

## CHAPTER 1

### INTRODUCTION

#### 1.1. The Background of the Research

Corporate social responsibility (CSR) is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources (Kotler, 2005). CSR has been implemented for the sake of business sustainability and there is a growing study on the effect of CSR on the sustainability of companies. As a matter of fact, the ambiguity and uncertainty still remains about the definition of CSR and how it should be implement. Along with the globalization of economy, the stakeholders increasing understanding about the important of CSR has made companies realized the importance of CSR.

One of the tools for developing CSR program is the information and communication technologies (ICTs) that are widely recognized in relation to the broader social and economic development. Many studies such as Harris (2004) and ZEF (2002) consider ICT as one of the tools to reduce poverty. ICT is a challenge of poverty in the rapid development of ICT nowadays, but it also provides a solution for the poor to get out of the deprivation cycle. Through this understanding, some companies implement ICT program as their CSR programs or initiatives.

Pro-poor ICT program is a join program that could involve many parties. In conducting CSR programs related to the pro-poor ICT program, companies have to make much effort to bring ICT to the poor in rural areas in developing countries. The pro-poor ICT programs vary. Different agents such as international organizations, governments, NGOs (non-governmental organizations), and private enterprises are involved. Different ICT services are provided, ranging from e-mail and browsing services to more sophisticated information and knowledge services related to health care, education, and from fixed phones to mobile phone services (Dang et al., 2008). They are also organized under different provision models. Many of them are not successful because they do not meet the social-economic goals of the communities (Heeks, 2005).

ICT programs that aim to increase telecommunication access in rural area have become an international issue since the United Nations agency for information and communication technology issues, namely International Telecommunication Union (ITU) is concerned with telecommunication problem in rural area. In order to extend the benefits of ICTs to people around the world who live in rural area, ITU works with many partners. The role of ICTs as means to reach the United Nations Millennium Development Goals (UN-MDG's) by 2015 is to point out the ICT issue in rural area. The UN-MDG's was initiated by leaders at the World Summit on the Information Society in 2003 and 2005. ICT programs offers significant potential to reach the UN-MDG's by expanding access to ICTs to many underserved rural area around the world.

Social capital created by the ICT network effect gives benefits not only for the poor, but also to the whole society (Torero and von Braun, 2006). The roles of ICT program in reducing level of poverty can give benefit to the poor in two ways. First, ICT makes the poor connected to information and knowledge sources which could help them to improve their living conditions. Second, the development of ICT can offer job and creates income opportunities to the poor.

Even though many people could generate some benefits of the ICT program, many companies also stopped after the pilot period (Robinson, 1998; Weigel and Waldburger, 2004). These failures are caused by the complexity of pro-poor ICT activities. Financial sustainability has become an important issue related to pro-poor ICT projects (Kumar, 2004; Proenza, 2001; and Tschang, 2002). Most of the companies faced financial obstacles in providing ICT to the poor, it involved the problems of financial source sustainability and service affordability to the targeted low-income customers in rural areas (Tschang et al., 2002).

Many of the rural ICT programs failed to replicate because the source of financing are obviously not unlimited. The ICT program conducted by international agencies and charitable organizations are usually one-off projects or charity. To this extent, a sustainable pro-poor ICT can be offered in the form of a business model because profit from service supply can be reinvested for continuously expansive operation (Bailur, 2007; Whyte, 1999).

To solve the problem in ICT program implementation, Muhammad Yunus, the founder of Grameen Bank and Grameen Village Phone (VP) in Bangladesh, developed Village Phone (VP) program which combined microfinance and access to communications through a mobile phone as one of the way to empower and unleash the entrepreneurial spirit of poor villagers, especially women. Yunus was honored when he accepted to serve as an Honorary Patron of ITU's *Connect the World* initiative (ITU, 2008) by International Telecommunication Union (ITU) on the inaugural World Information Society Award in 2006.

Despite the high poverty phenomenon, over 150 million devices are active in the global market and industry revenues grew to nearly US\$60 billion (Frost and Sullivan, 2009). Indonesia is one of the most competitive markets with eleven mobile phone operators. PT Bakrie Telecom (BTEL) is one of the operators that conduct a program, Usaha Bersama Esia (Uber Esia), which is similar to VP program of Bangladesh. The program is intended as a CSR initiative of BTEL.

The success story of Bangladesh is inspiring, brings the poor out from their deprivation, and at the same time increases the company activity and expands company's coverage to serve customers. It is quite interesting to know about the similar program being implemented in Indonesia, with a relative different condition of ICT infrastructure. This paper reports the implementation of Uber Esia, as a VP program along with its challenges and opportunities.

## **1.2. Problem Statement**

The Village Phone (VP) program is successful in Bangladesh. This study aims to know whether the VP program really works well and suitable for Indonesia. The research asks these fundamental questions:

- The VP program offers certain benefits to the poor. How effective is this initiative?
- How does the VP program affect the VPO's income, entrepreneurship, women empowerment, and communication access ?

### **1.3. Objectives**

The objectives of this study are as follow:

- 1) To provide general information about the rural phone program.
- 2) To get the evidence that the member of VP program or Village Phone Operators (VPOs) are from marginalized communities with low purchasing power.
- 3) To get the evidence that the VPOs are micro-sized enterprises owners.
- 4) To get the evidence that the VPOs majority are women and empowering women.
- 5) To get the evidence that the VPOs are people who have a minimum telecommunication access in rural area.
- 6) To get the evidence that the rural phone program works well.
- 7) To get information about the VPOs expectation towards the rural phone program.

### **1.4. The Structure of The report**

Chapter 1 consists of the introduction to the study background, problem statement, objectives of the study, and the structure of this paper. Chapter 2 consists of literature review about the Village Phone (VP) program. Chapter 3 describes the methodology. Chapter 4 analyzes the Village Phone program in Indonesia under BTEL's CSR program, Uber Esia. Chapter 5 presents conclusions and suggestions.