



**CORPORATE SOCIAL RESPONSIBILITY TO REDUCE COMMUNITY REJECTION OF A COMPANY EXISTENCE: ANALYSIS OF BUSINESS ETHICS PERSPECTIVE**

**TANGGUNG JAWAB SOSIAL PERUSAHAAN UNTUK MENGURANGI PENOLAKAN MASYARAKAT TERHADAP KEBERADAAN PERUSAHAAN: ANALISIS PERSPEKTIF ETIKA BISNIS**

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**ABSTRACT**

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The purpose of this study was to investigate the role of corporate social responsibility (CSR) in reducing the impact of community rejection of the company's existence. In addition, this study was also conducted to explore CSR from the perspective of business ethics theory. The research location is the community in the area adjacent to PT. Pertamina (Persero) RU VI in Balongan Indramayu, West Java. The research method used is phenomenological-qualitative by investigating the experiences of the participants in depth. The focus of the research topics are CSR, rejection reduction, and business ethics. The findings reveal that Pertamina already has two flagship CSR programs that are currently being implemented and have had a positive impact on reducing public resistance to the company's existence. Through these CSR programs, Pertamina and the community within the company work together to achieve the success of the program. Thus, the company's commitment to CSR practices has reduced the impact of community rejection of the company. Interestingly, the local government also actively participates in the program. Unfortunately, the fire incident is contrary to Pertamina's commitment to pay attention to environmental impacts and the principle of honesty. And this is a serious concern considering the possible negative impacts it can cause. Second, viewed from the perspective of business ethics, Pertamina has implemented one of the principles of business ethics. Pertamina has built the values of good business behavior. It's just that in the future it is necessary to improve other principles of business ethics, namely the principles of honesty, fairness, autonomy in order to create effective business ethics.

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INFO ARTIKEL	ABSTRAK
<p><b>Koresponden:</b></p> <p><b>Sitti Faoziyah</b> <a href="mailto:sittifaoziyah@gmail.com">sittifaoziyah@gmail.com</a></p> <p><b>Kata Kunci:</b> Tanggung Jawab Sosial Perusahaan, Kesejahteraan Masyarakat, Etika Bisnis.</p> <p><b>Website:</b> <a href="http://jdm.or.id/JSCR">http://jdm.or.id/JSCR</a></p> <p><b>hal: 162 - 175</b></p>	<p>Tujuan dari penelitian ini adalah untuk mengetahui peran tanggung jawab sosial perusahaan (CSR) dalam mengurangi dampak penolakan masyarakat terhadap keberadaan perusahaan. Selain itu, penelitian ini juga dilakukan untuk mengeksplorasi CSR dari perspektif teori etika bisnis. Lokasi penelitian adalah masyarakat di kawasan yang berdekatan dengan PT. Pertamina (Persero) RU VI di Balongan Indramayu, Jawa Barat. Metode penelitian yang digunakan adalah fenomenologis-kualitatif dengan menyelidiki pengalaman partisipan secara mendalam. Fokus topik penelitian adalah CSR, pengurangan penolakan, dan etika bisnis. Temuan menunjukkan bahwa Pertamina telah memiliki dua program unggulan CSR yang sedang dilaksanakan dan berdampak positif dalam mengurangi resistensi masyarakat terhadap keberadaan perusahaan. Melalui program CSR tersebut, Pertamina dan masyarakat di lingkungan perusahaan bersinergi untuk menyukseskan program tersebut. Dengan demikian, komitmen perusahaan terhadap praktik CSR telah mengurangi dampak penolakan masyarakat terhadap perusahaan. Menariknya, pemerintah daerah juga aktif berpartisipasi dalam program tersebut. Sayangnya, peristiwa kebakaran tersebut bertentangan dengan komitmen Pertamina untuk memperhatikan dampak lingkungan dan prinsip kejujuran. Dan ini menjadi perhatian serius mengingat kemungkinan dampak negatif yang ditimbulkannya. Kedua, dilihat dari segi etika bisnis, Pertamina telah menerapkan salah satu prinsip etika bisnis. Pertamina telah membangun nilai-nilai perilaku bisnis yang baik. Hanya saja ke depan perlu dilakukan penyempurnaan prinsip-prinsip etika bisnis lainnya yaitu prinsip kejujuran, keadilan, kemandirian agar tercipta etika bisnis yang efektif.</p> <p>Copyright © 2022 JSCR. All rights reserved.</p>

## INTRODUCTION

In recent decades, the practice of corporate social responsibility has received serious attention from a number of developed countries, mainly because of its positive impact on companies and on public rejection of the company's existence. Studies show that companies are increasingly investing in CSR because they are able to generate strong relationships with stakeholders that are beneficial for their performance (Franco et al., 2020). Another study shows a different assessment, according to CSR initiatives that do not provide the social good they promise. In addition, serious problems occur because a number of companies do not pay attention to the wider community and instead prioritize certain groups, thus triggering social conflicts between companies and the community (Barnett, Henriques, & Husted, 2020).

Recent studies have found that companies in the world have various problems with CSR practices. CSR practices do not run according to community expectations, as a result, people have to accept the harsh reality of the existence of companies in their

environment. Previous researchers identified several obstacles in the implementation of CSR, namely competent issues, distribution of costs and targets, programs carried out, licensing and regulatory problems and lack of governance and field personnel (Watts, Fernie, & Dainty, 2019).

CSR programs in Indonesia are also inseparable from hot issues in the eyes of the world. Some private companies even reject CSR practices on the grounds that they do not have funds. As a classic problem, the issue of costs and benefits for the company is taken into account. Simultaneous implementation of CSR is less beneficial for the company's financial performance. Only high CSR can produce positive financial performance (Franco et al., 2020). While government-owned companies, although they have implemented it, have a number of long records in CSR practices. A well-known case is the prolonged conflict of PT. Freeport Indonesia, which has been operating since 1969. This conflict with the community is allegedly due to CSR programs that are not well targeted and do not match the needs of the local community (Marnelly, 2012).

Indonesia was the first country to regulate CSR activities in the form of the Company Law or Limited Liability Company (UU PT). The government has a number of companies in the form of BUMN which are also required to implement CSR practices. SOEs play a major role in promoting CSR practices. As a government-owned company that is able to generate high enough profits, of course, it is expected to be a role model for CSR programs for private companies in carrying out effective and efficient CSR practices. One of them is Pertamina, which became a trending topic due to the oil refinery fire accident in Indramayu, West Java (Pertamina, 2021).

The study states that companies must have a CSR commitment with various programs, such as anti-drug campaigns, scholarships, and blood donations. A good company must have good management and to find out is to do an audit. The literature mentions that CSR practices can have an impact on the value of their shares (Julianto & Megawati, 2020). Companies that have management with good CSR practices have a much higher share value than those that do not. From the various literatures, the novelty of the research is shown by the researcher's review of the role of CSR practices in terms of business ethics.

Past research on CSR has focused on sustainability strategies, program implications, and normative reviews. Bian et al. (2021) explained that the CSR sustainability strategy depends on the risk exposure and cost premium that must be incurred by the company. Azis & Kartika (2019) explained that Pertamina Indramayu's CSR practices were in accordance with the regulations of Law Number 40 of 2007 concerning Limited Liability Companies. Pertamina's CSR practices have not significantly reduced the unemployment problem (Simatupang & Swara, 2019). Previous studies on CSR practices at Pertamina, located in Indramayu, West Java, have not studied the impact of the oil refinery fire disaster on CSR practices.

This study examines this phenomenon through the knowledge and experience of stakeholders who are affected and involved in Pertamina's CSR practices. Thus, the researcher formulates two questions as follows: (1) what is the role of Corporate Social Responsibility in Reducing the Impact of Community Rejection on the Existence of the Company and Increasing Welfare?; (2) how is the Role of Corporate Social Responsibility in terms of the Business Ethics Perspective?

## **LITERATURE REVIEW**

### **Corporate Social Responsibility**

Corporate social responsibility is a business approach by contributing to sustainable development by providing economic, social and environmental benefits for all stakeholders. The practice of CSR is a form of the company's business commitment to improve the quality of life for employees and the community as well as improve environmental and cultural sustainability. Forms of corporate social responsibility can include responsibilities to employees, consumers, the environment, shareholders, and the community as well as creditors (Rudito & Melia, 2013).

The study states that every company needs a CSR strategy. With CSR, social disturbances due to environmental pollution can decrease, so that companies get support from the community. The implementation of social responsibility allows the company to improve its reputation and corporate image as well as develop quality human resources (Rangan, Chase, & Karim, 2017). Awards and high corporate responsibility programs can be used as effective marketing tools. The literature mentions seven dimensions related to the implementation of CSR, namely understanding and regulation, society and the environment, government, academics/consultants/Non-Governmental Organizations, employees and policies in the positive category (Simatupang & Swara, 2019). CSR practices have a significant positive effect on investment intentions and consumer awareness of CSR activities (Lee & Shin, 2010).

CSR is able to win the hearts of people who initially refused but in the end accepted the company's existence (Franco et al., 2020). CRS as a form of corporate responsibility for various things that are considered to reduce the 'good values' belonging to the community. CRS has the power to reduce the negative impact of the company's existence (Marnelly, 2012). CSR has become a separate force for company operations which are increasingly producing waste that is not good for health Azis & Kartika (2019).

CSR must be given to affected communities, because they are the first to be harmed by the existence of a company (Julianto & Megawati, 2020). It is time for people who are affected by the existence of the company to be given various things that can reduce the

negative impact both economically and psychologically (Barnett, Henriques, & Husted, 2020).

CSR must be right on target in order to provide direct benefits to the community. closest to the company Bian et al. (2021). The amount of CSR must be in line with the magnitude of the negative impacts that arise due to the existence of the company. CSR that is not well-targeted will not only harm the community, it will also have an impact on the intensity of rejection (Watts, Fernie, & Dainty, 2019).

### **Business Ethics Theory**

Business ethics theory studies ethical standards related to the goals and ways of making decisions. This theory is used to judge whether or not a moral decision is correct (Drucker & Because, 1981). Broadly speaking, business ethics theory provides the first comprehensive framework for providing sound ethical decisions used in managing companies. A business that uses ethics is far more humane than a business that does not use ethics.

There are at least four types of models used in explaining ethics-based business, namely; (1) utilitarianism (theological theory) which explains that if ethical qualities can be obtained from achieving goals and bringing benefits to the whole society; (2) deontology, namely the good or bad of an action is based on obligations, although sometimes actions are not always good just because the results are good; (3) the theory of rights concerns human dignity in which no human being is sacrificed to achieve a goal; and (4) virtue theory that it is very important to see the importance of how people behave as a manifestation of their moral actors (Jones, Parker, & Ten Bos, 2005).

When the company in running its business refers to the four aspects above, of course the company will be accepted by the community. There is no reason for the community to reject the existence of a company that has paid attention to it. CSR as a form of ethics used by companies in reducing rejection of the company's existence.

Business ethics is also said to be an unwritten rule about what is right and wrong in running a business covering all aspects of activities both individuals, companies, and society. (Sadjim, Muhadjir, & Sudarsono, 2016). Business ethics is closely related to the problem of assessing business activities and behavior that refers to the truth or honesty in doing business (Quinn et al., 1997). Businesses that have implemented business ethics will be more humane in paying attention to affected communities, both directly and indirectly.

The study states that business ethics and CSR are closely related as management strategies and generally must be owned by companies as a form of accountability and good behavior to society (Tayşir & Pazarck, 2013). Business will give meaning to society when it pays attention to business ethics, such as not polluting the land, air, water, and sound. Even if it pollutes, it is localized in such a way through the company's means of reducing the impact of waste so that it does not come out of the company's land and water.

## **METHODS**

### **Research Approach**

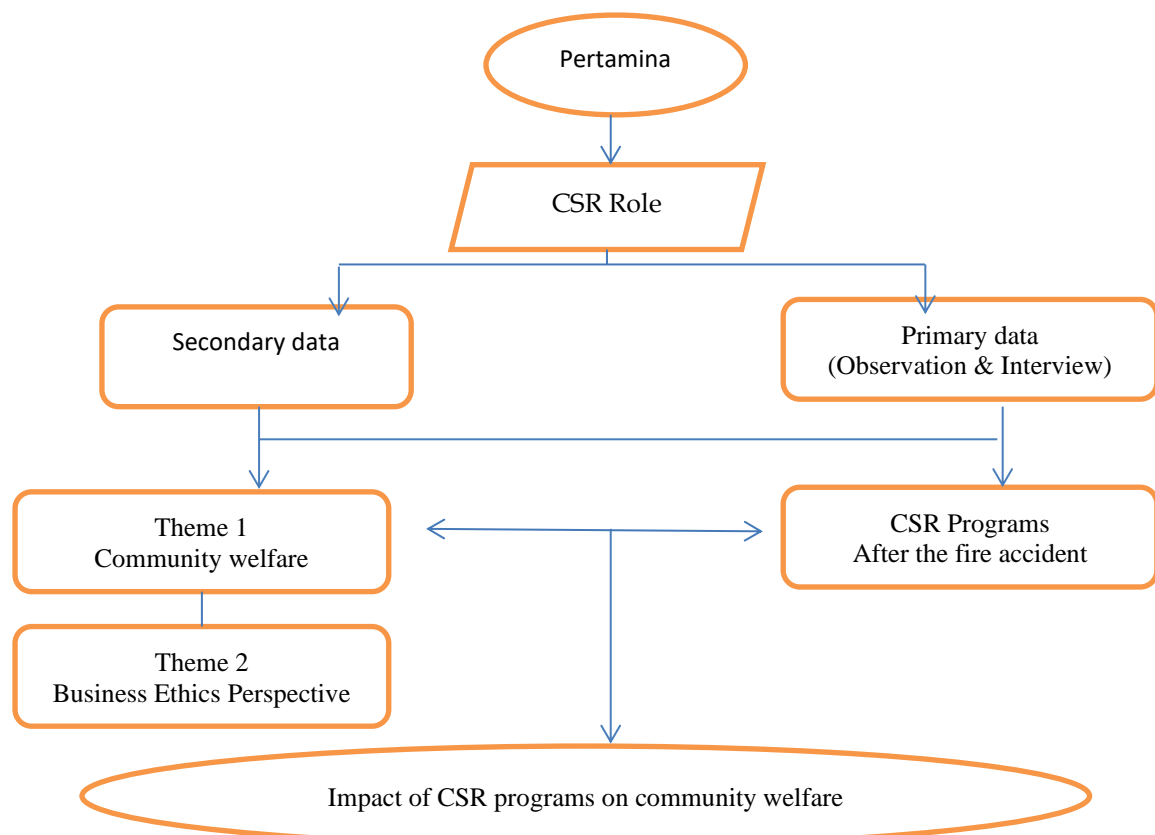
This research is a research that uses a phenomenological-qualitative research method. The research focuses on the CSR programs of PT. Pertamina (Persero) which is located in Balongan Indramayu. The phenomenological approach seeks to study the structure of participants' experiences and capture various phenomena that occur in society and reveal the meanings contained therein. This study aims to determine the role of Corporate Social Responsibility in Reducing the Impact of Public Rejection of the Company's Existence by using a business ethics approach.

### **Participants**

Participants consisted of 2 Pertamina employees from the Unit Manager Communication, Relations and CSR and 10 community leaders from Karanganyar and Rawadalem Villages. The process of determining the 10 key informants rolled up like a 'snowball' where the longer it stayed, the more the number of core respondents who were eligible to become research informants.

### **Research Framework**

The research framework is used to facilitate the way of thinking to investigate the phenomena that occur and answer research questions. (See Figure 1)



**Figure 1. Framework**

### **Data collection technique**

The collection technique was carried out through observation, semi-structured interviews, and documentation studies. To increase the validity of the data, check, crosscheck, recek methods were used, as well as prolonging the stay at the research site. With these efforts, the data is expected to be reliable and the data obtained can achieve high saturation, meaning that the data obtained afterwards are the same and seem to repeat themselves.

### **Data analysis technique**

Data analysis using qualitative methods using theory Miles, Huberman, & Saldaña (1994) which consists of four steps, namely data collection, data presentation, data reduction, and drawing research conclusions. The process of drawing conclusions has basically been carried out since being at the research location, but its nature is only temporary so that it is only temporarily locked (bracketing) has not been decided to be a final conclusion. The final conclusion is decided after the data is saturated, and the research process is declared complete.

## **RESULTS AND DISCUSSION**

### **The Role of Corporate Social Responsibility in Reducing the Impact of Community Rejection on the Company's Existence**

This study has investigated the role of corporate social responsibility in reducing the impact of community rejection on the existence of the company. The findings reveal that Pertamina has implemented CSR practices as well as possible referring to Law Number 40 of 2007 concerning Limited Liability Companies Article 74. Previous studies have explained that the CSR practices carried out by Pertamina Inramayu are in accordance with existing regulations (Azis & Kartika, 2019). The positive impact was also felt by some of the community, especially those affected by the fire disaster. Although there had been an unpleasant incident, but the incident did not trigger a major conflict. After the oil refinery fire, they remain committed to implementing CSR programs. As a government-owned company, of course, this is an example of CSR practices for companies (Consider data 1).

- (1) "Pertamina is committed to continuing to cooperate with the community around the Balongan refinery through empowerment programs in order to increase the potential of the community so that in addition to being useful as an additional income for residents.

Pertamina has various CSR programs that are quite diverse. In its development, these programs have received a lot of appreciation from the central and local governments as well as other stakeholders. Even in 2021, Pertamina received an award as a form of appreciation for CSR practices that have a positive impact on reducing community rejection.

- (2) "Pertamina has various programs, including the Biodiversity Park Development Program, Coastal Ecobased Tourism (CET) Development on Tirta Ayu Beach, Mangoes Center and Wiralodra Program, Indramayu Safety Communication Forum (FOKSI). The Mangoes Center Program is carried out in two places, namely Karanganyar Village and Rawadalem Village. Through this program, community groups can cultivate *Agrimania* mangoes which have high economic value. In the Wiralodra Program, Pertamina invites the public to be aware of environmental sustainability by utilizing organic and inorganic waste. While at CET, development is prioritized in the dimensions of facilities, education, and support through the involvement of local youth in waste management."

From the interview results, it can be understood that Pertamina is trying to develop various CSR programs that can involve the younger generation to be aware of the importance of maintaining and protecting the ecosystem. Two of them have received the CSR Green Award 2021 program award for the category of Biodiversity development (Biodiversity Park Development Program) and the category of developing integrated waste management (Wiralodra Program) (data consideration 2).

- (3) Indramayu youths receive certified welder training. They are very grateful for having the opportunity to gain knowledge and acquire adequate skills. Although there are also many young people who did not pass the selection and did not have the opportunity because the quota was indeed limited."

Pertamina is also trying to build tourism competitiveness and Foksi to open up business opportunities so that the community's economy can improve. Previous literature explains that CET activities are the impact of changes in waste management patterns (Wulandari et al., 2021). Meanwhile, FOKSI has not significantly reduced the unemployment problem, but at least through this program Pertamina has acquired skilled workers in reducing the potential for work accidents. (Simatupang & Yoga Swara, 2019). (Consider data 4).

- (4) "Pertamina is active in various exhibition activities to promote CSR programs and their fostered works such as the Hawa Kreasi MSME food processing products, processed waste from the Mulia Asri Waste Bank, natural colored batik innovations typical of the coast, and various processed Mangroves. One of them is the 2018 Indramayu Development Exhibition at the Sports Arena, Indramayu, West Java. Through being active in the Exhibition, Pertamina wants to provide a positive understanding of business and good CSR practices for the community."

Looking more deeply into the Pertamina oil refinery fire incident in March 2021, it turned out that it had sparked conflict with the community. From the data obtained before the disaster occurred, the community had asked Pertamina but Pertamina did not pay attention to the community's complaints. Based on previous studies, it is very important for SOEs to listen to public complaints, not only to build a positive image but also because the community may receive the impact of the company directly (Imran, 2020).



The applied business ethics, that openness and honesty are important values to avoid social conflicts. This is why, companies that have succeeded in maximizing the positive impact of CSR are companies that hear complaints and input from the community and then consider implementing them for the common good (Zuraidah, 2019). Companies that fail to trigger social conflicts that ultimately harm the company (Consider data 5)

- (5) Related to the oil refinery fire accident. We had complained about the pungent smell coming from the Balongan Indramayu oil refinery. But Pertamina seems less open and less responsive to these complaints. As a result, some residents were emotional and had time to throw stones at the Pertamina office. However, the incident did not trigger a prolonged conflict. Because after the fire accident, both the local government and the company have shown their form of responsibility and have been notified in the socialization to the community."

Local governments in this regard also have an important role in CSR practices in their regions. When assessing the disaster that occurred, it is very important to investigate the cause of the fire that occurred considering the possible negative impact on the surrounding community. The literature finds that companies that do not adopt ISO 9001 certification perform better than those that do. This is allegedly due to the large costs incurred for CSR practices, while for small companies it is certainly very burdensome for them. However, this does not apply to companies that are able to generate high profits. The company received high CSR results and performance (Franco et al., 2020). Companies that do not implement CSR will get a negative view from customers so that it affects their confidence to invest. Therefore, some companies implement a sustainability strategy by implementing a balance of compliance. If the external risk is high or the cost premium is low, the company will practice CSR and vice versa (Bian et al., 2021).

- (6) "In the midst of Pertamina's condition which is still not optimal after the fire accident at the Balongan Refinery Tank, we remain committed to carrying out the CSR program so that it does not stop in the middle of the road. It is our responsibility to continue the programs that have been carried out previously. The West Java Provincial Government is also concerned about the fire accident that occurred at Pertamina RU VI Balongan. The incident resulted in the impact of casualties and displacement of the community. Pertamina has prepared a place for temporary evacuation and evacuation for the surrounding community, namely at the Perumaah Bumi Patra and Pedomo buildings in Indramayu Regency and provided funds for the repair of 3,074 houses affected by the explosion of the burning oil refinery.

### **The Role of CSR from a Business Ethics Perspective**

The second finding reveals that the role of CSR is as one of the principles of business ethics. Thus, business ethics can be a strategy to increase CSR. As has been explained in the theory of business ethics that business ethics and CSR are closely related as a form of corporate responsibility as well as a manifestation of the company's strategic management in creating a positive image in the community and shareholders. (Taysir & Pazarck, 2013).

By adopting business ethics, CSR practices can be optimal and able to avoid companies from community conflicts (Imran, 2020). Unfortunately, studies show that CSR practices in Indonesia are very confusing, lacking standardization, and overlapping regulations (Hidayat, Maulana, & Andriani, 2021; Zuraidah, 2019; Simatupang & Yoga Swara, 2019).

Theoretically, CSR consists of business relationships, community impact relationships, accountability, and business legal responsibilities as a consequence (Tamvada, 2020). A business action can be said to be ethical if most of the community can accept their treatment or it is said that the treatment of business people to stakeholders is valued by stakeholders in general. This is the reason why the theory of business ethics can be used to judge whether or not a moral decision is correct (Drucker & Because, 1981). Decisions in the practice of CSR and effective programs provide the greatest benefits even though in practice they require no small amount of cost.

The problem of cost has been explained in previous research proposed by Bian et al. (2021) that the CSR sustainability strategy depends on the risk exposure and cost premium that must be incurred by the company. The issue of costs and benefits for companies is a classic problem for companies that run CSR. Franco et al., (2020) explained that CSR practices are sometimes less beneficial for the company's financial performance because only high CSR can produce positive financial performance.

Today's business development faces challenges in terms of corporate responsibility practices. Businesses need to keep up with new initiatives in various dimensions of life. Good and meaningful business ethics in CSR practices can be a challenge for companies. Several studies note that CSR practices adopt effective business ethical principles. It should be understood that CSR is a form of corporate social entity that requires moral obligations and goes beyond legal requirements and compliance (Simatupang & Yoga Swara, 2019). Without business ethics, CSR practices will fail.

If you examine the phenomenon that occurred to Pertamina after the refinery fire, it seems that the company has not been maximal in applying the principles of business ethics, especially the principle of honesty (Quinn et al., 1997). Therefore, the principle of honesty is also very important to be practiced in government-owned companies which incidentally provide examples and promote CSR practices for private companies.

### **The Role of CSR in Reducing the Negative Impact of Community Rejection**

Based on the results of participant observations and interviews and supported by various existing literature studies, Pertamina has so far been able to commit to continue implementing CSR practices in order to reduce the intensity of community resistance. Previous studies have stated that Pertamina's CSR practices are able to minimize community resistance (Nuriyatman, 2018). The literature mentions two main factors that influence public participation in Pertamina's CSR practices, namely; (1) internal

factors consisting of public awareness, education level, and income; (2) external factors consist of local government, village government, and NGOs/community foundations (Suarta, Dananjaya, & Utami, 2021). D

In the future, Pertamina's programs require cooperation with other companies, both state-owned and private. As revealed in previous research that in order to overcome unemployment, it is very important to cooperate with other companies related to CSR practices. In addition, the involvement of local governments through the Social Service, Manpower and Transmigration (Dinsosnakertrans) indirectly provides opportunities for the creation of good corporate governance (GCG) (Simatupang & Swara, 2019). The practice of CSR requires no small amount of money. The existence of cooperation and collaboration is expected to be able to significantly reduce public resistance to the existence of the company.

### **The Role of CSR Seen from Business Ethics**

The literature finds that it is very important to implement business ethics in companies so that the company has a strong foundation and is able to create high value. This is a form of company awareness about the company's activities that can affect the community environment (Jones, Parker, & Ten Bos, 2005).

This business ethics can later build norms or values of good business behavior. The principles of honesty, fairness, autonomy, and mutual benefit are the main principles in creating effective business ethics. Without such principles, the company does not have credibility and is likely to be dragged into legal cases and be disadvantaged socially and economically, especially from employees (Drucker & Because, 1981). Thus, this research has revealed the role of Pertamina's CSR for the community by looking at the knowledge and experience of the participants as well as providing an overview from the point of view of business ethics. CSR practices require joint efforts from stakeholders, especially the government as the holder of regulations and policies. The government must be able to be fair to companies and society.

### **CONCLUSION**

From the results of this study, the researcher revealed two conclusions. First, Pertamina's CSR role through various CSR flagship programs which until now have had a positive impact on the intensity of community resistance. The local government also actively participates in Pertamina's CSR programs so that CSR practices are getting better and continue to be developed. This further strengthens the relationship between local governments, SOEs, and the community.

Second, from the perspective of business ethics theory, Pertamina has built values from business behavior as a form of strong moral decisions in managing the company. It's just that in the future it is necessary to improve other principles of business ethics, namely the principles of honesty, fairness, autonomy in order to create effective

business ethics in order to build togetherness between the company and the community.

The expected implication is that the Government will continue to support and provide strict supervision of the implementation of CRS programs that are supported by the principles of business ethics. Future research can delve deeper into SOEs and their other empirical impacts on society.

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