired the ownership of the land, not all people in the area were aware, but local people were still allowed to grow crops on land which had been held by the new company without paying rent and taxes. In 2007/2008, the company planned to build an in-line factory or an integrated factory start from the mining of raw materials, such as limestone and clay to be half-finished materials, to cement products. The activities of the cement factory seemed to lead to dust and noise that could interfere with the surrounding environment.

The company then started the construction of the factory. Most of the construction workers were the local people. After the company has run the production process, there have been noises from the factory’s machinery, vibrations on the grounds near the factory, an increase in the number of commuting vehicles, and an increase in the number of immigrants. Since the company would like to build social relations with the local communities, the company initiated the CSR programmes. According to the data from Bapeda (Badan Perencanaan Daerah – District Development Planning Board) of Tuban district, from January to December 2014, the amount of the company’s CSR programmes for the local communities was Rp2,656,846,200 which was implemented in several activities. The CSR programmes conducted by the company can be categorized into seven types, they are: (a) environment; (b) infrastructure development; (c) education and religious affairs; (d) health; (e) economic empowerment; (f) human resources; and (g) others. An overview of the CSR programmes of this cement company and the impact in the local communities is shown in Table 2.

In order to implement CSR programmes, the cement company established cooperation with several institutions, namely the KPD (Kelompok Perwakilan Desa – Village Representative Group), Team 6, and PKM (Pusat Kegiatan Masyarakat – Centre for Community Activities). KPD was a group consisting of representatives of villages in the Ring 1 area. Each village had five representatives, led by one person. Thus, KPD consisted of 30 members and board. Each member received honorarium from the company. Team 6 was the representative of six villages in the Ring 1 area, which regulated the recruitment of local workforce in the area. The workforce recruitment was in accordance with the demand for labour. However, its implementation had not been able to please all parties because of the limited opportunities and since not all local communities personnel could be employed in the company.

PKM consisted of six main administrators and six divisions, namely the division of education, health, development of infrastructure, human resources, economy, and social. In performing their duties, the divisions collaborated with several institutions in accordance with their activities. For example, the free medical treatment was carried out in collaboration with the local health centre; and the English course and tutoring were carried out in collaboration with a tutoring institution. There are also experts from universities as the consultants for the implementation of CSR programmes in economic activities, such as dairy farms and chicken, organic agriculture, small industry, or a fish food product, namely ‘Sari Laut’. The discussion on the implementation of each of the seven CSR programmes of the company is given in the following subchapters.

4.1. Environment

The presence of the cement company certainly has impacts on the environment. Most of the agricultural land of the villagers belonged to the company. The villagers and the company contributed to local revenue. As a compensation, the local government built infrastructure, such as paving the roads and constructing village halls. Therefore, the roads in the area of Ring 1 were already paved and easily traversed by vehicles. However, the paved roads made motorcyclists ride their motorcycle in high speed. It was feared that accident would happen as farmers carried fertilizer and livestock to the fields in the planting season.

The establishment of the company and exploitation of natural resources as well as passing vehicles led to dust, especially in the dry season, as well as noises and vibrations in residential areas located near to the company. According to local residents, nowadays (when this study was conducted), the noises generated by the company were not too loud anymore, and if there were vibrations that could cause harm to the villagers’ houses, they could complain to the company through the PKM. In 2007/2008, before the company operated, the company planted approximately 21,000 large-leaved trees (such as Jabon Neolamarckia Cadamba trees) that could absorb the dust resulted from the activities of the factory. It was intended that when the company was established and operated, the trees would grow into big trees with leaves that create shade to protect the environment. The existence of these trees with thick leaves have assisted in reducing the dust resulted from the cement production activities.
4.2. Infrastructure development

The infrastructure development includes: (a) water supply; (b) the construction of village halls; (c) the construction of school buildings; and (d) the provision of trash cans in Karang Asem. The infrastructure development programme was different from one village to another village in the Ring 1 area. The development was in accordance with the priority of the urgent needs of the village and the capability of the company. For example, the construction of the water supply was only conducted in Mliwang village, because Mliwang was a dry land and the construction of the water supply was only conducted in Mliwang village, because Mliwang was a dry land and water was urgently needed by the villagers.
The water supply programme was started in 2009 in Mliwang village. The village was located at a higher ground and water was a major issue for the residents of this village. Before the water supply programme was implemented, clean water was hard to get. For example, in order to get two small cans of clean water (but not potable), the residents should travel a distance of approximately 5 kilometres, or buy a small can of water for Rp250 (2 cent). In order to address the issue of water needs, the company implemented the water supply programme in the following steps. First, supplying clean water by tankers to reservoir tanks in the village for nearly 2 years. The residents could take the water from the reservoir tanks for free. Second, the company established approximately 5-kilometre pipeline to channel water from the water source to Mliwang. The water was then channelled to the main reservoir tank to be then distributed to five reservoir tanks for the local residents. To manage water in the village, in 2010, HIPAM (Himpunan Pengguna Air Minum—Water Users Association) was formed. The organizational structure of HIPAM consisted of chairman, secretary, treasurer, and staff members. Their salary ranged from Rp200,000 to Rp300,000 each person per month (approximately USD14–USD 21). Until now, the board members have never been replaced, although they have worked for more than 5 years, because it was difficult to find replacements, possibly due to the small salary and the fact that they were often protested by the residents when they were late in providing water to the reservoir tanks.

The water was channelled from the water source to the main reservoir tank in the village by using an electric pump. The reservoir tank was filled three or four times daily depending on the water demand. In the dry season, water demand increased and drainage could be more than four times in a day. To determine the water use, each house was equipped with water meter with an installation fee as much as Rp900,000 (approximately USD64). There were 225 houses out of 235 houses that used clean water. Water use ranged from 10 to 50 cubic meters. Most of the residents used the water for the livestock. Those who did not install a water meter could buy water from their neighbours. The revenue of HIPAM was approximately Rp6,000,000 per month (approximately USD430). This revenue was allocated for salary, electricity bill, electricity tools, and the costs for board members’ transportation from the village to the water source. The equipment was often broken because it was not automatic. Issues in water management faced by HIPAM included overdue billing and power outage that might interfere with the water supply from the water source, and the protests of the residents regarding delays in water drainage. In the dry season, water demand increased. In the rainy season, there were times when the water demand decreased because some residents took water from wells, resulting in a decline in HIPAM’s revenue. Water consumption increased if someone held an event. The resident who held an event had to pay Rp900,000 (USD64).

The water supply programme in the village has enabled the residents to raise livestock (cows, goats, chickens) and grow vegetables in their yards, and other economic activities. The increase in economic activities in this village was indicated by almost all the adults in the village as they had a cell phone and were internet users. The residents might access the internet to address issues.

Other infrastructure development programmes in the villages were the construction of public facilities, such as school buildings, government buildings, and village halls. These have resulted in the increase of the pride of the villagers as they see that their school buildings, government buildings, and village halls look exclusive. The construction of the public facilities have also made the villages look more beautiful and representative.

4.3. Education and religious affairs

Rural development in education in villages in the Ring 1 area supported by the company’s CSR programmes was expected to increase the quantity and improve the quality of local human resources. The education programmes supported by the company implemented in the area of Ring 1 included (a) scholarships for bright students in elementary, secondary, and high schools; (b) foster care fund, (c) English courses; (d) pre-university tutoring for students in order to prepare them to get into a university; (e) training on welding for high school graduates in accordance with the requests of the villagers. For the training courses, the company established cooperation with other companies so that those who already took the training courses could work outside the village. However, not all children or people in the villages wanted to leave their village. They wished to work for the cement company but this company’s needs were limited.

Educational programmes for children in the area of Ring 1 was continued to be implemented in order to improve the quality of human resources. Improved education for the local communities was in line with the report of Hackston and Milne (1996) and Hamid (2004) stating that improvement in human resources was a concern to the company. This cement company has provided full and partial scholarships for the school students in this area. This has increased the number of children who can obtain formal education in this area. There is also a scholarship programme for the students who want to continue their studies in selected universities.
For the religious affairs, the main CSR programme was mainly conducted during the fasting month or the *Ramadan*. In that month, there were donations for orphans, donations for tutors of reciting Quran, and donations for people who join the break-fasting activities in the mosques. In 2015, the company provided a generous amount of Rp200,000,000 (USD14,300) for the CSR programme in religious affairs. This CSR programme has increased the religious activities in the villages and involved religious leaders who were highly respected in the villages. Based on the interviews with the local people, it was found that the parents also felt grateful because their children could join the religious activities and be avoided from the criminal actions which used to be quite common in this area.

### 4.4 Health

The presence of the company with its CSR programmes on health for the villagers in the Ring 1 area included free medical treatment for the villagers and supplements (additional food products) through *Posyandu* (maternal and child clinic). The free medical treatment was conducted once a month in each village in turns. The supplements cost Rp250,000 (USD18) per month per village. In order to implement the health programme, PKM cooperated with medical personnel (doctors and nurses) of the local health centre. The villagers felt happy with such programme because the medicines provided were better than the ones they used to get from the local health centre. This CSR programme has changed the lifestyles of the villagers to care more about healthy living. The company, through its CSR programme, has worked well together with the local government in increasing the participation of the local communities to receive health care.

### 4.5. Economic empowerment

Before the cement company established, the majority of the residents were peasants with rice fields farming system that produced rice, such as in Glondong Gede, Karang Asem, and Merkawang. Kedungrejo and Miliwang were dry land in which corn was planted during the rainy season. Since the company operated, the company brought changes in the activities of the rural economy.

In 2010, the CSR programme for the economic empowerment of local communities in the area of Ring 1 was implemented as one solution for the residents to get a job after they no longer could manage agricultural land. According to one village officer at Sawir, when there was a construction of a factory, the local communities could be employed to work on the project. But as soon as the factory operated, not all residents could be hired by the company and only approximately 10% that could be employed in the company. CSR programmes for local communities in economy included: (a) training on cattle farm; (b) poultry farm; (c) organic farming for the PKK (*Pemberdayaan Kesejahteraan Keluarga* – Family Welfare Movement); (d) duck egg hatchery; and (e) training on entrepreneurship.

In implementing cattle farm programme, the company took experts from universities to be the consultants (e.g. the experts in cattle farm programme of UGM), assigned residents to follow trainings, such as training on organic farming in Mojokerto, training on welding at the Training Centre, consultants for small industry, such as ‘Sari Laut’ from UGM (Gadjah Mada University) Yogyakarta, and so on. The industrial programme called ‘Sari Laut’ could run and produce products that were supplied to various stores. The production activity employed approximately 15 women who were members of the ‘Joint Venture’. The workers received a wage of Rp4,000 per hour (USD0.3). In organic farming, some succeeded but there were still obstacles in the marketing. Chicken fattening programme could still run but there were obstacles in marketing.

For the cattle farm, in 2012, the cement company established the ‘Cattle Farm Training Centre’ centred in Sawir which was included in the company’s area called Integrated System Centre. Cattle Farm Training Centre consisted of cowshed equipped with the manufacture of biogas, concentrate factory, compost, and other equipment to support the activities of other cattle farms. For the operationalization of the programme, the company collaborated with farm experts from UGM, Yogyakarta as the consultants.

First, Cattle Farm Training Centre recruited 100 residents to be trained and employed in the project. It means that they received training on raising cattle and earning income from it. The programme strategy applied was as follows: (a) the 100 people were divided into 10 groups and each group raised 30 cows; (b) after four months, the cows were sold and the profit was generated from the selling price subtracted by the purchase price and costs for raising cows (food, medicines, etc.); (c) the revenue among 10 groups were not similar. This might be due to the difference in the growth of the cattle. Table 3 shows the revenue of the groups of stock farmers in the periods I, II, and III during 2013–2015.

The profit earned by the groups of 10 stock farmers was as follows: In period I, Gadjah Mada earned the highest revenue of Rp38,404,000 (USD2,740) thus each person in the group earned Rp3,840,000 (USD274) for 4 months of work. Their average income
Table 3. The revenue of the groups of stock farmers.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Semoga Sukses</td>
<td>Rp23,047,000</td>
<td>Rp3,606,000</td>
<td>Rp9,846,000</td>
</tr>
<tr>
<td>2</td>
<td>Prima Mitra</td>
<td>Rp22,450,000</td>
<td>Rp19,504,000</td>
<td>Rp13,803,000</td>
</tr>
<tr>
<td>3</td>
<td>Untung Jaya</td>
<td>Rp26,452,000</td>
<td>Rp24,140,000</td>
<td>Rp12,561,400</td>
</tr>
<tr>
<td>4</td>
<td>Sumber Rejeki</td>
<td>Rp18,381,700</td>
<td>Rp16,055,000</td>
<td>Rp3,336,000</td>
</tr>
<tr>
<td>5</td>
<td>Loh Jinawi</td>
<td>Rp10,660,000</td>
<td>Rp20,121,000</td>
<td>Rp40,920,000</td>
</tr>
<tr>
<td>6</td>
<td>Makmur</td>
<td>Rp17,030,000</td>
<td>Rp36,700,000</td>
<td>Rp48,298,400</td>
</tr>
<tr>
<td>7</td>
<td>Barokah</td>
<td>Rp15,190,000</td>
<td>Rp16,963,200</td>
<td>Rp-</td>
</tr>
<tr>
<td>8</td>
<td>Subur</td>
<td>Rp10,405,000</td>
<td>Rp23,514,000</td>
<td>Rp-</td>
</tr>
<tr>
<td>9</td>
<td>Gadjah Mada</td>
<td>Rp38,404,000</td>
<td>Rp3,500,000</td>
<td>Rp-</td>
</tr>
<tr>
<td>10</td>
<td>Gemah Ripah</td>
<td>Rp1,720,000</td>
<td>-</td>
<td>Rp47,680,000</td>
</tr>
</tbody>
</table>

Source: Centre for Stock Farmer of HIFA Training programme, processed by the researcher.

was Rp950,000 (USD68). On the other hand, Gemah Ripah only earned Rp1,720,000 (USD123) for 4 months of work. This group earned the least as the income was only Rp172,000 (USD12.3) per person for 4 months of work. The data suggest that the income of stock farmers cannot be easily predicted, although they are supervised by cattle farm experts. However, in period III, Gemah Ripah earned considerable revenue of Rp47,680,000 (USD340) making each person in the group earned Rp4,768,000 (USD3,400) for 4 months of work.

Modern farming training programmes were believed to be able to increase the knowledge of the people to raise cows and other livestock. Consequently, a Cattle Farm Training Centre was established for all residents who wished to practice and work with modern farming system. However, the three periods only involved 100 residents of Sawir. After receiving the training, they could establish their own farm in their homes. Nevertheless, it was not easy to raise cattle at home because not all residents had a space for the cowshed. As for the residents of the villages other than Sawir, the distance to the Cattle Farm Training Centre was quite far.

Other economic empowerment programmes, such as organic farming training, duck egg hatching training, and chicken farming training are still in the process of learning and mentoring, so results are yet to be felt by the villagers. There is also a small business development programme for seafood products, which will be run by women in the villages. This programme is also still in the mentoring phase. The economic empowerment programmes for rural communities can open up wider job opportunities in these rural areas.

4.6. Human resources

Local residents hoped that the company could employ local workforces. During the construction of the factory, thousands of workforces in the area of Ring 1 were involved in the construction project. It had impacts on rural economic activities, such as the emergence of food stalls and boarding houses around the factory. However, starting from January 2015, many local workforces were laid off and a number of immigrants were hired by the company. According to the information from the village head, only about 10% of the local workforces were hired by the company. Some of the local people have moved to other areas to work for other companies, but a big number of local people still stayed in this area, so the unemployment rate was still high. The high unemployment may lead to criminal actions, as several people have started drinking alcoholic drinks and tended to ask some people for money. Teenagers are no longer interested in working in agricultural sectors, because they think that if they become farmers, they will not receive fixed incomes and they will have to work in a dirty environment under the hot weather. They only wish to work in the company where they will earn fixed incomes, and work in a clean and cool environment, far from the muds in the rice fields.

In order to recruit local workforces in the Ring 1 area, Team 6 was formed consisting of the representatives of each village. When the company needed workforces, they informed Team 6, and Team 6 would send the required workforces to the company. This cement company also distributed their works to subcontractors, such as Limited Liability Partnerships or Limited Liability Corporations. These subcontractors usually recruited their own workforces, who can be from the local workforces as well as people from outside the villages in the Ring 1 area. The existence of the immigrant workers or the people from outside the villages have caused social jealousy from the local villagers who were unemployed by the company. To overcome the social tense, the company needs to pay attention more on the social capital. The study conducted by Rustinsyah (2015) has shown the importance of involving social capital in the development of another rural area in East Java Province in Indonesia.

4.7. Others

The other CSR programmes were programmes which were urgent and incidental, for example: (a) rewards for sports activities in the celebration of Independence Day; (b) basic needs distribution on led al Fitr holiday; (c) livestock sacrifice for the led al Adha holiday; (d) distribution of masks after the volcanic eruption; and (e) cement for buildings mosques and military offices in the villages within the Ring 1 area.

5. Conclusion

The existence of the cement company has certainly resulted in the change of the lifestyles of the rural people, and this is also the case in the villages in Tuban district of East Java Province in Indonesia. In this study, we have learned that the existence of the company, particularly with its CSR programmes, has resulted in both positive and negative impacts. Based on the
discussion in the previous section, we can summarize seven impacts of existence of the cement company on the rural areas, particularly on the lifestyles of the local community. First, the air pollution from the cement company and from the increased number of commuting vehicles can be reduced because of the leafy trees which have been planted by the company. Second, the constructions of infrastructure, such as road paving, public facilities (e.g., the village office, school buildings, etc.), and water supply have made the villages look more representative and made the local people more proud of the conditions of their villages. Third, there has been an increase in the number of children who can attend formal education, because the company provides various types of scholarships for the local community members. Fourth, the increase in the health status of the people because the company has provided modern and free health care for the rural people. Fifth, the increased knowledge of the local farmers on modern farming and organic farming systems. Sixth, the growth of small businesses, such as food stalls and boarding houses that have increased the economic activities, and the welfare of the local people. Seventh, the increase in the religious activities that have assisted in decreasing the crime rate.

In the future, this cement company is expected to contribute more to the society by paying attention to social capital, building closer relation with the local people, and involving the local people more often in its CSR programmes. The success of the company largely depends on its surrounding environment, especially the people in the Ring 1 area. On the other hand, the welfare of the local community also largely depends on the anchor company of the area as they contribute to the livelihoods of the residents and the economic development of the local area. Consequently, good cooperation and partnership between the company and the local communities are needed for the benefit of the development of the local area.

Acknowledgments

This work was supported by the Rector of the Airlangga University under Grant number 519/UN3/2015.

Disclosure statement

No potential conflict of interest was reported by the author.

Funding

This work was supported by the Airlangga University: [Grant Number 519/UN3/2015].

ORCID

Rustinsyah http://orcid.org/0000-0003-3535-6720

References


