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# CSR Practical Orientation in Small Medium Enterprises (SMEs): A Case Study in Solo City Indonesia

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## Abstract

This study explores empirical data on the orientation of CSR practices to SMEs in City Surakarta seen from CSR practices that are employee, market, and environment-oriented as a whole. The sample in this study was 90 SMEs in the Surakarta area. The method used in this research is a survey with data analysis using Confirmatory Factor Analysis (CFA). Before the survey, a pilot study was conducted on 10 SMEs actors to test the instrument's validity and reliability. The results showed that the most dominant CSR practices at SMEs in City Surakarta were the community orientation indicated by the rotated component matrix table of 0.904 and the market orientation indicated by the rotated component matrix table of 0.876. Both orientations are more dominant than other orientations.

**Keywords:** Corporate Social Responsibility, CSR orientation, SMEs, MSMEs, Market orientation, Community orientation, Environmental orientation

## 1. Introduction

Corporate Social Responsibility (CSR) began to be adopted in accounting using a financial and management perspective. The financial perspective focuses on CSR disclosure or CSR reporting, while in the management perspective, it is related to measuring social performance [1]. This view is based on several main models in understanding the concept of CSR. First, Carroll's [2] view defines CSR in three dimensions: combining social responsibility at four different levels (economic, legal, ethical, and discretionary), the number of social problems facing companies, and the underlying philosophy. Second, the view of Wartick and Cochran [3], who adopted and perfected the CSR model of Carroll [2] by including the social problem management variable on CSR. Third, Wood, [4] sees CSR from the aspects of: configuration of CSR principles, social response processes, policies, programs, and outcomes that can be observed in the context of corporate and social relations. Fourth, the view of CSR from the perspective of stakeholders who feel satisfied with the company's performance is one of the successes of CSR [5]. This study uses CSR terminology from Wood's [4] model, which looks at CSR from responsive social processes, policies, programs, and observable outcomes (impacts) in the context of corporate and social relations.

CSR in Indonesia began to develop after Law no. 40 of 2007 [6] concerning Limited Liability Companies Article 74 concerning the obligations of companies

engaged in natural resources to carry out social and environmental responsibilities. Along with the development of CSR in Indonesia, more and more companies are implementing social responsibility. CSR is an obligation and a strategy developed in large-scale companies but is expected to be further developed in Micro, Small, and Medium Enterprises (MSMEs) companies.

MSMEs in Indonesia have experienced significant development. Based on the Ministry of Cooperatives and Small and Medium Enterprises data, the number of MSMEs in Indonesia currently reaches 59.3 million [7]. That number of MSMEs in 2018 is known to contribute to Indonesia's GDP by 60% or Rp. 4.800 trillion [8]. The current condition of MSMEs needs better management further to increase their contribution to the country's economy.

The current phenomenon is that the MSME empowerment program is still not following the needs of MSMEs and is still routine and monotonous. Implementing the MSMEs empowerment program should be carried out by considering financial factors and developing environmentally friendly MSMEs businesses, especially production activities that can reduce industrial emissions. One example is the collaboration between Indonesia and South Korea at the 1st Indonesia-Korea Green Business Forum in Jakarta on December 6, 2016 [9]. So far, the concept of CSR is only practiced by large companies, so it has not touched the MSME sector. If CSR can be applied to MSMEs, it is hoped to provide integrity within the MSMEs organization, which thinks about profit and environmental and social. Therefore, all companies, both large and small, including MSMEs, can implement CSR as one of the things that can determine the sustainability of their business because, through CRS, companies can get support from stakeholders and the community around the company.

CSR activities by MSMEs can be carried out with different orientations. The CSR Practice Orientations include employee-oriented, community-oriented, market-oriented, environmental-oriented, and generally or comprehensively oriented [10]. However, CSR practices have always been associated with environmental orientation and have not led to other CSR practice orientations.

Based on data from the Central Java Province Cooperatives and MSMEs Service in the first quarter of 2019, the number of MSMEs in Central Java is 147,233 SMEs. One of the regencies/cities with the largest MSMEs is Surakarta City, which has 43,700 MSMEs in 2018 [11]. In other words, Surakarta City has 30% of MSMEs in Central Java. For this reason, this study chooses Surakarta City as the research area.

Another reason for choosing a research area in Surakarta City is that there are previous studies on MSMEs in Surakarta City, but no one has specifically examined the orientation of MSMEs in implementing CSR. These studies, among others, were conducted by [12] which examined the effectiveness of the performance of the RKB of Bank BRI Solo in developing its fostered SMEs in terms of factors, indicators, measures, and the process of evaluating the effectiveness of the performance of the RKB of Bank BRI Solo. The research shows that the performance of the RKB of Bank BRI Solo in developing its fostered SMEs has been carried out effectively but has not been researched and provided further descriptions of the SMEs studied in terms of CSR practices and the orientation chosen. Subsequent research conducted by [13], who examined MSMEs in Surakarta with the ability to respond to the market, turned out to have a significant effect on product innovation excellence and marketing performance. These studies have not revealed CSR practices by MSMEs in Surakarta, including the chosen orientation in CSR practices.

The following study by Harto [14] examined the effect of CSR orientation on Corporate Social Performance. The CSR orientation in this study includes a corporate ethics orientation and a legal orientation. The results obtained are that the company's ethical orientation is positively related to the company's social

performance, while the legal orientation is negatively related to the company's social performance. The study has paid attention to environmental uncertainty as a moderating variable, which indicates a significant interaction between the company's orientation towards social responsibility in MSMEs in Central Java. This research examines economic orientation, legal orientation, ethical orientation, and discretionary orientation as independent variables and is carried out on large, medium, small, and micro-scale companies. Unlike Harto's study, this focuses on the CSR orientation in employee, community, market, environmental, and an overall orientation perspective on MSMEs.

Another case is the study conducted by [15] which shows waste treatment as one of the CSR activities at Batik SMEs in Sukoharjo Regency. The CSR practice of waste treatment was chosen as a strategy carried out sustainably, but from this study, there has not been a specific picture of the orientation chosen by MSMEs in the practice of CSR in waste treatment.

Based on the previous studies and the phenomena that occur in MSMEs above, the purpose of this study is to explore (pooling) empirical data on the CSR orientation of MSMEs in Surakarta in terms of CSR practices that are oriented towards employees, society, markets, the environment and as a whole.

## **2. Literature review**

### **2.1 Corporate social responsibility (CSR)**

CSR (Corporate Social Responsibility) by the general public is understood as a concept or action taken by a company in social activities as a form of corporate responsibility to the environment and the community around the company.

According to [16] the concept of CSR is a way of running a business that is not solely for doing business. Many MSMEs have done it even though they do not consider it a CSR or a Sustainability business. Nevertheless, they have implemented values in running the business by maintaining good relations with employees, customers, and stakeholders and contributing positively to society. Applying these values has demonstrated CSR as part of running a business to gain business profits while doing commendable things by providing important benefits for a better life for the community and providing protection to the environment.

In Surakarta Mayor Regulation Number 12-A of 2013 concerning the implementation of Corporate Social Responsibility (Corporate Social Responsibility) in Surakarta City [17], CSR is defined as the responsibility inherent in every company to continue to create a harmonious, balanced and appropriate relationship with the environment, values, norms, and culture of society.

In companies, especially the large ones, there are 5 (five) pillars in the CSR practices of the Prince of Wales International Business Forum, including:

1. HR capacity development (Building Human Capital).

The company forms reliable human resources or empowers the community.

2. Strengthening the community economy (Strengthening Economies).

The company contributes to economic improvement, including assisting in poverty alleviation.

3. Maintenance of community harmony (Assessing Social Cohesion).

The company maintains the stability and harmony of the community so that conflicts do not occur, especially those related to business activities.

4. Implementation of good governance (Encouraging Good Governance).

The company implements good governance.

5. Environmental Conservation (Protecting The Environment).

The company preserves the physical, social and cultural environment.

## 2.2 Micro, small, and medium enterprises (MSMEs)

The characteristics of MSMEs are different in each literature on several sources from agencies, institutions, government regulations, including laws. According to Hernita [18], the main characteristics of MSMEs that distinguish large and medium enterprises are that MSMEs are labor-intensive businesses, are found in all locations, especially in rural areas, are more dependent on local materials, and are the main providers of essential goods and services for low-income or poor people. According to him, the general description of MSMEs is described as follows:

1. As livelihood activities, small and medium-sized businesses are used as job opportunities to earn a living, more commonly known as the informal sector. Examples are “Meatball” traders, “Chicken Noodle dumplings”, “Somai,” “Pentol” and “Cilok,” who are known as street vendors (PKL).
2. As Micro-enterprise, it is a small and medium business with the nature of artisans but does not yet have entrepreneurial characteristics.
3. As a small dynamic enterprise, it is a small and medium-sized enterprise with an entrepreneurial spirit and can accept subcontract and export work.
4. as a fast-moving enterprise, it is a small and medium business that already has an entrepreneurial spirit and will transform into a big business (industry/ company).

Under Law No. 20/2008 [19] Concerning Micro, Small and Medium Enterprises, MSMEs are expected to increase the position, role, and potential of MSMEs in realizing economic growth, equity and increasing people’s income, creating job opportunities, and alleviating poverty. The empowerment of MSMEs is carried out by the Government, Regional Governments, the Business World, and the community by developing a conducive climate, providing business opportunities, support, protection, and business development as widely as possible in a comprehensive, synergistic, and sustainable manner. The classification of MSMEs based on Law no. 20/2008 [19] is as in **Table 1** as follows.

## 2.3 CSR practice orientation

As stated by Cohen [16] that sometimes companies do not realize that they have implemented CSR. However, this does not mean that companies that provide contributions or other benefits by not solely seeking business profits can be considered not to have a CSR orientation. This is because CSR orientation and CSR practices are interrelated. In some companies, the orientation of CSR practices is carried out by preparing a Sustainability Report. Some literature explains that the Sustainability

Business size	Asset (in IDR)	Revenue (in IDR)
Micro Business	Minimum 50 Million	Maximum 300 Million
Small Business	>50 Million – 500 Million	Maximum 3 Billion
Medium Business	>500 Million – 10 Billion	>2.5-50 Billion

Source: law no. 20/2008.

**Table 1.**  
 The classification of MSMEs based on law no. 20/2008.

Report is known as the Triple Bottom Line Approach, which reflects the orientation of CSR practices in a simple way, namely Productivity issues, Environmental Responsibility, and Social Domains.

Another study on the orientation of CSR practices, as presented by Harto [14], is the orientation of CSR practices described based on four components of corporate social responsibility, including the first, namely the orientation based on economic responsibility, where businesses must be productive and profitable to face competition. The second CSR practice orientation is based on legal/legal responsibility, which views that the business must comply with applicable laws and regulations. The third orientation of CSR practices is based on ethical responsibility, which is the obligation to run a business ethically, obey the rules even though they are not written, follow the norms and values of the community. Furthermore, the fourth CSR practice orientation is based on discretionary responsibility in which companies must voluntarily provide benefits according to community expectations without any coercion. This CSR practice orientation has not been specific or focused on MSMEs but still applies to companies at all scales, large and medium, small and micro. In this study, further references are needed that only focus on the orientation of CSR practices for MSMEs.

Based on other literature [10], several orientations of CSR practices in Europe have been found that specifically focus on Small Medium Enterprises (SMEs), which can be equated with SMEs in Indonesia. The impact of CSR practices on MSME often cannot appear immediately, and sometimes it even takes a long time to obtain. The orientation of CSR practices is often carried out using a practical approach to not causing many costs. These approaches include employee-oriented, community-oriented, market-oriented, environment-oriented, and general or comprehensive oriented.

According to Das Maitreyee et al. [20], CSR practices in Asia are conceptualized based on recommendations derived from the Western context that have been developed. The reason is that they have started earlier than in Asia. However, in terms of economy and culture, CSR practices for MSMEs in Asia are unique in that they are still traditional and dominated by culture, which tends to be in the form of philanthropic activities that benefit their local communities. Asia is different from the West in terms of the economy, which tends to use market orientation to build a good brand image. In Asia, many family business owners feel that social value is more important to be remembered by their income and what they do for society. MSMEs practice CSR in donations to various charity hospitals, religious organizations, schools, or orphanages, or it can be said that CSR is more ethical and philanthropic oriented and dominated mainly by culture. The role of the Government is to determine the implementation of CSR practices in Asia; in this case, the Government understands the potential of MSMEs in economic development, thereby facilitating the control of loan interest rates, making environmental-related policies through regulations from local governments, and providing support through promotions to encourage SMEs to collaborate in running their business.

The implementation of CSR practices in Indonesia is not much different from that carried out in Asia, more specifically for the Surakarta City area; policies still influence the orientation of CSR practices through government regulations. These regulations include Central Java Provincial Regulation No. 2 of 2017 concerning Corporate Social and Environmental Responsibility (TJSLP) [21], in addition to Surakarta City Regulation No. 2 of 2015 concerning Corporate Social Responsibility [22], and Surakarta Mayor Regulation No. 3-A 2016 concerning Instructions for the Implementation of the Surakarta City Regulation No. 2 of 2015 [23].

In addition to the influence of government policies, the implementation of CSR is also influenced by organizations engaged in economic, social, and environmental changes. For example, as presented by Kharisma et al. [24], the Organization for Economic Co-operation and Development (OECD) sets international standards for various fields, from agriculture and taxes to chemical safety, which also influences flexible Good Corporate Governance related to conditions, culture, and traditions in their respective regions.

### 3. Method

This research is a descriptive study, which was carried out quantitatively cross-sectional. The population in this study were MSMEs located in Surakarta City as a center for developing national MSMEs, while the sample, which amounted to 90 MSMEs, was conducted using a simple random sampling method. Data collection with this number of samples was carried out by distributing questionnaires filled out by MSME business actors in Surakarta City.

Before being used, the questionnaire instrument was first tested in a pilot study of 10 business actors. The purpose of the pilot study was to test the validity and reliability of the instrument, which was carried out using the Pearson's product-moment and Cronbach's alpha methods, and a content test was conducted to improve the instrument's grammatical suitability so that the instrument is easy to understand and easy to fill out by respondents.

At the time of the survey, the research respondents were given an explanation of this research's aims and objectives, including the principle of confidentiality, and were given an overview of the number of questions, how to fill in, and urged them to fill in completely with the actual conditions.

Statistical analysis used is statistical data processing which is commonly used in descriptive research using the help of IBM SPSS Statistics Data Editor 25 software. The first step is a descriptive statistical analysis to determine the highest and lowest values, average values, and standard deviations. These values can be used for data analysis to reveal the orientation of CSR practices quantitatively. Then the normality test was conducted to determine whether the data from the questionnaires reflected a normal distribution or not. In the end, conclusions are drawn from the results of the analysis.

### 4. Result

After analyzing the data descriptively, the results are that the mean value of each question item is greater than the standard deviation number. Thus, it means that the study results have very low deviations so that the distribution of the data is normal and valid.

Based on each question item, it can be grouped according to the orientation of CSR practices and then analyzed the tendency of respondents' answers regarding

whether or not the orientation is carried out in CSR practices. The grouping is as follows:

#### 4.1 Employee orientation in CSR practices

**Table 2** shows the frequency distribution results of the K1 questionnaire items, and the mean value is 3.69 with a median of 4 and mode 4, which means that, on average, MSMEs have provided compensation to employees. Then the results of the frequency distribution of the K2 questionnaire items with a mean value of 3.18 and a median of 3 and mode 4, on average, MSMEs have provided Social Security protection to employees. Furthermore, the frequency distribution results of the K3 questionnaire items with a mean value of 3.06 and a median of 3 and mode 4 indicate that, on average, MSMEs train employees to work according to the assigned tasks. In addition, results of the frequency distribution of K4 questionnaire items with a mean value of 3.46 and with a median of 4 and mode 4 indicate that, on average, MSMEs are involved in product or service improvement. The results of the frequency distribution of K5 questionnaire items with a mean value of 2.57 with a median of 3 and mode 3 indicate that there is a tendency for employers to provide opportunities for money loans for employees in need.

#### 4.2 Community orientation in CSR practices

**Table 3** shows the frequency distribution of M7, M8, M9, and M10 questionnaire items that describe community orientation in CSR practices. Item M7 with a mean value of 3.31, Median 3, and Mode 4 indicates that MSMEs have contributed special funds for the development of the surrounding community. Item 8 with a mean of 3.38, a median of 4, and a mode of 4 indicates that, on average, MSMEs contribute funds to village organizations around the district or village pillar. Item M9, with a mean of 3.29, a median, and mode of 3, indicates that MSMEs make donations to schools or religious institutions. Finally, **Table 3** indicated that MSMEs provide non-detailed donations to the surrounding community as shown in statistic value: Mean of 3.39 and a 4 for median and mode.

		Statistics					
		K1	K2	K3	K4	K5	K6
N	Valid	90	90	90	90	90	90
	Missing	0	0	0	0	0	0
Mean		3,69	3,18	3,06	3,46	2,57	2,61
Median		4,00	3,00	3,00	4,00	3,00	3,00
Mode		4	4	4	4	3	2
Sum		332	286	275	311	231	235
Percentiles	25	3,00	2,00	2,00	3,00	1,00	2,00
	50	4,00	3,00	3,00	4,00	3,00	3,00
	75	4,00	4,00	4,00	4,00	3,00	3,00

**Table 2.**  
*Frequency distribution analysis and categorization on employee orientation in CSR practices.*

		Statistics			
		M7	M8	M9	M10
N	Valid	90	90	90	90
	Missing	0	0	0	0
Mean		3,31	3,38	3,29	3,39
Median		3,00	4,00	3,00	4,00
Mode		4	4	3	4
Sum		298	304	296	305
Percentiles	25	3,00	3,00	3,00	3,00
	50	3,00	4,00	3,00	4,00
	75	4,00	4,00	4,00	4,00

**Table 3.**  
*Frequency distribution analysis and categorization on community orientation in CSR practices.*

### 4.3 Market orientation in CSR practices

**Table 4** shows the results of the questionnaire items P11, P12, P13, P14, P15, P16, P17, P18, P19, and P20, all of which describe those related to market orientation in CSR practices of MSMEs. Questionnaire item P11 relates to business licenses, with a mean of 3.39 with a median of 3 and mode of 3 (three), indicating that, on average, MSMEs have a business license. Questionnaire item P12 relates to safe products, with a mean of 2.99 with a median of 3 and mode 4, indicating that, on average, MSMEs have safe products for consumers. Questionnaire item P13, related to advertising, has a mean of 3.36, with a median of 4 and mode 4, indicating that MSMEs place advertisements as promotional media on average. The questionnaire item related to product prices, P14, has a mean of 3.64, with a median of 4 and mode 4, indicating that, on average, MSMEs set their product prices following the market price in general. Questionnaire items P15 are those related to MSME suppliers, and those items have a mean of 3.54 with a median of 4 and a mode of 4, indicating that, on average, MSMEs have suppliers. The distribution aspect is contained in the P16 questionnaire item. This item has a Mean of 2.46 with a median

		Statistics									
		P11	P12	P13	P14	P15	P16	P17	P18	P19	P20
N	Valid	90	90	90	90	90	90	90	90	90	90
	Missing	0	0	0	0	0	0	0	0	0	0
Mean		3,39	2,99	3,36	3,64	3,54	2,46	2,59	3,22	3,24	3,11
Median		3,00	3,00	4,00	4,00	4,00	2,00	3,00	3,50	4,00	3,00
Mode		3	4	4	4	4	2	3	4	4	3
Sum		305	269	302	328	319	221	233	290	292	280
Percentiles	25	3,00	2,75	3,00	3,00	3,00	1,75	2,00	3,00	3,00	3,00
	50	3,00	3,00	4,00	4,00	4,00	2,00	3,00	3,50	4,00	3,00
	75	4,00	4,00	4,00	4,00	4,00	3,00	3,00	4,00	4,00	4,00

**Table 4.**  
*Frequency distribution analysis and categorization on market orientation in CSR practices.*

of 2 and mode 2, which indicates that MSMEs have no problems with suppliers. Questionnaire item P17, which relates to payments to suppliers, has a mean of 2.59 with a median of 3 and mode 3, which indicates that, on average, MSMEs have no problems in payment to suppliers. Aspects of the Government's role towards MSME service products are described in the questionnaire item P18, with a Mean of 3.22, a median of 3.5, and a Mode 4, which indicates that, on average, the Government utilizes MSME products or services. Questionnaire item P19, which relates to the cooperation of SMEs with large companies, has a Mean of 3.24 with a median of 4 and mode 4, indicating that MSMEs cooperate with large companies, whether they supply products or are supplied with products. Finally, the questionnaire item related to cooperation between MSMEs with similar companies, P20, with a mean of 3.11, a median of 3, and a mode of 3, shows that, on average, MSMEs cooperate with similar entrepreneurs, especially when they receive many orders.

#### 4.4 Environmental orientation in CSR practices

**Table 5** shows the questionnaire items L21, L22, L23, L23, L24, and L25 related to environmental orientation in CSR practices. Questionnaire item L21, relating to aspects of environmentally friendly products, has a mean of 3.39, with a median of 4 and mode 4, indicating that, on average, MSMEs produce environmentally friendly products. The questionnaire item related to plastic packaging, P22, which has a mean of 2.20 with a median of 2 and mode 2, shows that SMEs avoid plastic packaging, although not all of them. Questionnaire item L23 is closely related to production waste and has a mean of 2.36 with a median of 2 and mode 2 (two) and shows that, on average, MSMEs produce waste during their production. Furthermore, the disturbing waste aspect stated in the questionnaire item L24 has a mean of 2.57 with a median of 3 and mode 3, which indicates that there are still MSMEs whose production activities produce waste that disturbs the surrounding environment. Finally, the questionnaire item L25, which relates to waste treatment, has a mean of 3.04 with a median of 3 and mode 3, indicating that MSMEs have attempted to implement simple waste management.

The next step of data analysis is to find the most dominant practice orientation in implementing CSR practices by MSMEs, using confirmatory factor analysis (CFA). Before conducting confirmatory factor analysis, it is necessary to ascertain whether the existing correlation is sufficient to determine a correlation between

		Statistics				
		L21	L22	L23	L24	L25
N	Valid	90	90	90	90	90
	Missing	0	0	0	0	0
Mean		3,39	2,20	2,36	2,57	3,04
Median		4,00	2,00	2,00	3,00	3,00
Mode		4	2	2	3	3
Sum		305	198	212	231	274
Percentiles	25	3,00	2,00	2,00	2,00	3,00
	50	4,00	2,00	2,00	3,00	3,00
	75	4,00	3,00	3,00	3,00	4,00

**Table 5.** Frequency distribution analysis and categorization on environmental orientation in CSR practices.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		,705
Bartlett's Test of Sphericity	Approx. Chi-Square	1313,967
	df	300
	Sig.	,000

**Table 6.**

*Kaiser Meyer Olkin test analysis measure of sampling adequacy and Bartlett's test of sphericity.*

variables using the Bartlett of Sphericity Test. In addition, the level of intercorrelation between variables is also measured, including measuring whether factor analysis can be carried out/continued. These measurements used the Kaiser Meyer Olkin Measure of Sampling Adequacy (KMO MSA) test tool. The results of data analysis using SPSS obtained a KMO value of 0.705, which means that confirmatory

	Communalities	
	Initial	Extraction
K1	1,000	,700
K2	1,000	,488
K3	1,000	,717
K4	1,000	,700
K5	1,000	,682
K6	1,000	,733
M7	1,000	,759
M8	1,000	,876
M9	1,000	,699
M10	1,000	,864
P11	1,000	,818
P12	1,000	,691
P13	1,000	,689
P14	1,000	,689
P15	1,000	,772
P16	1,000	,808
P17	1,000	,840
P18	1,000	,824
P19	1,000	,719
P20	1,000	,705
L21	1,000	,554
L22	1,000	,762
L23	1,000	,824
L24	1,000	,813
L25	1,000	,558

*Extraction method: principal component analysis.*

**Table 7.**

*Analysis of how much the variable can explain the factor.*

factor analysis can be carried out because the KMO value is more than 0.5. The Bartlett test of Sphericity with Chi-Square value is 1313,967, significant with a value of 0.000, so it can be concluded that the confirmatory factor analysis test can be continued (**Table 6**).

Confirmatory factor analysis begins with exploring how much a variable can explain the factor. The result is that almost all variables have extraction values of more than 0.5, which means that the existing variables can explain the factors. Achievements below 0.5 on K2 items are 0.488, as can be seen in **Table 7**. Of all the variables, based on the processed SPSS data, it was found that the maximum factors that can be obtained are 7 (seven) factors with Initial Eigenvalues of more than 1 (one) (**Table 8**).

The next step is to determine which factor each variable belongs to and how the variable correlates to the factor. Then the results are sorted from the largest to the smallest value for each factor so that it is easy to determine the grouping. The order of the most dominant factors and their variables based on the rotated component matrix table (**Table 9**) is as follows:

- a. Factor I: variable M8(0.904), M10(0.868), M7(0.790), M9(0.677).
- b. Factor II: variables P18(0.876), P19(0.777), P20(0.666), and P13(0.657).
- c. Factor III: variable P17(0.858), P16(0.828) P12(-0.580), K2(0.563), K5 (0.495).
- d. Factor IV: variable K1(0.773), K4(0.654), P14(0.601), P15(0.576), L21 (0.458).
- e. Factor V: variable L23(0.890), L24(0.812),
- f. Factor VI: variable P11(0.797), K6(0.698), K3(0.650),
- g. Factor VII: variable L22(0.829), and L25(0.466).

## 5. Discussion

The data above shows that the most dominant orientation in MSME CSR practices in Surakarta is the Community Orientation and Market Orientation. Community-oriented CSR carried out by MSMEs in Surakarta provides donations or donors to the surrounding community, orphanages, or sponsors community activities such as youth organizations for youth and PKK activities for mothers and sponsoring road repair activities around business locations. It is also found in the study of SMEs in Europe [10] such as in Finland, some SMEs donate part of their profits to children getting a basic education. Furthermore, a medium-sized Romanian company carried out CSR by assisting in school laboratory equipment and humanitarian sponsorship for local children. Medium-sized companies in Spain also carry out CSR activities by providing sponsorship of sports activities to local youth. In line with MSMEs in Asia, mostly family businesses, CSR practices are also more community-oriented, with donations to hospitals, religious organizations, and schools [20].

The market-oriented CSR activities for SMEs in Surakarta also showed the most dominant results. The activities carried out included targeting market-oriented CSR activities, namely producing products that already have permits such as PIRT,

Component	Total variance explained								
	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	6,075	24,299	24,299	6,075	24,299	24,299	3,334	13,334	13,334
2	3,443	13,771	38,070	3,443	13,771	38,070	3,035	12,140	25,475
3	2,322	9,288	47,358	2,322	9,288	47,358	3,033	12,133	37,608
4	1,920	7,679	55,037	1,920	7,679	55,037	2,505	10,021	47,629
5	1,813	7,252	62,290	1,813	7,252	62,290	2,362	9,448	57,076
6	1,573	6,291	68,581	1,573	6,291	68,581	2,284	9,136	63,213
7	1,140	4,561	73,142	1,143	4,561	73,142	1,732	6,929	73,142
8	,887	3,548	76,690						
9	,785	3,142	79,832						
10	,700	2,800	82,632						
11	,654	2,617	85,249						
12	,519	2,075	87,324						
13	,504	2,016	89,340						
14	,465	1,859	91,199						
15	,399	1,594	92,793						
16	,286	1,142	93,935						
17	,270	1,080	95,016						
18	,238	,952	95,968						
19	,226	,904	96,872						
20	,191	,764	97,636						

Component	Total variance explained								
	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
21	,155	,620	98,256						
22	,143	,574	98,830						
23	,126	,503	99,333						
24	,094	,375	99,708						
25	,073	,292	100,000						

*Extraction method: principal component analysis.*

**Table 8.**  
 Analysis of initial eigenvalues.

Rotated component matrix <sup>a</sup>							
	Component						
	1	2	3	4	5	6	7
M8	,904	,141	,138	,089	,105	-,001	-,007
M10	,865	,271	,121	-,058	-,022	,111	,079
M7	,790	,029	,305	,120	,157	,051	-,007
M9	,677	,132	,027	,362	-,188	-,233	,034
P18	,213	,876	,077	,071	,004	,021	,018
P19	,335	,777	-,001	,012	,017	-,054	,015
P20	-,083	,666	-,179	,044	-,107	,189	,416
P13	,008	,657	,090	,290	-,128	-,024	-,386
P17	,188	-,127	,858	,142	,175	-,043	,007
P16	,114	-,104	,828	,153	222	-,157	,041
P12	-,283	-,251	-,580	-,084	,004	,447	-,070
K2	,135	,167	,563	,092	-,262	,169	,139
K5	-,180	-,311	-,495	-,121	-,293	,430	,149
K1	-,051	,066	,216	,773	-,114	,138	,129
K4	,340	-,135	,348	,654	-,052	-,099	-,073
P14	,294	,330	-,031	,601	,272	-,126	-,202
P15	,301	,449	-,050	,576	,252	-,031	-,286
L21	,017	,306	,177	,458	,428	-,150	-,119
L23	,002	-,012	-,067	,023	,890	,061	,153
L24	,101	-,107	,340	-,041	,812	-,119	,016
P11	-,061	,016	-,037	,160	,129	,797	-,368
K6	,061	,129	,066	-,245	-,301	,698	,265
K3	,135	,004	-,441	,054	,023	,650	,281
L22	,063	-,033	,134	-,093	203	-,035	,829
L25	,023	,091	-,015	,394	-,302	,322	,446

*Extraction method: principal component analysis.*  
*Rotation method: varimax with Kaiser normalization.*  
<sup>a</sup>*Rotation converged in 19 iterations.*

**Table 9.**  
*Rotated component matrix analysis.*

ensuring the cleanliness and safety of the products produced, conducting promotions in the form of advertisements through various social media, establish good cooperation and relationships with suppliers as well as cooperation with other MSMEs and local governments. This finding is also in line with research that has been carried out in SMEs in Europe, such as several SMEs in Finland, Spain, and Poland who always pay attention to the quality of the products sold and maintain good relations with suppliers [10]. The more dominant community and market-oriented CSR practices are also in line with research [4] which sees CSR as a social response process, policy, program, and impact on the relationship between the company and society.

## 6. Conclusion

From the data analysis above, it can be concluded that the most dominant orientation in CSR practices by MSMEs is the Community Orientation and Market Orientation. The existence of MSMEs in society makes Community Orientation the most important thing, where MSMEs strive to provide benefits to the surrounding community. Furthermore, besides providing benefits to the community around MSMEs, they still consider CSR practices to improve their existence and maintain business continuity so that Market Orientation becomes the next choice for MSMEs in CSR practices. The two orientations are more dominant than the other orientations.

The limitation of this study is the limited sample obtained. Although it only obtained samples from the Surakarta area and its surroundings, the conclusions of this research can reflect the existing situation because Surakarta City and its surroundings are also a national barometer of business. Based on the above limitations, it is necessary to expand the research sample for future research by considering the diverse representation of the small and medium industry sector.

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