Local Community Economic Wellbeing through CSR Project

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Abstract

Through the Corporate Social Responsibility (CSR) initiatives, companies are expected to contribute towards community development, particularly in enhancing the economic well being of the local community. This paper will discuss on the experience of local farmers community that has been involved in a CSR project by a multinational company in collaboration with local farmers association to have an understanding on the extend of the project’s contribution towards the community. A total of 45 farmers were interviewed for this purpose. The interview data is transcribed and coded into themes that reflect the experiences of the farmers’ involvement with the CSR project. The study identifies 15 basic themes (BT) from the thematic analysis. These basic themes are clustered into three categories of main themes (MT) that are employment opportunity, sources of income and asset generation. The three themes reflect the contribution of the CSR project on the economic well-being of the community from the perspective of the community that involved with the project.

Keywords: Corporate Social Responsibility (CSR), Economic Development, Community Development, Farmers Community, Contract farming.

1. Introduction

This decade witnessed the concept of Corporate Social Responsibility (CSR) being discussed as one of the potential avenue for corporations to contribute to the development agenda particularly in development of the community (Ideaumudia, 2008; Jenkins, 2007; Muthuri, 2007; Newell & Frynas, 2007; Sharp, 2006; Blowfield & Frynas, 2005; Hamann, 2005; Barney, 2003). Community development is one of the objectives of the development effort that resulted in changes in many aspects of community life, including social, cultural, economic and environment. Hence, the implementation of the CSR concept has become a global policy agenda in many countries where the government, NGOs, communities together with business institutions began to see it as practices that connects businesses and development initiatives (Sharp; 2006; Blowfield & Frynas; 2005, Utting; 2003). Accordingly, the Millennium Development Goals (MDGs) by the United Nations (UN) had also clearly stated the expectations for corporate involvement as a global partner in nation's development efforts (Hamann, 2006).

Generally the concept of Corporate Social Responsibility or CSR refers to the responsibilities that is undertaken by corporations together with its economic responsibility that focus on enhancing the value of the stakeholders. CSR includes the responsibility of the companies towards not only their shareholders, but also their employees, suppliers, communities and the environment. According to the definition of CSR by the World Business Council for Social
Development-WBCSD (2000), this concept refers to the commitment of business institutions in contributing to sustainable economic development, working with the employees, their families, local communities and society at large to improve their quality of life. Thus, through CSR activities, companies will establish relationships with stakeholders and assist in improving the quality of life of the those parties. Among the efforts undertaken by the companies for this purpose are enhancing the management of occupational safety and health; environmental conservation, developing financial triple bottom-line reports; develop certification schemes and labels for products and services, hosting a dialogue with stakeholders; implement a joint venture partnership with NGOs and increase support for community development projects and programs (Utting 2005).

Although the concept of CSR is not only intended to be focused on the development effort for the community and society, but the discussion on the need for the company to be able to meet its obligations to the community are often referred as one of the main components in the implementation of CSR initiative (Kotler & Lee 2000, Bursa Malaysia 2006). In fact, studies on the themes of CSR initiatives has identifies the theme on responsibility to the community has dominated the implementation of CSR programs by most corporations compared to other themes of responsibility (Kapelus 2002). Consequently, CSR initiatives are also viewed as a joint development effort undertaken by the private sectors to help complement the efforts by governments and multilateral development institutions to the community (2004:46 Views in Ideamudia 2008:92).

However, according to the literature available, the extent to which these expectations have been met remains to be seen. Existing discussion on CSR and development has different opinions on this matter. Criticism on the ability of CSR initiatives in helping to develop the community has argued these initiatives are only aimed at improving the company's public relations apart from meeting community development needs (Blowfield, 2007; Frynas, 2005; Jenkins, 2005). Hence, critical agenda that emerged in the study of CSR and development now is the need to assess the CSR efforts undertaken by the corporations in the community to identify the extend of its contribution (Sarmila et al 2013, Reed & Reed, 2009; Muthuri, 2007; Prieto-Carron et al., 2006; blowfield & Frynas, 2005; Blowfield, 2004 and Utting, 2003). Study by Margolish & Walsh (2003) on CSR empirical research from year 1972 to 2002 found that discussion on the benefits of CSR initiatives to the community both in terms of positive and negative are very limited. Hence, the ability of the business corporation to contribute to community development and helps to resolve some key issues in the community is still a question mark (Dobers & Hulme, 2009; Prieto-Carron et al., 2006; Utting, 2003).

Referring to an earlier discussion by Steiner (1977) on this matter, it is observed that society has high expectation of the roles that should be played by business institutions. The society is not going to be satisfied with the performance of the business institution if the businesses are only capable of utilizing resources in an efficient manner as they also expect the businesses to help them in enhancing their quality of life. Even though there are no consensus agreement on what the quality of life referred to and how the businesses can implement that effort, but there are an understanding that improvement in society or community includes an increase in personal income of all members of society, an increase in the level of human equality, the existence of an opportunity for individuals to meet the demands and needs, the development of an environment that free from pollution, development of a resolution to the fundamental socioeconomic problems and also the ability to increase the level of satisfaction of individuals in society.

This expectation has close relation to economic development of the community which referred to as an activity that enhances the creation of employment opportunities and per capita income of households (Phillip & Pittman 2009, Maimunah Ismail 2001). The economic development of the community exists when individuals in the community able to analyse the economic conditions in the community, identify the needs and the availability of the economic opportunities, decide what should be done to improve economic conditions in the community and work to achieve the goals and objectives of the economy that has been agreed by the society. It is a comprehensive concept to transform and improve the existing economic conditions in the community. To achieve this purpose, individual or group of individuals in a community requires an appropriate level of income to live comfortably and well with the ability to acquires some material goods for their wellbeing (Yusof, Azima, Zainah & Suhana 2011, Shaffer, Deller & Marcouiller 2006, Zainal, 2005).

In developing the Community Development Chain Model, Phillip & Pittman (2009) associate community development with economic development and see these two concepts as interconnected. The community development objectives are to develop community assets that can be used to improve the community, while the purpose of economic development will be to generate those assets to provide benefits to the community. Therefore, the results of community development will create a community readiness to create community action and community improvement. This situation will enable the process of economic development in the community. The economic development of the community will refers to employment opportunities, increase in income and wealth and increase the standards of living of the community. Taking into consideration on those phenomena, this paper will discuss the experience of community involvement in a CSR project that has been implemented in Malaysia by focusing on the community economic development activities that
derived from the involvement. The experience of the community will be analysed to identify the contribution made by the CSR initiative.

2. Methodology

2.1 Research Approach

The study aims to identify whether the chilli contract farming project contributing to the economic development of the participating farmers by using the constructivism approach. The aims of the research approach is to discover the views of the insider or the social actors that involved in the phenomena and to explore the social reality constructed by them (Reevany, Eleesya & Blaikie, 2006). In this study the insider or social actors in question are the participants of CSR programs. Correspondingly, this research approach is adopting an abductive strategy that refers to the constructive process created from the language and meaning in the context of daily activities of the social actors (Blaikie, 2007). As being recommended by Blowfield (2007), in the context of CSR and development, researchers need to obtain related themes of CSR programs from the community involved and formalizing it from the viewpoint of the community. In fact, according to Barr (2005:457) who refers to the perspective of community development studies, this approach will give more value to the experience of the community being studied, assuming that the community has a dominant influence on the subjects matter.

2.2 The Case Study: CSR Contract farming Project

The project selected as a case study is a CSR project of chilli farming contracts which is executed by a multinational company in collaboration with the Farmers’ Association (Persatuan Peladang Kawasan) Bukit Awang, Pasir Puteh, Kelantan for the farmers community in Bukit Awang. The project is referred by the corporation as Spicing the Community Project. This project provides an opportunity for the community to carry a chilli farming project where the chilli produced will be contractually purchased by the corporation. This project is implemented by the corporation as one of their CSR project that aims to create income opportunities for poor farmers in Malaysia. The project is undertaken to apply the philosophy of ‘Mencipta Perkongsian Nilai’ (Creating Shared Value) with the community by means of investment that is not only to bring benefits to the company but also to the local community.

Starting with only four farmers with four acres of the farm in the year 1994, the project has managed to increase the number of farmers to about 242 with a total acreage of 242 acres in the year 2012. Each farmer that involved with this project will undertake an acre of land to be planted with between 3000 to 3500 chilli trees. The corporation and the Local Farmer Association (LFA) will assist the farmer in the process of producing a high quality yields which is accepted under Good Agricultural Practice (GAP) standard. The output of this chilli will be collected by the Local Farmers Association from the farmers's farming areas and sell it to the corporation. LFA will manage the sale and purchase activities with the corporation on behalf of the community. The corporation will buy the chilli from the association to be manufactured as one of their food products that are not only market locally but also globally.

2.3 Theoretical Purposive sampling

A total of 45 farmers involved in the chilli plantation project were interviewed in depth for this study. A semistructured questionares are used as a guide to the interview session which basically asked about the experience of the farmers as the participants of the chilli farming project. Researcher used theoretical purposive sampling where individuals who are selected for this study are the farmers that had been participated in the project while the number of respondents accumulated is depends on the saturation of the data obtained from each individual respondent (Flick, 2000; Marshall, 1996). The process of collecting the data started with the introduction to the researcher a farmer that involves in the contract farming project by LCA. The numbers of respondents continues with snowballing strategy until the data generated are saturated.

2.4 Data Analysis

Interview data for each participant are recorded and then copied in writing (transcribe) exactly as they are spoken (Verbatim). The transcribe data is transferred to Nvivo 9 database to assist in managing the analysis process. Respondents' narrative transcription is then analysed using thematic analysis approach in which the significant
statements to the research questions are identified and coded. This is referred to as an open coding process. Each coded statements will be continuously compared before they are combined in accordance to their respective meanings to form a theme which is referred to as the \textit{Basic Theme} (BT). Each Basic Theme (BT) that emerged from this process is then further analyzed by grouping them into clusters which then referred as the \textit{Main Theme} (MT). The emergence of the Main Themes will help researcher to answer the research questions (Merriam 2009, Creswell 2007, Stark dan Trinidad 2007, Corbin & Strauss 2007 and Froggatt 2001). The process of the analysis can be referred to Diagram 1.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Diagram1.png}
\caption{The Process of Developing Research Theme}
\end{figure}

3. \textbf{Findings}

3.1 \textit{The Result of Analysis}

The analyses have found 84 significant narrative statements pertaining to the economic contribution of the project. The statements have been coded and grouped into 15 BT. The number of coded narratives statements that develop each BT has also been identified (refer to Table 1).

\begin{table}[h]
\centering
\begin{tabular}{|l|l|}
\hline
\textbf{Basic Themes (BT)} & \textbf{Main Themes (MT)} \\
\hline
BT-1 Working as chilli farmers (13) & TU-1. Employment Opportunity (16) \\
BT-2 Job Opportunities to Stay in The Village (3) & \\
BT-3. The Main Source Of Family Income (5) & \\
BT-4 Opportunities To Increase Revenue (18) & \\
BT-5 Opportunities To Change Life (4) & TU-2. Sources of income (34) \\
BT-6 Opportunities To Get Side-Income (4) & \\
BT-7 Source Of Financial Security. (3) & \\
BT-8 Able to buy land (9) & \\
BT-9 Able to build houses (9) & \\
BT-10 Saving for future needs (5) & \\
BT-11 Saving for hajj (4) & \\
BT-12 Able to purchase vehicles (4) & \\
BT-13 Able to purchase jewellery (1) & \\
BT-14 Add up to the existing agriculture equipment (1) & \\
BT-15 Able to do investment (1) & \\
\hline
\end{tabular}
\caption{The Basic Themes and Mains Themes of Analysis}
\end{table}

These basic themes (15 BT) are subsequently analysed through the constantly comparison process and clustered into three main themes (MT) that are MT-1: \textit{Employment Opportunities}, MT-2: \textit{Sources Of Income} and MT-3: \textit{Generation Of Assets}. (See Table 1).
3.2 The Main Themes

MT-1: Employment Opportunities

Employment opportunities theme is developed from two basic themes that are BT-1: Working as a chilli farmer and BT-2: Job Opportunities to Stay in The Village. The basic theme BT-1 Working as a chilli farmer emerged from 13 narratives from the respondents that share about their difficulties in finding jobs if they do not involve themselves with the chilli planting project. Among the narrations are:

Farmer 34:

In this village, if we do not do the chilli job, we are considered as jobless. Planting of rice is only done once a year, after that basically there is no work. Now we have the opportunity to plant chilli. We can do it all year round and there is no problem for us to sell it as we have contract with the company.

Farmer 36:

Before I do the chilli planting job, I am considering myself as a person that didn’t do any work. There’s no job to do for me. If I didn’t do this chilli work, I really didn’t have any other job. I only planted a bit of vegetables. That is all.

The farmers’ narration reflects that the Chilli farming project has given them opportunity to become chilli farmers in their village. This opportunity is meaningful to the community particularly to those that were considering themselves as jobless. Apart from creating job as a chilli farmer to the community in Bukit Awang, the chilli farming project also provides avenue for employment to the community members that had previously gone out from the village for the purpose of obtaining employment. We found 3 farmers that share their narratives on this matter

Farmer 39

I did construction work in town. Actually, I do have the intention to stay in the village, but I cannot see what I can do here previously. However, in the year 2002, I saw some of the villagers are growing chilli successful. So I stopped the contract work and joint the chilli farming and comes back to stay here.

Farmer 33 (Peladang 33):

After I left school, I straight away involved in construction work in Singapore as construction labour. Later, not long after that, a friend asked me to return to the village because he said we have an opportunity to do chilli planting and do contract farming with a company. So I return to start planting chilli and later built a family. I am still planting chilli until now.

The narratives of these farmers indicated that they refer to this project as an employment opportunity that promote them to come back and work in their village. The opportunity to do chilli contract farming project has given an avenue for the community to secure a job in the village through agricultural activity. By combining the basic theme of BT-1 (Working as chilli farmer) and BT-2 (Job Opportunities to Stay in The Village) the experience of the farmers are constructed as Employment opportunities. Hence the Main Themes (MT)-1 is referred to as Employment opportunity which describe the opportunity that the community experienced from their involvement with the chilli contract farming project.

MT-2: Opportunities To Generate New Source Of Income

In furtherance to MT-1, the analysis results showed that the implementation of the chilli contract farming has provided an opportunity for the community to generate income. There are five basic themes emerged from the analysis, namely BT-3: The Main Source Of Family Income; BT-4: Opportunities To Increase Revenue; BT-5: Opportunities To Change Life; BT-6: Opportunities To Get Side-Income and BT-7: Source Of Financial Security. This situation is reflected by the farmers in their interview narratives.

Farmer 26:

The chilli farming is the main source of income for my family. The income from chilli supports our expenses on food and other things. If there is no income from chilli what else can we do? Our children need to go to school and we have all sorts of things that need to be bought. We can cry if there is no revenue sources like this.

The farmers, show the conditions in which the proceeds received from the sale of chilies are used to meet the basic needs of the family life. This phenomenon has developed the basic theme BT-3: The Main Source Of Family Income…
Income.

Opportunity to be involved in contract farming has also referred by some farmers as an opportunity to further increase their existing agriculture revenue. This can be seen from the statement made by the farmers who make comparisons between their incomes with other agriculture activities before getting involved with this contract farming and their incomes after they are involved with chilli farming. The increase in revenue narrated by these farmers have developed basic theme BT-4: Opportunities to increase revenue

Farmer 2:

This is what I want to share about chilli farming. Earlier, we grew 3000 tobacco plants and 1000 chilli plants. The tobacco grew well and the chilli also grew well. God willing, God gives us both. We sell tobacco, but we can’t even get RM3000 in return. We could only get RM2500 net. Not counting the cost yet. But with 1000 chilli plants, after deducting costs, we could get RM7000. We are very happy with this.

Apart from increasing financial resources, the study also found the farmers expressed in their narration that their involvement with this chilli contract farming project has able to make a difference in their lives especially those related to family economic resources. The farmers referred this project as a mechanism in transforming their existing living conditions.

Farmer 25:

Indeed, if a farmer is really diligent with the chilli farming, his livelihood will change. I can see that when he is successful, he won’t leave this chilli work.

Farmer 36:

I must share that the most notable difference now is that the money for expenses at home are a bit more than before.

The differences in terms of family economic resources recognized by the farmers involved in the chilli contract farming project has changed for the better from their previous livelihood. These is reflected by the basic theme BT-5: Opportunity to change life.

Further analysis on the coded narratives statements found that, not only the project contributed to their main source of income, to some of the farmers they see the project providing opportunity to increase their alternative of generating income. This means, chilli project provides an opportunity for local communities to implement chilli farming as a side-income job for those who have a permanent source of income. This case has developed the basic theme BT-6: Opportunities to get side-income.

Farmer 2:

If I don’t plant chilli, I have plenty spare time since I am a KAFA teacher. That is why I took this opportunity to plant (chilli). With God’s blessing, it is successful and I get an extra income.

The study also found that there are farmers who admitted that when they got involved with the chilli farming project, their financial resources of the family improves towards a stable condition. This situation is being reflected in the farmers narration and thus basic theme BT-7: Source of financial security is formulated to illuminate this situation.

Farmer 30

Since we got involved with this farming, we’ve somehow overcome our financial problem. Now, if we want to buy something, God willing, the money is there….it was not like before…. the payment that we received from the chilli farming helps us in many ways….they never turned us down where they never failed to pay..

A combination of the five basic themes mentioned above had found farmers narration that reflect on their sources of income. These basic themes are clustered to form the Main theme of MT-2: Opportunities To Generate Income.

MT-3: Asset Generation

This study has also identified the narration that has indication towards the ability of asset generation in the communities since they involved in the chilli plantation. There are eight basic themes that describe this Asset Generating theme, that are basic theme BT-8: Able To Buy Land; BT-9: Able To Build House; BT-10: Savings For Important Things; BT-11: Saving For Pilgrimage; BT-12: Purchase Vehicle; BT-13: Add Jewellery; BT-14: Add Agricultural Equipment and BT-15: Make Investment.
The study shows that there are farmers who are able to buy land and also build and improve the condition of their existing home from the chili plantation income. The narration we collected shows some of the farmers indicated that the amount of their income from chili farming produce has surplus after they deduct from their daily requirement expenses and be used to buy some assets.

Farmer 1

*With this amount of money, we can improve our house.....and also with the surplus.... When other people want to sell their land, we will be able to buy because we have money. When we do work like this (referring to stable income from chili farming) we can buy assets.*

This phenomenon has created basic theme BT-8 and also basic theme BT-9 which refers to the ability of farmers to buy land and build houses. There are also farmers who declared their income from Chili contract farming can be used as savings for the family when needed.

Farmer 21

*Thanks to Allah (God), since the existence of chilli project we can make savings. Time were difficult before. Now, we can buy many things and almost everything we wanted to buy, we buy it in cash because we can save little by little from the chili income.*

The above narration shows to some of the farmers, the situation is different with their state of income before they became involved with the farming project. It was made understood that previously it was quite difficult for them to make savings. Hence, the analysis of the farmers’ narrative has developed the basic theme BT-Saving for important things. Furthermore, in discussing on savings made by the farmers, they also informed the other type of savings that some of them made that is saving for the purpose of the pilgrimage to Mecca. This a saving made for religious activity which is common among muslim community in Malaysia. Apart from that, there are also farmers who able to invest in an existing unit trust scheme from the income that they gather. Among the narration for the basic themes were as below:

Farmer 5:

*Thanks to Allah (God), bit by bit, we can save enough to go to Mekah (pilgrimage).*

Farmer 41:

*For us that involved with the chili project, we are able to make some saving in a unit trust scheme. We saved our income for that.*

These savings generally show an economic capacity status in the community where indirectly it implies excess income available by the individual. In addition to savings, the study also found that farmers demonstrate their ability to acquire some of other assets in life such as vehicles and jewellery.

Farmer 6:

*I see this as unexpected changes in me, once I got only a bike, then I had a motorcycle. I still remember the price of the motorcycle I bought, it was RM1300 and I paid 3 times at that time. Now when I involved in chili planting, I can buy car for myself and now I even buy car for the second time.*

Farmer 1:

*We can buy jewellery from the income of chilli crop. Before this, when he (pointing to her husband) was a taxi driver, we can only make do to eat. We, women, need jewellery right? Kelantanese women do fancy jewellery.*

Both of these conditions have developed basic theme BT-12 and BT-13 for this study which refers to the purchase of the vehicle and also the purchase of jewellery. Apart from that, there are also farmers who stated that the income earned by them is used to enhance the capabilities of farming by buying equipment for farming purposes.

Farmer 33:

*From the income of the chili plant, I bought poison pump, water pump and other agricultural equipment for agricultural activities because LCA only lend us equipment to the us in a group. If we want to use individually we have to buy it.
4. Discussion

The themes that emerged from the study has indicated that the chilli contract farming project has helped bring changes to the farmers involved. The main theme MT-1 which refers to the employment opportunity has demonstrated one factor that contribute to community economic development according to Maimunah Ismail (2001). This factor is further discussed by Phillip and Pittman (2009) as the outcome of economic development after the community’s asset being deployed by economic activities. The employment opportunity theme that emerged from the basic theme BT-2 Job Opportunities to Stay in The Village also reflects the emerging opportunities for the community to make decisions and choose to work and live in the place they want to. This shows a positive impact on the local community as a result of employment opportunities arising from the chilli contract farming project and thus providing more employment alternative to select from.

The study also shows the opportunity of the community involved in chilli contract farming project has provided an avenue for the movement of assets in the community both in terms of human capital that are the farmers themselves due to farm production of chillies which being commercialised by the project. The movement of assets occurred in the project has successfully created income opportunity for the farmers as indicated by MT-2 Sources of income. The theme reflects the existence of an increase in the monetary financial sources of the farmers involved which are parts of the factors that affect the economic welfare of the community. This factor is also one of the factor that will contribute to economic development of the community as mentioned by Yusof, Azima, Zaimah & Suhana (2011), Shaffer, Deller & Marcouiller (2006) that resulted from the existence of the employment opportunity. Hence the overall process in generating income found in the study had reflected the community development chain model developed by Phillip and Pittment (2009).

Further, the main theme BT-3 which refers to the assets generation by the farmers community can be categorized as one of the components of economic well-being of the community. The assets include land, homes, savings, vehicles, jewelry and monetary investment which lead to well-being factor mentioned by Mohd Yusof et al (2011) which found apart from the beneficial job, material goods is also considered as a factor that is important in giving meaning to community wellbeing. Thus, apart from providing employment opportunities and also to generate source of income for the community, the chilli contract farming project has also seen by the farmer communities as a project that able to provide them the opportunity to generate asset or material goods for their wellbeing. Indirectly, the conditions experienced by these farmers can be interpreted as an increase in the level of community life which is part of the process in achieving the economic development of the community according to the model of community development chain by Phillip & Pittman (2009).

As a conclusion, the themes found from the study which referred as MT-1 Employment opportunity, MT-2 Sources of income and MT-3 Assets generation provide an indication of changes in the economic level of the community based on the view of the social actors that involved and participated in the CSR project that are the chilli farmers. As proposed by Blowfield (2007), related themes from the CSR initiatives by the corporations need to be obtained from the viewpoint of the community themselves in order to assess the ability of CSR projects to assist in community development efforts. Hence, this study has shown the potential contribution of a CSR project towards community in focusing on their economic development perspective. However, further investigation that evaluate the strength of every emerging themes is appropriate for further understanding of the extent of the contribution and benefit derived by the community.

References


