

# Corporate Social Responsibility and Welfare of Partner Farmers PT Kebon Agung in the Perspective of Political Economy of Accounting

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**Abstract:- Corporate social responsibility of PT. Kebon Agung (PTKA) has been implemented, one of which is a partnership program. This program is an effort to integrate on-farm activities with off-farm activities for the company's sustainability and improve the welfare of farmers. This study aims to reveal how corporate social responsibility impacts the welfare of PTKA partner farmers. The application of corporate social responsibility full of political settings guides researchers to use the perspective of the political economy of accounting as an analytical tool with a case study approach. The results showed that juridically the implementation of corporate social responsibility in PTKA was based on the limited liability law; consequently, PTKA distributed part of its economic resources for CSR activities in the form of philanthropy and PKBL. Besides, the limited loan credit, the increase in the cost of sugar production, and the irrelevant application of the sugar reference price at the farmer level have made PTKA's efforts to prosper partner farmers have not run optimally.**

**Keywords:- Corporate Social Responsibility; Political Economy of Accounting; Partnership Program.**

## I. INTRODUCTION

Today, corporate social responsibility (CSR) has become a strategic issue for every company, considering its application can increase company value (Porter & Kramer, 2002; Rakotomavo, 2012). Not only that, but well-implemented CSR can also improve the company's image and reputation (Boubakary & Moskalai, 2016; Smirnova, 2012) and financial performance (Sun, 2012; Waworuntu, Wantah, & Rusmanto, 2014). Several theories shape CSR praxis, such as stakeholder theory (Freeman & Reed, 1983), which emphasizes that companies must maintain good relationships with stakeholders as a strategy in maintaining the company's existence. The theory of legitimacy (Deegan, 2002) shows that CSR is implemented as a corporate strategy to legitimize its existence in the social environment to utilize the resources needed. Not only that, but social contract theory also plays a role in CSR practice, where companies have contracts with communities

that will endanger their sustainability if the community considers the company to be violating the social contract.

The three theories above explicitly make CSR a strategy for corporate sustainability by involving related parties in carrying out their company activities in an ethical and environmentally friendly manner. Thus, CSR can be a powerful weapon in enhancing the company's image and reputation, and vice versa, it can be a boomerang for companies if they are wrong or negligent in implementing CSR. The implementation of CSR in Indonesia has become an obligation for all limited liability companies. This is regulated in article 74 of law number 40 of 2007 concerning limited liability companies and is followed up by government regulation number 47 of 2012 concerning corporate social and environmental responsibility as a guide for its implementation. However, the spirit of implementing CSR in Indonesia is not in line with the reality in the field. Indonesia is still in the lowest rank of CSR implementation in 7 Asian countries. Besides, the obstacles that often arise are the company's confusion in implementing its CSR program, being managed independently or whether it needs the involvement of other parties, and how to synergize the activities of the company and the local community (Widokarti, 2014). Problems related to CSR implementation are expected, considering that the game rules, such as the Company Law and its derivatives (PP No.47 of 2012), are still not detailed and spelled out, resulting in multiple interpretations for business actors in implementing CSR. In the end, company leaders independently make self-regulation regarding the implementation of their CSR according to appropriateness and reasonableness to run.

PT. Kebon Agung (PTKA) is a private company engaged in the sugar industry. The company is located in Malang Regency, East Java Province. Its existence is one of the sugar producers, making East Java Province the largest sugar provider province in Indonesia (Central Statistics Agency, 2019). One form of corporate social responsibility, PTKA, provides loan capital for partner farmers (Oktarizal, Triyuwono, & Achsin, 2014). The provision of loan capital is commonly known as a partnership program. This program's implementation is based on the principles of mutual benefit, mutual need, and mutual strengthening. Each partner member

will receive facilities in the form of business management assistance, capital loans, and marketing certainty for the products produced (Azmi, Dewi, & Sarjana, 2019; Dananda, 2018; Dyastriarini, 2017; Oktarizal et al., 2014; Pamungkas, 2012). PTKA carries out a partnership program, but almost all sugar industry companies and other industries also package their CSR programs in the form of partnerships (Azmi et al., 2019; Dyastriarini, 2017; Saraswati, Sagitaputri, & Ramadia, 2020). This is fine if it is genuinely corporate responsibility for the social, economic, and surrounding environment. It becomes a problem if the implementation is only ceremonial and even camouflage to take advantage of the program to maximize company profits (Akbar, 2012; Dyastriarini, 2017). Akbar (2012) critically examines the implementation of PTPN's CSR on the empowerment of sugarcane farmers. The results show that CSR activities are not voluntarily carried out, but farmers are used to meeting its sugarcane supply. This needs to be studied in depth considering that all sugar industries are currently implementing a partnership program, lest this happens in every company, not least in PTKA. Previous studies also discussed a lot about sugarcane farmers' welfare, both seen from the impact of trade policies and purchase prices at the farmer level (Nuryati, Wicaksana, & Prabowo, 2019; Rachmadhan, Kusnadi, & Adhi, 2020; Susilo & Yuniati, 2015). Comparing the welfare of partner and non-partner sugar cane farmers also studied (Haryono & Fitriani, 2011; Kumalasari, Budiraharjo, & Setiadi, 2019). all these studies were carried out because they realized that sugarcane farmers' role was essential so that their welfare needed to be considered.

Seeing phenomena, this paper is also focused on exploring the impact of the welfare of partner farmers on the implementation of CSR. Researchers use the perspective of the political economy of accounting (PEA) as a lens to capture the phenomena that occur due to the application of CSR, which is full of political settings (Saraswati et al., 2020). The PEA perspective was first introduced by (Tinker 1980). In this study, researchers used PEA as a methodology to photograph the phenomenon to be studied. The PEA perspective as a methodology or analysis tool has been widely used, such as (Andrianto, 2007, 2008, Irianto, 2006a, 2006c; Irianto, Sokarina, & Risky, 2020). The output rather than the use of the PEA perspective as an analytical tool is to capture the company's performance on the distribution of profits and the justice obtained by shareholders and stakeholders and the rules of the game that are the background for the company's operational activities. This shows a characteristic of the PEA perspective, which is based on classical economic theory. PEA offers another alternative that puts forward distribution and justice aspects, not profit as the primary goal (Irianto, 2006b).

Likewise, CSR's implementation is also part of the distribution of the company's economic resources to stakeholders, in this case, sugarcane farmers. Besides that, CSR implementation is the result of political decisions that are taken and have socio-economic implications, which are recorded profitably through accounting practices. It becomes clear the relevance of CSR context of the PEA, apart from that, as far as the researcher observes, previous research has also examined a lot about partner farmers' welfare. However,

no one has used the PEA perspective as an analytical tool. Furthermore, the selection of PTKA as a research site was because previous research still focused on state-owned companies (Akbar, 2012; Kumalasari et al., 2019; Lukito, 2017). in looking at the prospects for partner farmers' welfare, even though private company partner farmers also have the same rights to get an increase in welfare through the implementation of CSR. Besides, the same research on the PTKA website is still limited to revealing the meaning of CSR (Oktarizal et al., 2014), the impact of CSR on company performance (Dananda, 2018), and even just revealing the implementation of CSR in PTKA (Firmansyah, 2018). This paper aims to reveal the impact of CSR implementation on PTKA partner farmers' welfare from the PEA perspective. This paper is divided into several subtitles, including literature review, methods, discussion results, and conclusions.

## II. LITERATUR REVIEW

### A. *The Essence of Corporate Social Responsibility*

Corporate social responsibility (CSR) in Indonesia has become an obligation for any limited liability company as stated in law number 40 of 2007 concerning limited liability companies. It is explicitly stated in Article 74 paragraph 3 that;

"Social and environmental responsibility is the company's commitment to participate in sustainable development in order to improve the quality of a beneficial environment and quality of life, both for the company itself, the local community, and society in general."

If simplified, the sentence above states that CSR is a form of corporate alignment that is not only profit-oriented but also social and environmental. Theoretically, CSR is an application of stakeholder theory (Freeman & Reed, 1983), which emphasizes that companies must maintain good relationships with stakeholders as a strategy in maintaining the company's existence. As a result, CSR can be used as a company strategy to legitimize its existence in the social environment to utilize the resources it needs (Deegan, 2002). Also, ISO 26000 defines CSR as:

"Organizational responsibility for the impact of its decisions and activities on society and the environment through transparency and ethical behavior that contribute to sustainable development, including public health and welfare; pay attention to stakeholder interests by applicable law and consistent with international norms and integrated with all company activities. "

Dyastriarini (2017), through his critical research on the concept of CSR, found a conclusion that CSR is a company's concern for social and environmental problems that arise as a result of their operations so that companies are committed to integrating with sustainable development. Based on the elaboration of the previous definition of CSR, the researcher concludes that CSR's essence is the responsibility of the company for the political consequences taken in carrying out company activities that have an impact on social, economic, and environmental impacts.

### *B. The relevance of CSR in the Context of Political Economy of Accounting*

Political Economy of Accounting (PEA) is a critical study in accounting, which was first put forward by (Tinker 1980). PEA in view (Tinker, 1980) followed by (Cooper & Sherer, 1984) in (Andrianto & Irianto, 2008) has two meanings, namely in terms of macro and micro. The first understanding places PEA as a framework that tries to rebuild accounting theory. The neoclassical economic values attached to accounting theory can be reduced and replaced with classical political economy theory. Meanwhile, the second definition positions the PEA as a methodology that critically examines corporate performance, both internally and concerning the power structure of the state and globally.

PEA in this second sense also serves to provide an overview of political economy relations based on accounting data as well as an instrument to see how the distribution of welfare for the occurrence of economic activity that originates in corporate activities. Also, Cooper & Sherer (1984) stated that PEA as a methodology provides three facilities:

1. PEA recognizes the influence of power and conflict in society on corporate performance to understand how income distribution, wealth, and power in society can occur.
2. PEA seeks to investigate how the game's history and rules (institutional) cause the corporate activity to occur.
3. PEA recognizes that accounting policies are based on motivations that exist in humans.

CSR activities are part of political decisions and company activities, which then its application can be recorded through accounting data. As is known, CSR implementation at PTKA has been implemented. One of the programs is providing loan capital for sugarcane farmers (Oktarizal et al., 2014). The loan capital was given as a form of the company siding with the surrounding community's welfare, especially farmers. The program is wrapped in a partnership program, meaning that farmers who want to get loan capital must partner with a company. As a consequence of this program, farmers get facilities in the form of market certainty for their sugarcane production. In contrast, the company gets a sugarcane supply, which is used as the primary raw material for sugar production and the sustainability of company activities.

Finally, it can be concluded that CSR's relevance in the context of PEA is an inseparable necessity because the implementation of CSR is the result of political decisions that are taken and have socio-economic implications that are recorded through accounting practices. Therefore, this study uses PEA as an analysis to reveal farmers' economic impact, whether it can improve welfare or vice versa.

### *C. Political Economy of Accounting as an Analysis Tool*

Previous studies have used the PEA perspective as an analytical tool (Andrianto, 2007; Irianto, 2006b; Irianto et al., 2020; Sokarina, 2011). In this study, the researchers used PEA as an analysis tool in uncovering the economic impact obtained by farmers on the political decisions made by PTKA through the CSR program in the form of farming capital loans.

Historically, in accounting, the loan capital was taken from a portion of the company's profit, which was then given to farmers to improve their economic level through sugarcane farming. The benefits of symbiotic mutualism occur in this activity. Where the company tries to integrate its operational activities with the empowerment of the surrounding community. Therefore, the PEA perspective deserves to be an analytical tool.

## **III. METHODS**

This research is qualitative research with a case study approach. The partnership program is a government mandate as well as a company strategy that is packaged in the form of CSR as an effort to increase sugar productivity and improve farmer welfare. However, the hope of increasing farmers' welfare is still far from the fire, given the many fundamental problems that make farmers lose money. The socio-economic consequences resulting from the program's application, which is full of political settings, lead researchers to use the perspective of the political economy of accounting as an analytical tool.

This study uses two data sources, namely primary and secondary data. Primary data obtained from observation, direct participation, and in-depth interviews with parties related to this research, namely PTKA (PT informants), KUD (KUD informants), and partner farmers (PE informants). Researchers interact more with farmers in order to obtain a complete picture of the real situation. Secondary data is obtained from documentation, consisting of credit reports, farmer and company contract agreements, sugarcane plantation budget plans (RABKT), sugar auction recapitulation, and previous research results.

## **IV. RESULTS AND DISCUSSION**

### *A. Corporate Social Responsibility PT. Kebon Agung in PEA Perspective*

According to (Cooper & Sherer, 1984), the use of PEA as a methodology, one of its functions is to specifically investigate how the history and (institutional) rules of the game cause corporate activity to occur. This is because the power structure cannot influence the company without the existence of rules of the game, both formally and informally, used as the basis for carrying out its operational activities. Therefore, in this section, we will discuss the rules that underlie CSR implementation at PTKA, political and economic settings, PTKA CSR programs, and the distribution of CSR values distributed.

### *B. Juridical Study of CSR Implementation of PT. Kebon Agung*

Juridically, the implementation of CSR in Indonesia is based on law number 40 of 2007 concerning Limited Liability Companies, after this referred to as UUPT. As stated in Article 74 paragraphs 1 to 3 of the Company Law, it states the obligation for companies to carry out CSR, the implementation of which is budgeted and calculated as company costs by taking into account appropriateness and fairness. The follow-up to the UUPT is government regulation

number 47 of 2012 concerning social and environmental responsibility of limited liability companies as an implementing regulation in clarifying the direction of CSR implementation. However, there are still limitations, considering the regulations released have not been detailed until the technical implementation. This means that CSR implementation for each company varies according to fit and fairness, including PTKA.

PTKA, as a private company engaged in the sugar industry, is subjectively bound by the Company Law in carrying out its CSR. The Company Law also provides space for companies to determine CSR programs carried out by the company's appropriateness and fairness. In reality, PTKA does not only carry out CSR programs in the form of philanthropy but also PKBL, which incidentally is a form of social and environmental responsibility for BUMN companies as regulated in the Minister of BUMN Regulation No. PER-02 / MBU / 04/2020 as a derivative of law number 19 of 2003 concerning BUMN. As disclosed by an informant of PT;

[...] We carry out CSR activities according to the orders of the board of directors. Now the board of directors refers to the company law. We are also in the field doing PKBL (partnership and community development programs) with farmers. The program is intended to empower farmers in the sugarcane business, and later we will help with the capital and technical aspects of cultivation, MBA.

The above expression clarifies that the implementation of CRS within PTKA is based on orders from the board of directors who refer to the Company Law. Simultaneously, the form of the program being implemented is part of the company's strategy by taking into account the aspects of appropriateness and fairness for the company.

#### C. Political and Economic Settings of PT. Kebon Agung

PTKA's social and environmental responsibility has been implemented due to a company's political decision based on the Company Law and specifically government regulation number 47 of 2012 concerning limited liability company social and environmental responsibility. Not only that, but the implementation of CSR at PTKA is also based on the company's commitment, which is transformed into a strategy to maintain the company's existence. In reality, PTKA's CSR programs are philanthropic and in the form of PKBL or commonly known as a partnership program. Interestingly, the partnership program that is being implemented is only focused on providing business credit for sugar cane farmers and not for providing other business loans, for example, developing MSMEs and so on, as stated by an informant of PT;

[...] Indeed, the CSR that we run, especially the partnership program, is only given to sugarcane farmers by providing capital for the Mba farming business. From there, the partners will be able to farm sugar cane and increase their family's economy, and our company can supply sugar cane from them.

This is where CSR implementation's political and economic setting can be understood that the orientation of the implementation is focused on obtaining abundant sugarcane raw materials so that the company's existence can be maintained while the economic value added for partner farmers is still uncertain. For author/s of only one affiliation (Heading 3): *To change the default, adjust the template as follows.*

#### D. CSR program of PT. Kebon Agung

As it is known that the CSR implemented by PTKA is in the form of philanthropic programs and PKBL, therefore it needs to be explained and explained in depth.

##### 1. Philanthropy Program

A philanthropic program is a form of CSR implementation that is voluntary, meaning that its implementation is limited to assisting and does not directly interfere with its primary activities. However, the assistance is expected to be of benefit to the surrounding community. In general, the running of philanthropic programs is categorized into three parts: social, economic, and environmental.

The social philanthropy program (PFS) is further divided into several fields, namely, the field of education, the field of religion, the field of sports, and society. In PFS, the assistance provided voluntarily is tailored to the community's needs to implement it right on target. Furthermore, the environmental philanthropy program (PFL) is carried out by PTKA as responsibility for the surrounding environment due to company activities. PFL is planting trees to greening, maintaining production waste pollution from being polluted, and making specific road improvements such as farming roads. Finally, the economic philanthropy program (PFE) was carried out by PTKA to realize the independence of the surrounding community by providing loan capital to improve the community's economic level.

##### 2. Partnership and Community Development Program (PKBL)

PKBL is a part of PTKA's CSR. If examined juridically, there are quite fundamental differences between CSR and PKBL, starting from the basic rules, implementing subjects, allocating, and recognizing implementation costs. However, in PTKA, both are considered the same as part of corporate social responsibility, so that implementation can go hand in hand.

The Partnership Program at PTKA is part of CSR and the company's strategy in maintaining the sustainability of the company. This is because PTKA's core business is sugar production, while its primary raw material is sugarcane. In reality, the land owned by PTKA in sugarcane production cannot meet its daily needs, so it needs additional supplies from sugarcane farmers. Seeing this, PTKA seeks to integrate farmers' sugarcane cultivation activities with sugar production activities to both benefits. As a result, a sugarcane farmer partnership program is formed. This is also the case with other sugar industries that make sugarcane farmers as partners (Azmi et al., 2019; Haryono & Fitriani, 2011; Kumalasari et al., 2019; Lukito, 2017).

The partnership program requires both parties, namely farmers and companies, to benefit. PTKA reciprocity for farmers by providing facilities in assistance for farmers in the sugarcane cultivation process, providing agricultural production facilities, and farming capital. The company assists partner farmers in assisting farmers in the sugarcane cultivation process, starting from selecting seeds, planting periods, and using fertilizers to cutting and carrying sugarcane. All of that is intended to increase farmers' sugarcane production quantity and quality, which will have implications for farmers' income. PTKA also carries out the provision of facilities as part of the obligations of farmer partners. Various facilities are provided, such as tractors, seeds, and the provision of fertilizers. However, the facilities provided are not voluntary. For example, the used tractor, a tractor unit is provided by the company, but the operational costs of using this tool are borne by farmers, as stated by a PE informant;

[...] One of the factory facilities is a tractor MBA, but it is not free. The company only provides it. The operational costs if we use this tool, it will be borne by the farmers.

Besides, PTKA also provides free compost to partner farmers, and sugarcane seeds are provided at a subsidized price to get sugarcane seeds at affordable prices. Furthermore, relating to the provision of loan capital is explicitly described and in-depth in the next sub-chapter

3. Mechanism and Types of Providing Credit to Farmers

The loan capital provided by PTKA to farmer partners is divided into 2 based on the type and source of the loan, namely from financial institutions and PTKA's profit allocation. Loans originating from banking institutions are part of government intervention as stipulated in law number 19 of

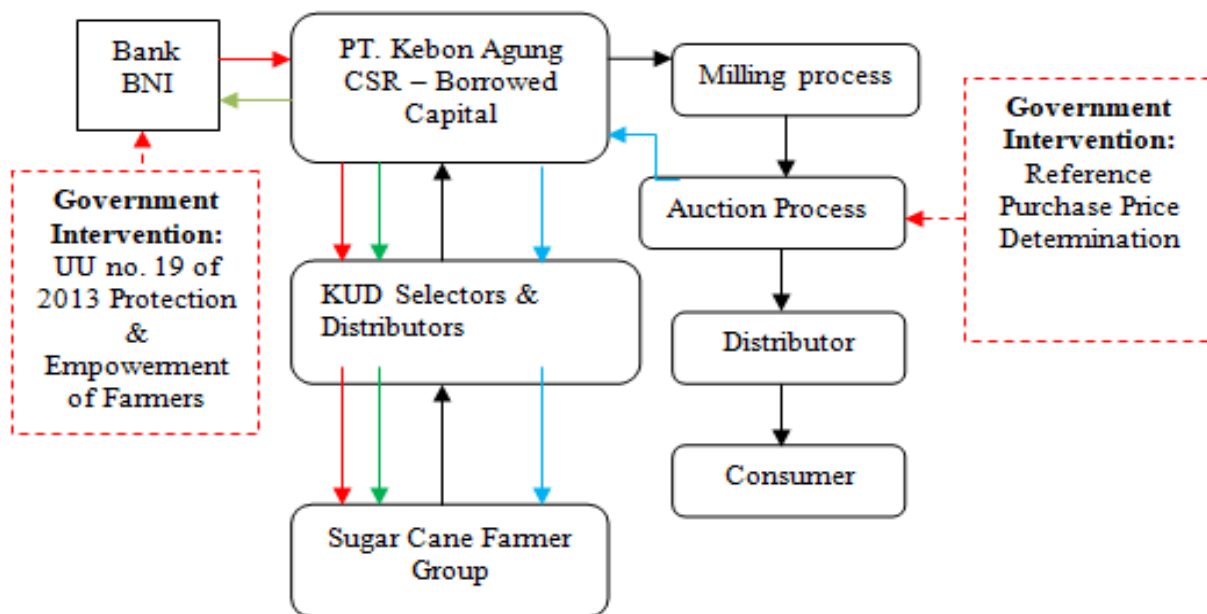
2013 concerning protection and empowerment of farmers. The loans provided are in the form of food and energy security loans (KKPE) where PTKA positions itself as guarantor, KUDs as distributors and farmers as loan recipients with a relatively small loan interest rate of 7%. From this loan, per farmer can only get Rp. 5,500,000-6,000,000 per hectare with certain qualifications. This means that not all farmers can get this capital for free, but there are terms and conditions. In reality, the KKPE that was distributed by PTKA had a higher interest rate than the original. PTKA intentionally increased the loan interest rate by 2% for PTKA and APTR 1% each. As revealed by KUD informants;

[...] So this is the KKPE from there (the bank) is only 7% yes, continues to add 1% for factories and 1% APTR, so we take profits by adding interest rates, so the interest rate is 9%, and It fluctuates every year, Mba, but in the last 2 years, it's still really. So later when the interest rate drops we will add a little, even if it is high we will not add it that high.

The actions taken by PTKA, increasing interest rates for farmers are not ethical, because KKPE is part of government policy, so the interest rate that has been set should be what farmers receive. In addition, APTR also receives a KPPE interest percentage of 1% of the total credit disbursed, then APTR redistributes 1% to each KUD according to the amount of credit extended by KUD to partner farmers.

Furthermore, the second loan comes from PTKA which is budgeted and allocated from a portion of the company's profit. This loan is further divided into 2 types, namely profit sharing advance (UMBH) and ratoon care. In simple terms, the pattern of providing credit for PTKA farmer partners can be illustrated as shown below.

Figure I. Partnership Program Mechanism with Profit Sharing System



The illustration above is a simplification of the partnership program mechanism within PTKA with a profit-sharing system. In the picture, government intervention through policies shown to maintain the productivity of sugarcane farmers, such as Law no. 19 of 2013 concerning the protection & empowerment of farmers and the policy of determining the reference price for purchases at the farm and sales at the consumer level. The rest illustration shows the flow of credit distribution and farmer returns to the company, along with an explanation;

1. The "red arrow line" is the KKPE distribution channel from the banking institution, in this case, BNI Bank, where PTKA works together with the BNI bank to provide financing for farmers and PTKA is the guarantor, KUD is the distributor as well as the selector for the farmers who deserve to be given loan and farmer partners as loan recipients. This credit distribution is based on the Minister of Finance regulation 79 / PMK / .05 / 2007 concerning food and energy security credits, as well as Law no. 19 of 2013 concerning the protection & empowerment of farmers

2. "Green arrow line" is the channeling of credit loans from PTKA in the form of UMBH and ratoon care through KUD to partner farmers. Loans from PTKA bear interest at 9% and 7%, respectively. Credit provision is a form of PTKA's responsibility in developing and empowering partner farmers, but the allocated budget is limited.

3. "Black arrow line" is feedback given by farmers in the form of raw material for sugar cane. The sugar cane is sent to PTKA through the coordination of the KUD to receive an SPTA (cut and carry). After arriving at PTKA, the sugar cane milling process is continued. This grinding process will produce white crystal sugar (GKP) or sugar ready for use. After the milling process occurs, the company, in this case, PTKA, shares the sugar produce with the farmers, so farmers' sugar and company sugar are terms. The next stage is the farmer's sugar auction process, while the sugar that is part of the company is further processed internally. In this auction process, there is government intervention through the minister of a trade by applying a reference price for purchase (HAP) at farmers and sales at the consumer level to protect farmers and consumers and create fairness and price stability. After the auction process is complete, the sugar is distributed to consumers.

4. "Blue arrow line" results from farmer sugar auction which will be received by farmers. However, farmers cannot immediately receive the income from the auction. Nevertheless, they are distributed by the KUD to the farmers after deducting individual costs such as interest and principal loan KKPE, ratoon care, UMBH, and KUD administration fees.

#### *E. The Impact of CSR Implementation on the Welfare of Farmer Partners*

PTKA's efforts to improve farmers' welfare through the implementation of CSR, especially concerning the partnership program, have been going well. The benefits that have been felt by farmers include obtaining guarantees for the marketing of the harvest, providing sugarcane production facilities, training, and assisting sugarcane cultivation in obtaining high-quality sugarcane. However, the benefits that are felt have not

been able to create optimal and sustainable farmers' welfare, and this is due to several underlying factors.

#### 1. Limited Partner Loan Capital Distribution

The distribution of loan capital for farmer partners in this study is summarized based on the PTKA accounts receivable report for 2019-2020, especially regarding partner credit distribution. The report shows the number of KUD partners as PTKA's extension in distributing credit and the nominal amount of farmer partner loans. Until now, PTKA has collaborated with 25 KUDs throughout Malang. Apart from being credit lenders, KUD also functions as a selector for farmers who are eligible to receive loans and supervisors of loan principal repayments and interest. It is known that the total PTKA loan credit distributed to farmer partners per 2019-2020 is Rp. 76,313,431,750 -. The loan credit originated from KKPE amount to Rp. 52,184,010,000, - (69%) and PTKA profit allocation of Rp. 23,449,421,250, - (31%). This shows that the distribution of company profits as the allocation of credit for farmer partner loans is smaller than the government's credit. Farmers expect additional loan capital to be managed as the main capital in sugarcane production. A PE informant conveyed this hope;

[...] We hope that the government and companies can increase the amount of credit for farmers. It is okay so that the interest is expensive. The important thing is there is capital to cultivate Mba's land.

Indeed, it is proven that farmers no longer think about the amount of interest they must bear because of the need for capital. Farmers are instead looking for additional loans from outside partners to meet their needs. As stated by the KUD informant;

[...] Yes, Mba, usually later the farmer borrows from the bank, or mostly he borrows from the boss of the group leader or the wholesaler. which later will be paid in sugar cane, which is deposited with the wholesaler

[...] So later, if there is a lack of capital or a lack of funding, he will borrow from the big boss. The big boss is the sugar cane traders and sometimes the leader of his group. He borrowed it from the group leader, then had money and borrowed it from a large trader. In addition to borrowing from big bosses (traders), farmers also borrow from banks; only the bank people themselves already know about this scheme. If farmers already have loans, farmers are not given loans. The business guarantees are the sugarcane harvest results, so the bank will not want to, unless it is an official bank, if the BPR (Bank Pengkreditan Rakyat) can still be given a loan.

Limited capital in managing land for sugarcane farmers has become a common problem (Kumalasari et al., 2019; Rohmah et al., 2014), so this has implications for the productivity of sugarcane farmers. This causes farmers to be unable to unload ratoons, given the need for large capital (Durroh, 2018), so surviving with the shortcut system is the farmer's choice. Of course, this option cannot benefit farmers because the quality of the yield of sugarcane pressed for more

than three times has decreased and impacted farmers' income (Minister of Agriculture, 2015).

2. Purchase Reference Price is Adverse to Farmers

One of the plantation commodities that is full of government intervention is the sugar commodity. Sugar is a national staple need, so that the availability of supply and affordability by consumers is the government's concern. Not only that, from the production side of raw sugar, sugar production, and distribution of sugar, all of which are in direct contact with sugar cane farmers, sugar companies, and traders, the government must also pay attention to avoiding socio-economic imbalances.

The reality in the field, in order to ensure the availability and stability of sugar prices, the government, through the minister of trade regulation number 07 of 2020, applies the Reference Purchase Price (HAP) for sugar at the farmer level (IDR 9,100) and sales at the consumer level (IDR 12,500). This regulation implicitly wants to protect farmers and consumers from obtaining certainty about sugar buying and selling price. However, farmers no longer feel the good intentions of having the HAP above, considering that sugarcane production is higher than the reference price set. As stated by the PE informant;

[...] what about yes, we produce sugarcane that is already expensive, this is just the auction price, so what do we want to get? not to mention the repayment of loan interest and others.

Besides, the 10% VAT imposition on traders at the farmer's sugar auction is one reason for the fluctuating auction price. This means that traders consider the benefits obtained HAP at the consumer level so that farmers are marginalized again, as the PE informant stated;

[...] Not to mention, miss, like now sugarcane is priced at HEP, plus traders are subject to VAT again 10%. This means that the merchant will buy the auctioned sugarcane for or below 12,050. So you can see that the production costs are high and the selling price is small, yes, what do we want to get, of course, we will not get much profit.

If examined, government intervention in the application of HAP has been running since 2016. The regulation contains several commodities that have received the intervention, one of which is sugar. HAP regulations have been updated several times, but the reference price for sugar commodities has remained the same for the last four years. The following is a summary of the HAP regulations for sugar commodities from 2016-2020.

**Table I.** Regulations on Reference Prices for Purchasing and Selling Sugar

Regulations	Farmer Price	Consumer Price
Permendag Number 63 of 2016	Rp. 9.100	Rp. 13.000
Permendag Number 27 of 2017	Rp. 9.100	Rp. 12.500
Permendag Number 58 of 2018	Rp. 9.100	Rp. 12.500
Permendag Number 96 of 2018	Rp. 9.100	Rp. 12.500
Permendag Number 07 of 2020	Rp. 9.100	Rp. 12.500

**Source:** Regulation of the Minister of Trade Regulation, processed

Based on the data above, there has been no change in HAP for sugar, even though almost every year the government has updated the rules; of course, this is a big question why HAP is maintained while sugarcane production costs tend to increase every year. Therefore, APTR (the association of smallholder sugarcane farmers), as an organization that accommodates sugarcane farmers, submits a proposal and a lawsuit to the president to revise the sugar HAP according to current conditions so that the income of sugarcane farmers from their plantation business can be maximized.

3. Sugarcane Production Prices Continue to Increase

It seems that PTKA's efforts to improve the welfare of partner farmers have not been maximized. Loan capital assistance can only help farmers manage the land, while farmers' income depends on the auction price, which tends to fluctuate and is almost the same as sugar production. As an illustration, the researcher tries to present the calculation of the cost of sugar production and the estimated income of farmers in a specific area of land. This calculation data was obtained from KUD informants, then processed and modified by the researcher. This calculation is presented to obtain an overview of the costs attached to the sugarcane production of farmers and the estimated income of sugarcane farmers.

Based on the garden cost budget plan (RABK) in Figure 3, it can be explained that the components of sugarcane production costs consist of points A to point E. The data above also shows the estimated cost per share and the original land area, and the cost per quintile. The economic analysis section is the main focus because, in this section, the farmer's income is calculated based on the estimated number of sugarcane production, which is then converted into sugar. The sugar produced is divided with the company as milled service fees of 30%, so that the remaining sugar of the farmers is 70%.

The farmer's sugar conversion yield of 70% is 5,968 kg of sugar. This value is obtained from the "multiplication" of sugarcane production estimates (1,000), yield (8.5%), farmer production sharing (70%), and quintal conversion to kilograms (1.003). The farmer's sugar of 5,968 kg will then be auctioned according to the agreed price. In the above analysis, the estimated auction price is Rp. 10,500, so a nominal amount of Rp. 62,662,425.- / Ha. Also, farmers get other income, namely molasses, where every quintal of sugarcane contains 3 kg of molasses, so the total number of molasses is 3,000 kg. Then

multiplied by the drop price of Rp. 1,700 and the nominal value of molasses is Rp. 5,100,000 .- / Ha. After obtaining the amount of income, the costs are deducted to obtain the profit/loss. It can be seen that the value obtained by sugarcane farmers is not too significant.

In general, the calculation above shows the components that are deducted from the farmer's income. Furthermore, it is clear that the income of sugarcane farmers is very dependent on 1) the estimated number of sugarcane production, 2) the auction price of sugar cane, 3) sugar cane yield. The amount of sugarcane production is strongly influenced by the area of farmers' land. The larger the land managed, the greater the potential for profit (Aminda, Sinaga, & Fariyanti, 2017; Haryono & Fitriani, 2011). However, the reality in the field is that PTKA partner farmers are still classified as small farmers, meaning that the average farmland exploitation is around 2 hectares, as conveyed by KUD informants;

[...] 70% of our sugarcane farmers have small land, which is less than 2 hectares, while 30% are farmers with a land area of more than 2 hectares.

The exploitation of farmland by leasing will also increase the cost of sugarcane production, thereby reducing farmers' potential income. Furthermore, auction prices are also an important essential in shaping farmers' income. However, the amount of auction prices is highly influenced so that prices fluctuate (Nuryati et al., 2019; Susilo & Yuniati, 2015). Then, the yield of sugar cane is also very influential on farmers' income because the yield of sugarcane greatly influences the quantity of sugar produced at the time of conversion of sugarcane to sugar. The higher the sugarcane yield and the farmer's production estimate, the higher the farmers' income.

Finally, based on the RABK above, the researcher assesses that PTKA partner farmers' potential income is minimal and even has the potential to lose. If it is reduced by interest costs and loan principal and other administration attached to the KUD, such conditions are unlikely to improve the welfare of farmers optimally.

## V. CONCLUSION

PEA recognizes the influence of power and conflict in society on corporate performance to understand how the distribution of income, wealth, and power in society (Cooper & Sherer, 1984). The implementation of CSR within PTKA is based on the influence of power, in this case, the government through the limited company law and the hope of PTKA getting legitimacy from the surrounding community and maintaining the sustainability of the company by integrating on-farm and off-farm activities. The implementation of CSR within PTKA in the form of philanthropy and partnerships has been going well. Various facilities are provided to fulfill the partnership program's principles, and even both parties get significant benefits.

However, the impact felt on partner farmers on empowerment and increased welfare through partnership programs has not been optimal. This is because the availability of loan capital for farmers is limited, making farmers seek other loans from outside partners. As a result, it adds to the burden on farmers. It puts the company's production activities at risk because the farmers do not deposit the sugarcane into the cooperative but to other parties who provide loans. Besides, several fundamental factors affect farmers' income and are not able to be controlled by PTKA. Sugarcane production costs continue to increase every year, and the purchase reference price at the farmer level is no longer relevant and even tends to harm farmers. The improvement of the purchasing reference price rule is needed to realize price stability and certainty at the farmer and consumer levels.

Besides, researchers realized that in the data analysis process using the PEA perspective, researchers only used the analytical method proposed by (Cooper & Sherer, 1984), namely by analyzing the rules of the game behind CSR implementation in PTKA and their distribution. The researcher conducted in-depth interviews with farmers. To obtain the reality of its application. Meanwhile, periodicity analysis (Tinker, 1980) was not carried out because several financial reports were required to be analyzed. However, researchers' data was limited, considering that the sites in this study were private companies. Therefore, further researchers can research State-Owned Enterprises (BUMN), considering that financial data is widely published. It is easy to study in-depth by adding systematic analysis to see how different economic and political settings affect performance.



Figure II. Sugarcane Plantation Budget Plan

## RENCANA ANGGARAN BIAAYA KEBUN

Nama Penguasaan Lahan	:	xxx	
Kebun	:	xxx	
Luas Total	:	12,500	Ha
Estimasi Rendemen	:	8,5%	

No	Uraian	Tahun I Masa Tanam 2019/2020				
		Fisik	Satuan	Harga (Rp)	Jumlah (Rp)	luas 12,500 ha
				per ha		
<b>A</b>	<b>IKPL</b>	1	Ha	17.500.000	17.500.000	218.750.000
	Biaya Adm. Kep. Desa				0	0
	Biaya Adm. Camat					
	Insentif IKPL				250.000	3.125.000
	Jumlah				17.750.000	221.875.000
<b>B</b>	<b>Bibit</b>	100	Ku	70.000	0	0
<b>C</b>	<b>Pupuk</b>					
	- ZA	8	Ku	380.000	3.040.000	38.000.000
	- Ponska	4	Ku	585.000	2.340.000	29.250.000
	Jumlah ( C )				5.380.000	67.250.000
	I.Jumlah Sapropdi (A+B+C)				23.130.000	289.125.000
<b>D</b>	<b>Biaya Garap</b>					
	1. Persiapan buka kebun	1	ha	300.000	300.000	3.750.000
	2. Buat got keliling	400	Mt	750	300.000	3.750.000
	3. Buat got malang	950	Mt	500	475.000	5.937.500
	4. Buat got mujur	200	Mt	-	-	-
	5. Traktor	1	Ha	-	-	-
	6. Cemplong manual	950	Ha	-	-	-
	7. Tanam	950	leng	-	-	-
	8. Kepras	950	leng	2.000	1.900.000	23.750.000
	9. Pedot Oyot	950	leng	2.500	2.375.000	29.687.500
	10. Pupuk I + Angkutan truk pupuk	950	leng	750	712.500	8.906.250
	11. Bumbun I	950	leng	2.500	2.375.000	29.687.500
	12. Pengairan 3 x	1	ha	550.000	550.000	6.875.000
	13. Bubut / herbisida	950	leng	1.000	950.000	11.875.000
	14. Pupuk II + Angkutan truk pupuk	950	leng	750	712.500	8.906.250
	15. Bumbun II	950	leng	2.500	2.375.000	29.687.500
	16. Klentek ke 1 ( satu )	950	leng	1.500	1.425.000	17.812.500
	17. Klentek ke 2 ( dua )	950	leng	1.500	1.425.000	17.812.500
	18. Pendalaman got keliling	400	Mt	-	-	-
	20. Pendalaman got malang	950	Mt	-	-	-
	II. Jumlah Biaya Garap (D)				15.875.000	198.437.500
<b>E</b>	<b>III. Tebang dan Angkut (E)</b>	1.000	Rp	15.000	15.000.000	187.500.000
	Jumlah I + II +III				54.005.000	675.062.500
	Biaya Rp/Ku				54.005	
	Rerata Biaya Rp/Ku				<b>54.005</b>	
<b>II</b>	<b>Analisa Ekonomi</b>					
1	Taksasi Produksi	1.000	Ku/Ha		1.000	12.500
2	Pendapatan					
	- Gula Petani 70 % (kg)	5.968	kg	10.500	62.662.425	783.280.313
	- Asal Tetes (3 kg)	3.000	kg	1.700	5.100.000	63.750.000
	- Asal Bibit (ku)	-	ku	-	0	0
3	Jumlah Pendapatan				67.762.425	847.030.313
4	Laba / Rugi				<b>13.757.425</b>	<b>171.967.813</b>
5	<b>Rencana pendapatan total rata-rata per tahun</b>				<b>Rp 171.967.813</b>	

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