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Estimation of transaction costs of Corporate Social Responsibility (CSR) activities from Bali Cattle in South Sulawesi

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Estimation of transaction costs of Corporate Social Responsibility (CSR) activities from Bali Cattle in South Sulawesi

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Abstract. This study aimed to estimate transaction costs for CSR activities for developing Bali cattle in Barru District, South Sulawesi Province. The study was conducted in January to March 2016 in Barru District. Transaction cost estimation is analyzed in two scenarios, namely the estimated transaction costs of existing CSR institutions and transaction costs needed to set up a mandatory CSR institution to improve activity performance, namely the model in Sipurennue livestock group. Data analysis is used in quantitative descriptive. This research is transaction costs of strengthening institutional CSR with information cost indicators, decision making, operations and maintenance, establishment, sustainability. The highest transaction costs are at the provincial level and the largest proportions of costs are operational and maintenance costs while the lowest costs are sustainability costs.

1. Introduction

The integration of a business operation and stakeholder values including investors, customers, employees, society and the environment is reflected in the company's policy, which is called corporate social responsibility (CSR) [1]. The study conducted by Soeharto [2], concluded that the concept of CSR provides an overview of corporate responsibility not only limited to shareholders but also to stakeholders and even sustainable development of natural resources. In general, CSR is interpreted on behalf of the company to achieve a balance between economic, environmental and social goals of the community while responding to the expectations of shareholders and stakeholders.

The improvement of the company's CSR institutions in beef cattle business, especially Bali cattle with five basic principle approaches proposed by Visser [3] with the terms CSR 2.0, namely creativity (C), scalability (S), responsibility (R), Glocality (2) and circularity (0). Distribution of CSR funds in South Sulawesi, the government of the governor of South Sulawesi issued a Governor regulation no. 2666 / XI / Year 2012 regarding the establishment of CSR communication forums, this is based on government regulations no. 47 of 2012 which is the elaboration of Law no. 47 of 2007 concerning limited liability companies and at the origin 27 listed liabilities of limited liability companies carrying out CSR. Partnership funds (PKL and CSR) carried out by PT. Telkom reported in 2014, implemented CSR in the industrial, trade, agriculture, livestock, plantation, fisheries, services and small and medium enterprises sectors.

The livestock sector provides a new nuance in absorbing CSR funds, especially the development of Bali cattle, especially beef cattle. The low scale of ownership at the farmer level, the percentage of females as biological machines is quite high, but the need for unstoppable farmers causes productive females to be cut. This condition causes the Bali cattle population to decline, so the government



makes the program one of which is the control of productive females. To avoid the depletion of natural resources in the form of Bali cattle, the government should encourage the private sector and civilians to use CSR funds to develop animal husbandry institutions.

Strategies for utilizing CSR funds to empower the local economy by finding a sustainable CSR model of livestock agribusiness companies. The strategy and implementation of the livestock cluster is weak because it is limited to "best practice", so it becomes very relevant to review the CSR institutional model. The CSR institutional model actually has to calculate and estimate the costs needed to set-up the model in South Sulawesi, if this model is considered an appropriate and implementable model. Based on this description, it is necessary to study the estimation of transaction costs needed to set up CSR institutional strengthening.

2. Materials and methods

Transaction cost estimates were analyzed in two scenarios, namely estimation of existing CSR institutional transaction costs and transaction costs needed to set-up mandatory CSR institutions to improve activity performance, namely models in the Sipurennue livestock group. The variables in this study are transaction costs for CSR institutional strengthening with indicators of information costs, decision making, operations and maintenance, establishment, sustainability.

3. Results and discussion

The estimated transaction costs for setting up the mandatory model CSR institutional strengthening can be seen in figure 1, calculated based on the costs that the government will incur to implement CSR activities in accordance with Law No. 40 of 2007.

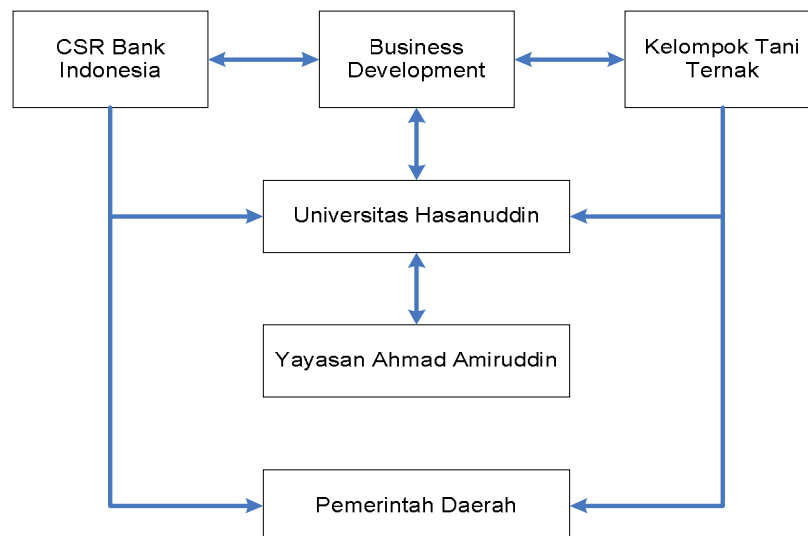


Figure 1. Sipurennu Mandatory Model

Strengthening the mandatory institutional capacity of CSR models requires a budget for strengthening the follow-up of the establishment of CSR communication forums or national CSR coordination bodies at the sub-district level. Transaction costs include information costs for decision making and operational costs [4] which Prajanti [5] later modified on extension institutions in Central Java to become information costs, decision-making costs, operational and maintenance costs, establishments costs and sustainability costs.

Transaction costs and the percentage of mandatory CSR institutional strengthening in Bali cattle clusters in South Sulawesi can be seen in tables 1 and 2.

Table 1. Cost of CSR institutional strengthening transactions

Level	Transaction Costs	Price (Rp.)	Estimation (Rp.)	%
Center	Information	830,000,000	2,330,000,000	7.00
	Decision making	8,036,000,000	8,432,000,000	25.35
	Operations and maintenance	1,450,000,000	5,350,000,000	16.08
	Establishment	14,150,000,000	14,150,000,000	42.54
	Sustainability	3,000,000,000	3,000,000,000	9.02
	Total	27,466,000,000	33,262,000,000	100.00
Province	Information	725,100,000	6,479,800	29.28
	Decision making	1,300,000,000	1,300,000,000	5.88
	Operations and maintenance	131,700,000	11,835,000,000	53.49
	Establishment	320,000,000	320,000,000	1.45
	Sustainability	2,192,828,000	2,192,828,000	9.91
	Total	4,669,628,000	22,127,628,000	100.00
Districts	Information	155,000,000	880,000,000	2.46
	Decision making	300,000,000	7,200,000,000	20.10
	Operations and maintenance	310,000,000	7,680,000	21.45
	Establishment	690,000,000	16,560,000,000	46.24
	Sustainability	145,500,000	3,492,000,000	9.75
	Total	1,600,500,000	35,812,000,000	100.00
Sub-District	Information	15,000,000	4,590,000,000	15.15
	Decision making	25,000,000	7,650,000,000	25.25
	Operations and maintenance	40,000,000	12,240,000,000	40.40
	Establishment	10,000,000	3,060,000,000	10.10
	Sustainability	9,000,000	2,754,000,000	9.09
	Total	99,000,000	30,294,000,000	100.00

Based on table 1, it can be seen that the institutions that issue the largest transaction costs are located at the central level while the institutions that issue the smallest transaction costs are located at the sub-district level. This is due to the large number of activities carried out at the center that are of a large scale so that they require a large amount of funds, while the activities at the sub-district level are small so the funds used are also small. Following are the components of transaction costs and activities carried out at the central level, including (1) information costs, activities carried out, namely the preparation of CSR databases, Potential Livestock Farmer Group databases, beef cattle cluster databases, Potential Potential CSR Partner databases, (2) costs decision making, activities carried out namely formation meeting PT Law Plan, printing and duplication of documents, inviting experts, domestic and foreign work visits, (3) operational and maintenance costs, activities carried out namely institutional performance evaluation and government regulations, provincial planning support (11 provinces), infrastructure maintenance, maintenance of supporting facilities, database maintenance (1 year), (4) establishment, activities carried out namely setting up institutions and transforming work culture (infrastructure, supporting facilities, SOTK, feasibility studies, socialization, money etc.) (5) Sustainability, the cost of continuing the implementation of the program (contingency 10%).

Based on table 2, it can be seen that the largest proportion of transaction costs at the provincial level are operational and maintenance costs and information costs, district level, establishment and operational and maintenance costs, sub-district level, operational and maintenance costs and decision making costs. Overall the highest costs are operational and maintenance costs and establishment costs.

Table 2. Proportion (%) of CSR institutional strengthening transaction costs

Transaction Costs	%				
	Center	Province	Districts	Sub-District	Total
Information	7.00	29.28	2.46	15.15	13.47
Making decision	25.35	5.88	20.10	25.25	19.15
Operations and maintenance	16.08	53.49	21.45	40.40	32.85
Establishment	42.54	1.45	46.24	10.10	25.08
Sustainability	9.02	9.91	9.75	9.09	9.44
					100

4. Conclusions

Transaction costs consist of information costs, decision making, operations and maintenance, establishment, sustainability. In general, the highest transaction costs are at the central level and the lowest at the sub-district level, and the largest proportion of transaction costs is operational and maintenance costs while the lowest costs are sustainability costs.

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