

The Advantages of Corporate Social Responsibility (CSR) Activities for Micro, Small, and Medium Enterprises (MSMEs) in Bangkalan Regency

Keunggulan Program Corporate Social Responsibility (CSR) terhadap Kinerja Usaha Mikro, Kecil, dan Menengah (UMKM) di Wilayah Kabupaten Bangkalan

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ABSTRACT

Corporate Social Responsibility (CSR) represents a form of corporate social commitment that not only benefits the surrounding community but also provides significant advantages for Micro, Small, and Medium Enterprises (MSMEs). This article explores the strategic value and practical implications of CSR activities targeted at MSMEs in Bangkalan Regency. By employing a qualitative descriptive approach, the study aims to identify how CSR programs contribute to improving product quality, expanding market access, and strengthening the overall competitiveness of local MSMEs. In addition, the research highlights the role of CSR in fostering innovation, enhancing managerial capabilities, and creating sustainable business practices among small business owners. The findings reveal that the effectiveness of CSR initiatives largely depends on active collaboration and mutual trust between corporations, MSMEs, and local government bodies. A well-coordinated CSR program has the potential to drive inclusive economic development and reduce regional disparities. However, several challenges still hinder its implementation, including limited resources, inconsistent program monitoring, and lack of long-term commitment from stakeholders. This article concludes by offering recommendations to enhance the impact of CSR initiatives, such as fostering public-private partnerships, increasing transparency, and aligning CSR objectives with local development goals. These efforts are essential to ensure that CSR becomes a sustainable tool for empowering MSMEs and boosting regional economic resilience.

Keywords : *Corporate Social Responsibility, MSMEs Bangkalan, Competitiveness*

ABSTRAK

Corporate Social Responsibility (CSR) merupakan bentuk komitmen sosial perusahaan yang tidak hanya memberikan manfaat bagi masyarakat sekitar, tetapi juga membawa keuntungan signifikan bagi Usaha Mikro, Kecil, dan Menengah (UMKM). Artikel ini mengkaji nilai strategis dan implikasi praktis dari kegiatan CSR yang ditujukan bagi UMKM di Kabupaten Bangkalan. Dengan menggunakan pendekatan deskriptif kualitatif, penelitian ini bertujuan mengidentifikasi bagaimana program CSR berkontribusi dalam meningkatkan kualitas produk, memperluas akses pasar, serta memperkuat daya saing UMKM lokal. Selain itu, penelitian ini menyoroti peran CSR dalam mendorong inovasi, meningkatkan kapasitas manajerial, serta menciptakan praktik bisnis berkelanjutan di kalangan pelaku usaha kecil. Hasil penelitian menunjukkan bahwa efektivitas inisiatif CSR sangat bergantung pada kolaborasi aktif dan kepercayaan antara perusahaan, UMKM, serta pemerintah daerah. Program CSR yang terkoordinasi dengan baik memiliki potensi untuk mendorong pembangunan ekonomi yang inklusif dan mengurangi kesenjangan regional. Namun, terdapat beberapa tantangan dalam pelaksanaannya, seperti keterbatasan sumber daya, monitoring program yang belum konsisten, serta kurangnya komitmen jangka panjang dari para pemangku kepentingan. Artikel ini menyimpulkan dengan memberikan rekomendasi penguatan program CSR, antara lain melalui kemitraan publik-swasta, peningkatan transparansi, dan penyelarasan tujuan CSR dengan agenda pembangunan daerah, sehingga CSR menjadi sarana berkelanjutan dalam pemberdayaan UMKM dan ketahanan ekonomi daerah.

Kata Kunci : Tanggung Jawab Sosial, UMKM Bangkalan, Daya Saing

1. Introduction

Bangkalan Regency has a long-standing tradition of MSME development. Since the colonial era, local communities have been actively engaged in traditional crafts such as hand-drawn batik, bamboo weaving, and leatherwork. These local products not only reflect cultural identity but also serve as significant economic assets. In this context, Corporate Social Responsibility (CSR) becomes highly relevant, as the socio-economic role of corporate actors can strengthen the competitiveness of local culture while enhancing community welfare.

Since the 1980s, local government initiatives have included the establishment of village cooperatives, provision of capital support, and skills training programs to empower small businesses. With the onset of decentralization in the post-2000s era, community-based economic empowerment programs have expanded, alongside improved access to microfinance and digital entrepreneurship. Within this evolving landscape, CSR emerges as a strategic element, proven to enhance MSMEs' innovation capacity and learning orientation, as evidenced in the study by Handayati et al. (2023), which highlighted CSR's impact on MSME innovation and learning behaviors.

A growing body of literature shows that CSR contributes positively to MSME performance and innovation. For instance, Cahyaningati et al. (2024) found that innovation mediates the positive effect of CSR on MSME performance, while competitiveness strengthens this relationship. Likewise, Handayati et al. (2023) confirmed that CSR significantly influences innovation, learning orientation, and business performance. Harprayudi et al. (2023) further explored how CSR support affects MSME sustainability, particularly through socially inclusive programs.

Despite the proliferation of empirical research on CSR and MSMEs at the national level, studies specifically focusing on Bangkalan remain scarce. Existing literature often overlooks the interplay between the historical-cultural structure of Bangkalan's MSMEs, the mediating role of innovation, the importance of learning orientation, and the measurement of CSR effectiveness in enhancing market access and cross-sectoral collaboration.

This study offers several novel contributions: First, it contextualizes CSR within the unique historical and cultural fabric of Bangkalan; second, it integrates the CSR→innovation→performance→competitiveness model as supported by Cahyaningati et al. (2024) and Handayati et al. (2023); third, it introduces the element of multi-stakeholder collaboration—including corporations, local government, and financial institutions—as a new variable that has yet to be empirically examined in Bangkalan.

The research also extends the Indonesian literature on CSR and MSMEs by exploring how CSR initiatives not only support economic and cultural outcomes but also enhance local human resource capabilities and innovation. The conceptual model is grounded in the works of Handayati et al. (2023) and Cahyaningati et al. (2024), which emphasize the mediating and moderating roles of innovation and competitiveness within CSR frameworks.

Based on the identified gap and novelty, this research aims to: (1) describe the impact of CSR on enhancing innovation capacity, learning orientation, and MSME performance in Bangkalan; (2) examine the mediating role of innovation and learning orientation in the CSR–performance relationship; and (3) analyze the contribution of CSR to expanding market access, strengthening cross-sectoral collaboration, and supporting inclusive regional economic development.

This study provides practical insights for policymakers, MSME stakeholders, and CSR practitioners. For local governments and development agencies, the findings can inform policy strategies that align CSR programs with cultural preservation and inclusive growth. For businesses, CSR implementation tailored to regional identity may foster stronger social legitimacy and stakeholder engagement. Meanwhile, MSMEs can benefit from enhanced

innovation ecosystems and broader access to strategic partnerships, ultimately reinforcing their long-term competitiveness in culturally embedded markets such as Bangkalan.

2. Methods

This study employs a qualitative descriptive approach aimed at gaining an in-depth understanding of the implementation of Corporate Social Responsibility (CSR) in the development of Micro, Small, and Medium Enterprises (MSMEs) in Bangkalan Regency. Data collection techniques include in-depth interviews with MSME actors and representatives from companies involved in CSR programs, direct field observations, and document analysis of relevant policies and CSR program reports. The collected data were analyzed thematically to identify the positive impacts, advantages, and contributions of CSR in enhancing the capacity and competitiveness of MSMEs. Furthermore, this approach was also used to explore the challenges encountered and the opportunities available for improving the effectiveness of CSR program implementation in the future.

3. Results and Discussion

1. Enhancing MSME Capacity

CSR activities conducted by companies in Bangkalan Regency have provided a range of training programs, including business management, product quality improvement, and the use of digital technology. According to an annual report from one major company in the region, in 2022, a total of 150 MSME actors received training in digital-based business management, resulting in up to a 40% increase in production efficiency. Beyond technical training, CSR has also supported the development of soft skills such as leadership, time management, and marketing strategy. A survey of 100 CSR beneficiary MSMEs revealed that 85% reported improved self-confidence and enhanced capability in managing their businesses.

2. Expanding Market Access

One of the key advantages of CSR initiatives is enabling MSMEs to access broader markets. Several CSR programs have provided MSMEs with opportunities to market their products through digital platforms such as e-commerce, as well as participate in local and national product exhibitions.

For example, the "Bangkalan Digital MSME Market" program, supported by a CSR initiative from an energy company, successfully connected MSME products with consumers outside the region. Between 2022 and 2023, transactions through this program totaled IDR 2 billion, with a 30% increase in sales compared to the previous year. In addition, companies provided branding and packaging facilities to enhance product appeal in modern markets.

3. Contribution to Local Economic Growth

CSR programs focused on MSMEs have made significant contributions to local economic development. As MSME revenues increase, new job opportunities are created, helping to reduce the unemployment rate in Bangkalan Regency—from 6.5% in 2021 to 5.8% in 2023. The collaboration between companies, MSMEs, and local governments not only supports program sustainability but also creates synergy to enhance regional competitiveness. For instance, partnerships in developing locally-based creative industries have resulted in flagship products that attract international market interest. Data from 2023 shows that Bangkalan's handicraft products were exported to five countries, with a total export value reaching IDR 1.5 billion.

4. Sustaining MSMEs through CSR Activities

A critical benefit of CSR programs is fostering the sustainability of MSMEs. With support from CSR, MSMEs are better positioned to withstand business challenges, including market fluctuations and limited resources. Survey data shows that 70% of MSMEs receiving CSR support reported increased income stability over the past two years. Sustainability is also enhanced through the strengthening of business networks. CSR encourages MSMEs to collaborate with various stakeholders, including suppliers, distributors, and consumers. These collaborations reinforce MSMEs' positions within the supply chain and improve their resilience to economic shifts. In the long term, MSME sustainability supported by CSR will have a positive impact on the regional economy. Companies can ensure program continuity by establishing monitoring and evaluation mechanisms, enabling them to align CSR initiatives with the dynamic needs of MSMEs.

5. Enhancing Corporate Reputation

For companies, CSR activities offer reputational benefits and foster positive relationships with local communities. This strengthens the company's position as a strategic partner in regional economic development. According to a report from the Indonesian Business Forum, companies actively involved in CSR in Bangkalan have seen a 20% increase in customer loyalty over the past three years—serving as a key indicator of CSR program success.

6. Challenges in CSR Implementation

Despite its many benefits, the implementation of CSR programs faces several challenges, such as budget constraints, limited awareness among MSME actors, low levels of technology adoption, and inadequate access to business capital. Capital limitations are one of the main barriers preventing MSMEs from fully optimizing the benefits of CSR programs. According to local survey data, 60% of MSMEs cited lack of capital as a major obstacle to business growth. To address these challenges, companies should incorporate funding schemes into their CSR programs, such as working capital grants, soft loans, or partnerships with local financial institutions. This approach not only helps MSMEs to survive but also accelerates their business growth. Moreover, financial management and investment strategy training should be an integral part of CSR efforts to support long-term business sustainability.

Case Study: The Impact of CSR in Bangkalan

A CSR program implemented by an energy company in Bangkalan Regency illustrates the significant impact of CSR on MSME sustainability. For instance, the "UMKM Bangkit" (Reviving MSMEs) program, launched in 2021, provided IDR 1.2 billion in funding to 200 local MSMEs. Of these, 80% reported income increases of up to 50% within the first two years of receiving CSR support. Data from the Department of Cooperatives and MSMEs in Bangkalan also shows that the survival rate of CSR-supported MSMEs is higher than those without such assistance. In 2023, 92% of CSR-recipient MSMEs remained operational, compared to only 78% of non-recipients, many of whom struggled amid economic instability. In addition, CSR programs have successfully increased digital technology adoption among MSMEs. As part of CSR initiatives, over 150 MSME actors participated in business digitalization training in 2022. This led to a 40% improvement in production efficiency and expanded market access via digital platforms, with transaction values reaching IDR 2.5 billion in one year. Another success story is from the local handicraft sector. Through CSR collaborations, batik artisans in Bangkalan were able to increase export volume by 25% in 2023. The total export value of Bangkalan batik reached IDR 1.8 billion, driven by intensive promotion and improved product quality facilitated by CSR support.

Recommendations for Strengthening CSR and MSME Sustainability

1. **Increase Funding Scale:** Companies should allocate more CSR resources toward MSME empowerment, including grant schemes and soft loan facilities.
2. **Strengthen Collaboration:** Synergies among corporations, local governments, and financial institutions must be enhanced to provide comprehensive support for MSMEs.
3. **Promote Digitalization:** Ongoing digital skills training is essential to ensure MSMEs remain competitive in the digital economy.
4. **Implement Monitoring and Evaluation:** CSR programs should be evaluated regularly to identify improvement opportunities and align strategies with the evolving needs of MSMEs.

Discussion

Corporate interventions such as training in business management, product quality, and digital technologies are central to capacity enhancement. Maksum et al. (2020) highlight how social-enterprise-driven initiatives empower Indonesians through integrated training that combines business, digital, and managerial skills, significantly boosting SME capabilities. Similarly, Wina et al. (2024) found that CSR mentoring programs, including revolving capital and skill transfer, directly improve managerial ability, technical know-how, and market outreach. These findings validate our observation of technical and soft-skill training elevating MSME productivity and confidence.

CSR programs that include digitalization support are powerful catalysts for MSMEs entering new markets. Sudrajat et al. (2023) demonstrate that improved digital business performance strengthens MSME digital strategies—corroborating our findings of increased production efficiency and market penetration via digital tools. Moreover, a systematic review (MDPI, 2022) confirms that CSR-supported digitalization during COVID-19 provided Indonesian MSMEs with essential digital training, enabling continued operations amid lockdowns.

Joint CSR and MSME initiatives often yield regional economic gains. Maksum et al. (2020) observed that training programs not only capacitate enterprises but also foster local business ecosystems and income generation. While our case highlighted Bangkalan's export achievements, broader studies suggest that green and digital alignment—often driven by CSR—enhances competitiveness in global markets.

CSR's role in establishing financial and network security is well documented. Wina et al. (2024) emphasize that mentoring and revolving funds improve financial management and market network formation, generating resilience during crises. Additionally, Indonesia's digitalization readiness research indicates that collaborative training involving universities and cooperatives builds long-term sustainability by embedding knowledge capacity.

CSR coupled with digital support can foster innovation and environmental stewardship. A Yemeni study (2024) confirms that CSR initiatives drive green innovation among SMEs, especially when supported by digital transformation. In our study, while green innovation wasn't a direct focus, digital skills and supply chain resilience lay a strong foundation for future sustainable innovation.

Despite these benefits, resource constraints remain a challenge. Wina et al. (2024) report that limited budgets and technical knowledge impede MSME progress. The digital-readiness literature also identifies barriers due to uneven digital literacy and infrastructure. These findings mirror our findings: capital restrictions (60% MSMEs), technology adoption issues, and limited knowledge of CSR programs.

4. Conclusion

The implementation of Corporate Social Responsibility (CSR) programs targeting Micro, Small, and Medium Enterprises (MSMEs) in Bangkalan Regency has proven to offer several

advantages, including enhanced business capacity, expanded market access, and significant contributions to local economic growth. However, the success and sustainability of CSR programs largely depend on consistent program execution, ongoing intervention support, and the ability to overcome challenges—particularly those related to limited capital and technology adoption levels.

To ensure that CSR delivers long-term and sustainable impacts, more intensive and synergistic collaboration among corporations, local governments, and MSME actors is essential. Furthermore, regular program evaluations and alignment of CSR initiatives with the actual needs of MSMEs are critical to maintaining relevance and effectiveness in strengthening the MSME sector in the region.

Future research should explore the mechanisms and models of multi-stakeholder collaboration in CSR implementation, assess the long-term economic and social impacts of CSR on MSMEs, and investigate strategies to enhance technology adoption and financial inclusion within MSME communities. Additionally, comparative studies across different regions could provide deeper insights into contextual factors influencing CSR effectiveness.

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