



## CSR Inhibiting Factors in Student Start-up Business

Hanif Rani Iswari <sup>1\*</sup>, Sudarmiati<sup>2</sup>, Agus Hermawan<sup>3</sup>

<sup>1</sup> Doctoral Program in Management, Universitas Negeri Malang

<sup>2,3</sup> Faculty of Economic & Business, Universitas Negeri Malang

[hanif.rani.2204139@students.um.ac.id](mailto:hanif.rani.2204139@students.um.ac.id)

\*Corresponding Author

### ABSTRACT

The purpose of this study is to investigate the factors inhibiting CSR in student start-up businesses in Malang. Startups are businesses that are currently skyrocketing even though the storm of startup layoffs has started recently. This startup business is dominated by many young people with brilliant business ideas. Malang City, which is an education city, also has a growth in start-up businesses, one of which is dominated by young people who are still studying in higher education. Running a start-up business for business people who are still studying is not without obstacles. One of them is about their business activities related to social responsibility. This research is a quantitative approach with a survey method on student start-up businesses in Malang. The sample population taken was 128 respondents. Questionnaires are distributed using a likert scale. Data analysis uses SmartPLS version 3 to determine the confirmatory analysis. The findings of this study obtained CSR inhibiting factors for student startups in Malang are the lack of availability CSR information and knowledge, lack of availability of resources, lack of time availability of CSR activities and the level of awareness and benefits of CSR for companies. In addition, obstacles are also obtained from employee commitment to CSR. There are five CSR obstacles faced by student startups in Malang City.

**Keywords:** Corporate Social Responsibility, Confirmatory Analysis, CSR barriers, SmartPLS, Startup

### INTRODUCTION

The choice of becoming an entrepreneur in the past decade in Indonesia has increased among young people. Many young people, namely college graduates, choose a career not to work in someone else's company but to work in their own company. Some set up companies according to their passion so that many target market segmentations that is their age, some others set up companies because they see considerable opportunities even though they are not their field. Some of them inspired their circles such as James Pranato, Cynthia Chaerunnisa and Edward Tirtanata, founder of Kopi Kenangan. Not only in the F&B field, other young people such as Anderson Sumarli, CEO of Ajaib which is engaged in investment application services, encourage the younger generation to challenge themselves to pursue a career as entrepreneurs.

Malang is an education city. This can be seen from the number of large universities in Malang. At least in 2022, Malang is flooded with 330 thousand new students which have increased drastically (Widyawati, 2022). With this demographic advantage, it is not surprising that Malang City was named a Creative City by the Minister of Tourism and Creative Economy in 2021 (Barata, 2021). Data compiled by the 2021 economic outlook states that Malang City in 2017 only had 92 digital startups and increased to 168 digital startups in 2021 (Bidang Komunikasi dan Informasi Publik Kota Malang, 2021). Most of these startups are managed by young people and some are even still studying. Not only graduates of higher education in Malang, through the MBKM program, but the initiation of the entrepreneurial movement since the time of study also encourages students





to open their start-up businesses. Universitas Brawijaya one of the universities in Malang noted that there were 37 startups accompanied by the 2021 Brawijaya Youth Entrepreneur (YEB) program. That number could be more because every year not only Universitas Brawijaya assists student startups on their campuses through various independent university programs and MBKM programs.

MBKM has a good impact on the perspective of solving problems (Pohan & Kisman, 2022). Pohan & Kisman (2022) examined the impact of MBKM on Trilogy University management study program students and found that 73.08% of the impact of MBKM can be a program that solves problems. One of these problems is social and humanitarian problems. In 2021 various natural disasters hit Malang and its surroundings and several MBKM humanitarian project activities to ease the burden on the victims. Another impact is the increase in human values and cooperation of the academic community with the implementation of universities in humanitarian projects. It doesn't stop there some students who are entrepreneurial are also engaged in these humanitarian projects in the form of social responsibility (CSR – Corporate Social Responsibility).

CSR in entrepreneurship originated from the findings of Bowen (1953) that entrepreneurs have a strategy for making decisions and following actions that are following goals and society which in subsequent practices are interpreted in social responsibility activities by organizations and companies. Idowu & Kasum (2016) use the terms people, planet and profit in the same conceptual reference to CSR. Regardless of the company's goals, a positive impact on the company through CSR activities makes motivation in increasing the value of the company or brand image. The urgency of carrying out CSR activities is not easy for a start-up business. For students who are still starting a business doing CSR is not without obstacles. There are many obstacles for students who start a business to implement their social responsibility and at the same time also have to run their business.

Previous studies have examined many obstacles for an organization/company on a small scale to large companies and even global companies in carrying out their CSR activities. Lincoln (2017) investigated the driving and inhibiting factors of women entrepreneurs in Nigeria in her company's CSR activities and found obstacles stemming from a lack of government support, ineffective Non-Governmental Organizations, and limited resources including financial resources that would impact the sustainability of their business. Luo et al., (2019) found almost the same thing as Lincoln (2017) research, namely that the obstacles to CSR activities for companies in the gaming field are confusing government regulation and limited resources. Apart from these two factors, Luo et al., (2019) found that there is a tendency for their brand image not to improve but instead to be viewed negatively by the market, the existence of management dilemmas to cognitive dissociation. Pinto & Allui, (2020) found several things that are different from the obstacles that Lincoln (2017) and Luo et al., (2019) found when investigating organizations in Saudi Arabia, namely the lack of employee competence. Employee competence is the most prominent factor found in Pinto & Allui, (2020). Beyond that, the lack of management commitment and investor interest as well as the lack of resources are obstacles to why organizations in Saudi Arabia must carry out selective CSR activities. Agudo-Valiente et al., (2017) who researched companies in Spain found that the obstacles to CSR activities lie in the managerial confidence and expectations or achievements of these CSR activities. Sengar et al., (2020) in its research in Indian SMEs found at least 9 criteria for inhibiting CSR activities. From all these studies, there were not even CSR obstacles found in a startup, especially startups that were built and managed by students. Even though startups in Malang City are mushrooming and several natural disasters that occur around Malang require a CSR activity. Based on the description of the background and urgency of the research above, in addition to the limited resources that dominate the findings of the previous research, it is necessary to investigate and analyze special obstacles for student start-ups in carrying out CSR activities.



## LITERATURE STUDY

### CSR Definition and Areas

CSR has become a topic of interest for several researchers before. CSR, which covers a wide range of theoretical and practical issues, still has a lot of ambiguity around its history, scope, rationale and utility of the concept (Ihlen et al., 2011; Utting & Marques, 2010). However, if drawn from history in 1953, a CSR figure named Bowen emphasized that CSR refers to the obligation of employers to carry out policies, decisions and to follow the desired line of action based on community values. Hence, Bowen, (1953) notes that a businessman may be able to resolve and criticize the societal values associated with their business but not criticize them. Therefore, CSR is closely related to the quality of life.

Frederick (1960) implies that CSR is the allocation of resources owned by companies for social purposes, not limited and not solely for the benefit of private companies. Through the thought of Frederick (1960) this contribution to CSR is growing. Carroll (1999) mentions that CSR is a business obligation to society related to economics, law, and ethics. This development emphasizes a series of special responsibilities instead of just maintaining the business wheel so that the business can run according to the goals of the wider community. Furthermore, (Carroll, 2015) introduces a CSR budget that includes economic, legal, ethical and philanthropic responsibilities. The description of Carroll's CSR image is as follows:



Figure 1. Carroll's Pyramid of CSR

Through this construct, CSR does not discover the scope, nature or rationale of CSR itself. Elkington (1997) then explained the Tripple Bottom Line (TBL) Theory namely the dimensions of economic, social and environmental performance. Watts (2005) pay attention to further understanding CSR which is an ongoing commitment to ethical business and contributes to economic development while maintaining and improving the quality of life of the workforce, their families, the local community and the general public. In subsequent developments, the OECD emphasized CSR on "environment" and "sustainability". CSR according to Freeman (2001) emphasizes the transparency of business processes to stakeholders so that they can fill the demands of society and achieve profitability.

### CSR in startups – a review research

Chrisman & Archer (1984)) believe that CSR for small businesses and startups is an activity related to customer satisfaction. The company emphasizes all of its business processes on the



quality of the products it produces so that it is truly accepted by customers and its responsibility towards its employees. Managers of small businesses and start-up businesses tend to be more sensitive to stakeholders such as customers, employees and suppliers (Lähdesmäki et al., 2019). Lund-Thomsen et al., (2014); Matten & Moon (2008) relate it to the level of state welfare and find attachments regarding CSR activities in small businesses and business startups to the level of state welfare. Lynch-Wood et al., (2009) when researching 24 SMEs in the UK, some of which were businesses in the pilot phase, stated that CSR can even help SMEs and startup businesses add value and improve. The same research was carried out by Malpani & Ghosh (2020) which revealed that CSR can make startup businesses sustainable because it is one of the promotions that will help their business apart from helping socially. This is different from the research by Henriques & Öberg (2016) which states that the dual benefits of CSR in start-up businesses are related to obtaining fresh funds from outside companies that are lucrative. Wolter et al., (2019) examine from another point of view regarding CSR in start-up businesses. They find that growing startups have more CSR activities than startups that are new and are just starting. Furthermore, CSR motivation in start-up businesses is dominated by the personal motivation of the founders. CSR in start-up businesses also mentions that CSR commitments may be communicated, but not much is sustainable and cutting-edge. However, CSR in start-up businesses found in Wolter et al., (2019) research has become an activity with high intensity for start-up businesses in Germany. In a different region, namely Sweden, Beyer & Rostirolla (2018) integrate CSR activities into startup business activities as an exclusive selling point. Carnahan et al., (2017) see CSR in startups as a strategy to reduce employee turnover. Jung & Jeon, (2022) further state that CSR start-ups can make their business grow through increased profits and stakeholder satisfaction. Thus, CSR and startups are related in the form of tools, methods and strategies for startups to skyrocket.

## METHOD

This research uses an explanatory survey approach to student startup business in Malang with criteria used as a sample, namely:

1. Active students in Malang who have startups with a minimum age of 1 year and a maximum of 3 years
2. Active students in Malang who have startups with less than 10 employees
3. Active students in Malang who have startups with a capital of under 500 million

So that the research sample that met these criteria was 180 respondents but only 128 respondents returned the questionnaire. Respondent data was obtained through a data base of several business incubators at universities in Malang. The sampling technique used is probabilistic sampling with the random sampling method. Data analysis uses Smart-PLS 3 software to test confirmatory factor analysis.

## RESULTS AND DISCUSSION

### Results

Through data processing using Smart-PLS 3 using confirmatory factor analysis, obtained from the six dimensions, there are four dimensions of obstacles, all of the explanatory items confirming the measurement of the dimensions, and there is one dimension, only one confirmed as an obstacle and two other items are not obstacles to CSR activities in student startup business in Malang. This can be seen from the results of loading the following factors on figure 2.

The dimensions that were confirmed as CSR inhibiting factors had a loading factor above 0.5, namely the level of awareness of CSR benefits, which was 0.881; time availability of CSR activities of 0.884; resources availability of CSR activity of 0.894; Understanding of CSR knowledge and information is 0.906 and commitment to CSR is 0.703. The dimension that has a loading factor below 0.5 has been removed and does not become a CSR inhibiting factor for student startup businesses, namely the perception of CSR values.



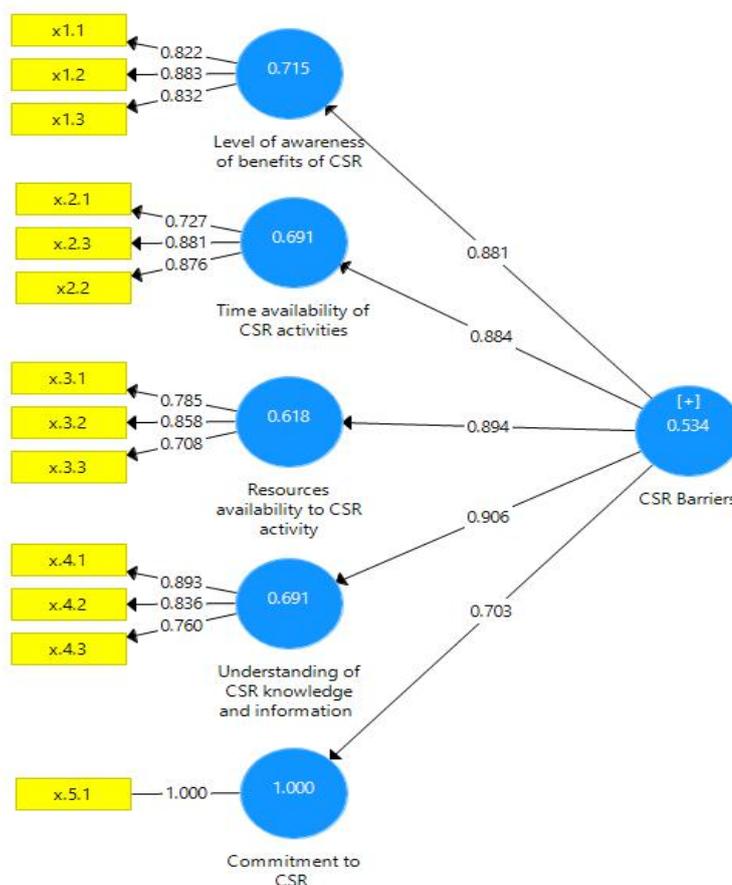


Figure 2. Loading Factor dan AVE

Ensure that these factors are valid and reliable, it can be seen from the AVE CSR barrier value which is above 0.5 with five dimensions that confirm it at 0.534. On the other hand, the validity and reliability of each dimension are confirmed by the items seen from the AVE value of the level of awareness of CSR benefits which is equal to 0.751; time availability of CSR activities of 0.691; resources availability of CSR activity of 0.618; Understanding of CSR knowledge and information is 0.691 and commitment to CSR is 1.00. The value of AVE commitment to CSR which has an AVE value of 1.00 is obtained because it requires eliminating the other two items that explain the dimension of commitment to CSR. That way, all dimensions and items are declared valid.

Table 1. Construct reliability and validity

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
CSR Barriers	0,927	0,928	0,937	0,534
Commitment to CSR	1,000	1,000	1,000	1,000
Level of awareness of benefits of CSR	0,800	0,801	0,883	0,715
Resources availability to CSR activity	0,690	0,702	0,828	0,618
Time availability of CSR activities	0,771	0,779	0,869	0,691
Understanding of CSR knowledge and information	0,774	0,779	0,870	0,691





## Discussion

This study found several inhibiting factors for business startup students in Malang City in carrying out their CSR activities. The inhibiting factors synthesized from various previous studies refer to 6 dimensions, each of which is deepened in this study. The strongest inhibiting dimension turned out to be the understanding of knowledge and information about CSR. This dimension plays an important factor why not many student startup businesses in Malang choose to organize CSR activities. This dominant barrier was not found in previous studies. Previous studies such as Agudo-Valiente et al., (2017); Lincoln, (2017); Luo et al., 2019; Pinto & Allui, (2020); Sengar et al., (2020) did not even mention that lack of knowledge and information on CSR was an obstacle. Thus, the transfer of CSR knowledge and information needs to be increased through in-class learning as well as joint CSR activities initiated by universities inviting startup business students as well. This can be programmed and emphasized in order to make CSR activities a habitual activity for student startup businesses in Malang. When viewed from the items that build this dimension, almost all stakeholders in student startups in Malang do not have sufficient information to carry out CSR activities. This is possible because of the lack of network and the limited business community they follow. In addition, a shallow understanding of CSR knowledge is the main obstacle. Randomly collecting information on 10 respondents found an understanding that CSR is only a formality activity. Instead of having an impact on student startups in Malang, this is confirmed in the dimension of the level of awareness of CSR benefits for the company. The tendency of stakeholders (employees, top management and owners) to have no awareness of this CSR activity will have an impact on reputation, corporate value and brand image. Whereas various previous studies such as Lähdesmäki et al., (2019) even found that startup company stakeholders tend to be more sensitive so that CSR activities can enhance the company's reputation. Lynch-Wood et al., (2009) also found similar findings to Lähdesmäki et al., (2019), CSR will help start-up businesses add value to their companies. Malpani & Ghosh, (2020) deny that CSR cannot improve brand image. In their research, Malpani & Ghosh, (2020) found evidence that CSR is a promotional strategy that will help their business.

The following findings, although not the main factor, were also found if the start-up company's resources were one of the obstacles. If you look at it, the limited startup infrastructure is an obstacle to the dominant resources. Instead of financial resources, it turns out that resources in the form of a planning and evaluation system are also an inhibiting factor for CSR activities in student startup businesses. Findings from previous research such as Lincoln, (2017) have similar results, limited start-up business resources are an inhibiting factor and even this has an impact on the sustainability of the startup business. Possibly because of that, other obstacles are also felt by student startup businesses to not have enough time available to carry out CSR activities with a long-term orientation and have an impact on business continuity. This factor is mostly due to the limited number of employees as the implementation of CSR activities, the number of performance targets such as sales.

Another inhibiting factor confirmed in this study is related to commitment, namely employee commitment to CSR. For them, it is better to do CSR to their own employees than to do CSR to the community/environment which is even further away. Malpani & Ghosh, (2020) found the commitment built by companies to all their stakeholders to prevent companies from going bankrupt because through CSR there are promotions that are able to increase sales or use of their services so that business turnover increases. This study found that employee commitment was due to limited information, knowledge and understanding of CSR and the urgency of CSR for companies, especially start-ups. They are pressed by their productivity with fantastic targets.

The pressure to maintain productivity in research is the reason why employees do not have enough time to carry out CSR activities. Most of the management of the production process and with regard to the supply chain, many have not found standard operations. The uniqueness of each production process from each student startup business in Malang makes them spend time for trial and error. This is not only time-consuming, but also their financial resources.





More in-depth research is obtained if only a small portion of the capital used comes from external funding such as grants from entrepreneurial programs organized by DIKTI or their universities. They prefer to set aside their pocket money for venture capital. Therefore, acceleration related to CSR activities is the second focus from the first to generate turnover and profits. Financial sources when viewed from the compositional information on their balance sheets, it is found that the company's retained earnings are mostly allocated to expansion plans. Their business capital requires them to continue to increase their area coverage so that it is not easy to maintain and even expand their business area coverage while continuing to carry out CSR activities.

Employee commitment is also something that is taken into account as an obstacle to CSR. Employees as company representatives carry the good name and image of the company in the community. It is not surprising that CSR in small-scale businesses is closely related to customer satisfaction. The services provided by employees to the community who could be the company's customers can be a consumer assessment for the company's reputation. Limited public relations skills are an obstacle for student startup businesses. The ability to carry oneself in the community is a company commitment in the company's CSR activities. Even so, through job description specifications, student startup businesses in Malang make employees more professional.

## CONCLUSION

Start-up companies, especially those that were founded, and managed by students in Malang, have big obstacles that weigh on their steps in carrying out CSR activities. From limited CSR information and knowledge, lack of understanding of the importance of CSR for them, and lack of resources and time to commit. An important point that needs to be emphasized in this case regarding the dominant factor is the role of literacy and the implementation movement of Higher Education. The implication is that through this research, startups built by students at universities in Malang can increase understanding, networking, and education regarding the urgency of CSR so that commitment is formed.

Seeing the multiplayer effect given by student startup businesses in Malang is not only at this time, this can become a joint concentration to support the choices of poor students who choose careers not to work for other companies but to open jobs. Thus, it has helped the socio-economic city of Malang. A role that is not easy for students who have startup businesses in Malang to continue to have efficient productivity while carrying out their responsibilities to society. Internally, support for owners and top management to align social responsibility from the perspective of employees must be aligned. Employees are the benchmark for startup CSR activities. Commitment to carry out sustainable CSR activities is hampered by many obstacles besides resources and time as well as limited awareness of CSR activities benefit the company because they can improve reputation, corporate value, customer trust and the brand image that is built. Building trust, reputation, brand image and corporate value for startups is not easy, especially with the recent storm of layoffs at startups. Initially, it is believed that startup businesses can have an economic impact, but their sustainability is questionable. However, that doesn't mean that startup businesses set up by students in Malang are meaningless. Despite the big hurdles, student start-up businesses, especially in Malang, need to be supported by many stakeholders; government, academics, media, financial institutions to communities related to business.

## References

- Agudo-Valiente, J. M., Garcés-Ayerbe, C., & Salvador-Figueras, M. (2017). Corporate social responsibility drivers and barriers according to managers' perception; Evidence from Spanish firms. *Sustainability*, 9(10), 1821.
- Barata, H. (2021). *Malang ditetapkan sebagai kota kreatif Indonesia 2021*. Berita Jatim.Com. <https://beritajetim.com/politik-pemerintahan/malang-ditetapkan-sebagai-kota-kreatif-indonesia-2021/>





- Beyer, J., & Rostirolla, F. (2018). *The Role of CSR in Sustainable Swedish Startups-Beyond Sustainability as an Exclusive Selling Poin.*
- Bidang Komunikasi dan Informasi Publik Kota Malang. (2021). *Meneguhkan Kota Malang sebagai Kota Aplikasi dan Game.* Malangkota.Go.Id. <https://malangkota.go.id/2021/11/20/meneguhkan-kota-malang-sebagai-kota-aplikasi-dan-game/>
- Bowen, H. . (1953). *Social responsibility of the businessman.* Harper & Row.
- Carnahan, S., Kryscynski, D., & Olson, D. (2017). When does corporate social responsibility reduce employee turnover? Evidence from attorneys before and after 9/11. *Academy of Management Journal*, 60(5), 1932–1962.
- Carroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business & Society*, 38(3), 268–295.
- Carroll, A. B. (2015). Corporate social responsibility. *Organizational Dynamics*, 44(2), 87–96.
- Chrisman, J. J., & Archer, R. W. (1984). Small business social responsibility: some perceptions and insights. *American Journal of Small Business*, 9(2), 46–58.
- Elkington, J. (1997). The triple bottom line. *Environmental Management: Readings and Cases*, 2, 49–66.
- Frederick, W. C. (1960). The growing concern over business responsibility. *California Management Review*, 2(4), 54–61.
- Freeman, R. E. (2001). A stakeholder theory of the modern corporation. *Perspectives in Business Ethics Sie*, 3(144), 38–48.
- Henriques, N., & Öberg, M. (2016). *CSR as a tool for startups to gain external financing: A qualitative study in a Swedish context.*
- Iidowu, S. O., & Kasum, A. S. (2016). *People, planet and profit: Socio-economic perspectives of CSR.* Routledge.
- Ihlen, Ø., Bartlett, J. L., & May, S. (2011). Corporate social responsibility and communication. *The Handbook of Communication and Corporate Social Responsibility*, 3–22.
- JUNG, K.-J., & JEON, B.-H. (2022). The Effect of Social Entrepreneurship in a Startup Company on Corporate Social Responsibility. *East Asian Journal of Business Economics (EAJBE)*, 10(1), 47–57.
- Lähdesmäki, M., Siltaoja, M., & Spence, L. J. (2019). Stakeholder salience for small businesses: A social proximity perspective. *Journal of Business Ethics*, 158(2), 373–385.
- Lincoln, A. (2017). Corporate social responsibility in Nigeria: Drivers and barriers experienced by female entrepreneurs when undertaking CSR. In *Stages of Corporate Social Responsibility* (pp. 25–45). Springer.
- Lund-Thomsen, P., Jamali, D., & Vives, A. (2014). CSR in SMEs: an analysis of donor-financed management tools. *Social Responsibility Journal*.
- Luo, J. M., Huang, G. Q., & Lam, C. F. (2019). Barriers to the implementation of corporate social responsibility in gaming industry. *Journal of Quality Assurance in Hospitality & Tourism*, 20(5), 528–551.
- Lynch-Wood, G., Williamson, D., & Jenkins, W. (2009). The over-reliance on self-regulation in CSR policy. *Business Ethics: A European Review*, 18(1), 52–65.
- Malpani, R., & Ghosh, A. (2020). Can a startup be sustainable and socially responsible? A glimpse of activities for sustainability. *A Glimpse of Activities for Sustainability (July 22, 2020).*
- Matten, D., & Moon, J. (2008). “Implicit” and “explicit” CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, 33(2), 404–424.
- PINTO, L., & ALLUI, A. (2020). Critical drivers and barriers of corporate social responsibility in Saudi Arabia organizations. *The Journal of Asian Finance, Economics and Business*, 7(11), 259–268.
- Pohan, F. S., & Kisman, Z. (2022). Dampak Pelaksanaan Merdeka Belajar Kampus Merdeka Di





- Universitas Trilogi (Studi Kasus: Prodi Manajemen). *Islamic Banking: Jurnal Pemikiran Dan Pengembangan Perbankan Syariah*, 7(2), 307–314.
- Sengar, A., Sharma, V., Agrawal, R., Dwivedi, A., Dwivedi, P., Joshi, K., Dixit, G., Sharma, P. K., & Barthwal, M. (2020). Prioritization of barriers to energy generation using pine needles to mitigate climate change: Evidence from India. *Journal of Cleaner Production*, 275, 123840.
- Utting, P., & Marques, J. C. (2010). Introduction: The intellectual crisis of CSR. In *Corporate social responsibility and regulatory governance* (pp. 1–25). Springer.
- Watts, M. J. (2005). Righteous oil? Human rights, the oil complex, and corporate social responsibility. *Annu. Rev. Environ. Resour.*, 30, 373–407.
- Widyawati, S. (2022). *Lonjakan Jumlah Mahasiswa di Malang Beri Dampak Kemacetan, Tapi Gerakkan Perekonomian Artikel ini telah tayang di TribunJatim.com dengan judul Lonjakan Jumlah Mahasiswa di Malang Beri Dampak Kemacetan, Tapi Gerakkan Perekonomian. Tribunjatim.* <https://jatim.tribunnews.com/2022/08/31/lonjakan-jumlah-mahasiswa-di-malang-beri-dampak-kemacetan-tapi-gerakkan-perekonomian>.
- Wolter, L.-C., Eberwein, T., Chan-Olmsted, S., & Schamuhn, J. (2019). The Value of CSR Engagement for Start-ups: Lessons from a German Case Study. *CSR Communication Conference*, 15.

