

# The Role of Corporate Social Responsibility on the Relationship of Competitive Pressure and Business Performance of Batik Industry in Central Java, Indonesia

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Received: October 01, 2020 Revised: December 06, 2020 Accepted:

## Abstract

This study aims to document empirically the mediating role of corporate social responsibility (CSR) on the influence of competitive pressure toward business performance on the batik industry in Central Java, Indonesia. This study also examined the effect of competitive pressure and CSR on business performance of small- and medium-sized enterprises (SMEs) in the batik industry in Central Java. This study used an explanatory quantitative approach. Samples of 254 MSEs in the batik industry have been successfully collected. Hypothesis testing uses SEM-PLS. The results of this study indicate that competitive pressure has a positive and significant effect on the batik MSEs business performance in Central Java. Competitive pressure also has positive direct effect on corporate social responsibility, and CSR has a significant and positive direct effect on business performance. The results of this study have successfully documented empirically that CSR has a mediating role on the relationship of competitive pressure toward business performance in the batik MSEs in Central Java, Indonesia. This study provides a comprehensive understanding of the owners of the batik MSMEs in coping with competitive pressure by using CSR as a strategy to create uniqueness that is difficult to imitate and can create an organizational reputation that eventually can increase business performance.

**Keywords:** Batik MSMEs, Competitive Pressure, Corporate Social Responsibility, Business Performance

**JEL Classification Code:** D91, M41, M40, M21

## 1. Introduction

Batik has been playing an important role in Javanese people in Indonesia. UNESCO has recognized Indonesia batik and included it in the Representative List of the Intangible Cultural Heritage of Humanity because the

philosophy in Indonesia batik and batik usage on everyday life of Indonesian, especially in Javanese people. Therefore, the batik industry plays an important role culturally and economically in Indonesia. Achieving goals, targets, and objectives that ultimately lead to business performance is important for an organization (Van Der Hoek, Groeneveld, & Kuipers, 2018). Performance is not only measured based on a financial perspective aspect, but also from a non-financial perspective aspect including the customer perspective, internal business processes, learning and growth (Kaplan & Norton, 1992; Kaplan & Norton, 2004).

In a global environment with a complex background, competition has an important role, therefore business organizations need to adapt to respond to competition in order to survive (Flammer, 2014; Meng, Zeng, Xie, & Qi, 2015; Anning-Dorson, 2016). Business organizations must develop strategies to cope with aggressive competitive situations so that they can take the right action, and not merely react quickly when they are attacked by competitors (Sunny Yang & Emma Liu, 2015). Business organizations

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need make the right strategy and execute these strategies, especially when there is competitive pressure in its business environment (Kaplan & Norton, 2004). Market factors form various competitions including product competition, market share coverage, promotion and distribution (Purnama & Subroto, 2016; Subroto, 2015). There are studies that indicate positive relationship between competitive pressure and business performance (Yang & Liu, 2015; Sheikh, 2018; Jaisinghani, Kaur, Goyal, & Joshi, 2019; Nguyen, 2020). On the contrary, there are studies that show a negative relationship (Liu, Qu, & Haman, 2018; Purnama & Subroto, 2016). Based on the industrial organization theory, to face competition, companies need to carry out certain strategies (Porter, 1981). Establishing relationships with external parties is a strategy in the form of social capital to face competition (Ruiz-Ortega, Parra-Requena, & García-Villaverde, 2015), namely, Corporate Social Responsibility (CSR). Previous research shows that competition can improve CSR (Kemper, Schilke, Reimann, Wang, & Brettel, 2013; Panwar, Nybakk, Hansen, & Pinkse, 2016; Sheikh, 2018; Tyler, Lahnehan, Beukel, Cerrato, Minciullo, Spielmann, et al., 2018).

CSR is a priority that can help companies improve performance (Agyemang & Ansong, 2017; Feng, Wang, & Kreuze, 2017; Friedman, 1970; Porter & Kramer, 2007). CSR has a positive impact on long-term company performance such as market value of the firm (Lee, 2020). CSR is a company's commitment to balance social, environmental and economic practices by implementing ethical behavior in order to achieve stakeholder satisfaction (Agyemang & Ansong, 2017; Feng et al., 2017; Garg, 2016; Moir, 2001; Pinto & Allui, 2020). CSR awareness is increasing because it is considered a social and environmental response, so that the attention of practitioners and academics is increasing as well (Madueño, Jorgea, Conesa, & Martínez-Martínez, 2016; Martínez-Conesa, Soto-Acosta, & Palacios-Manzano, 2017; Reverte, Gómez-Melero, & Cegarra-Navarro, 2016). In the modern era, CSR has become a medium of communication with stakeholders both formally and informally and the concept itself not only focuses on benefits and economic entities but also social (Jain, Vyas, & Roy, 2017; Taghian, D'Souza, & Polonsky, 2015). All sizes and types of companies have the responsibility for implementing CSR, but large companies with MSMEs have differences in implementing CSR (Madueño et al., 2016; Orlitzky, Siegel, & Waldman, 2011). In fact, the CSR activities carried out by MSMEs are lower (Jenkins, 2006).

Stakeholder theory (Famiyeh, 2017; Feng et al., 2017; Freeman & Reed, 1983; Jain et al., 2017; Kabir & Thai, 2017; Kao, Yeh, Wang, & Fung, 2018; Madueño et al., 2016; Martínez-Conesa et al., 2017; Park, 2017; Taghian et al., 2015; Yoon & Chung, 2018) support companies in implementing CSR. Economic development requires companies to carry out social activities. CSR activities are a marketing strategy

that can increase brand, customer loyalty, reputation and easy access to capital (Taghian et al., 2015; Zahari, Esa, Rajadurai, Azizan, & Muhamas Tmayez, 2020). Companies that do CSR well get long-term benefits and are considered able to compete because they can control risk management and create good relationships with human resources and stakeholders (Famiyeh, 2017; Taghian et al., 2015). There are studies that analyze the relationship between CSR and business performance, including showing positive and significant results (Famiyeh, 2017; Garg, 2016; Madueño et al., 2016; Martínez-Conesa et al., 2017; Reverte et al., 2016; Taghian et al., 2015; Yim, Bae, Lim, & Kwon, 2019), but there are also those that show negative results (Crisóstomo, Freire, & Vasconcellos, 2011; Kao et al., 2018; Lee & Faff, 2009).

The discrepancy in the study from previous research has prompted the author to conduct a more in-depth study by adding a mediating variable, namely, CSR on the relationship between competitive pressure and business performance. The emergence of this mediation is a result of inconsistencies (García-Castro, Arinõ, & Canela, 2009; Surroca, Tribó, & Waddock, 2010). Previous studies pointed to a positive relationship between competition and business performance (Jaisinghani et al., 2019; Sheikh, 2018; Sunny Yang & Emma Liu, 2015), however, there are studies that show a negative relationship because the costs of responding to competition are large enough to reduce business performance (Liu et al., 2018; Purnama & Subroto, 2016). On the relationship between CSR and business performance, including showing a positive and significant relationship, see Famiyeh (2017), Garg (2016), Madueño et al. (2016), Martínez-Conesa et al. (2017), Reverte et al. (2016), Taghian et al. (2015), and Yim et al. (2019). Conversely, there are studies that indicate a negative relationship (Crisóstomo et al., 2011; Kao et al., 2018; Lee & Faff, 2009). The trigger for this negative relationship is the high cost of spending on CSR so that there are companies that do not expect that meeting CSR can improve performance (Crisóstomo et al., 2011).

The difference between this study and previous research conducted by Jaisinghani et al. (2019) is the existence of CSR mediation in the relationship between competitive pressure on business performance. Jaisinghani et al. (2019) conducted research on public companies in Indonesia with secondary data through the Emerging Markets Information Services Database (EMIS) and used the dynamic panel regression estimation measurement method, while this research was conducted on batik MSEs in Central Java using primary data and using the Structural Equation method. Modeling Partial Least Square (SEM-PLS).

MSMs have an important role in the economy and society, because they contribute both from an economic and non-economic perspective in the form of providing jobs for the surrounding community (Andoh, Quaye, Akomeafrimpong, & Futter, 2018; Jain et al., 2017).

This study aims to determine the CSR mediation on the effect of competitive pressure on the business performance of batik MSEs in Central Java. This research provides empirical evidence regarding industrial organization theory and stakeholder theory on the influence of competitive pressure on business performance through CSR. This research also gives empirical evidence that could help MSEs in making decisions related to performance improvement through CSR due to competitive pressure and could be a reference for further research related to the importance of paying attention to competitive pressure on business performance.

## 2. Literature Review

Industrial organization (I/O) theory describes the company's strategy in dealing with the external environment in order to achieve business goals (Porter, 1981). I/O theory shows that it is necessary to formulate a strategy in dealing with the external environment, the strategy that is intended is the company's efforts to maintain its goals, products, market share and production processes by paying attention to the external environment such as competition (Porter, 1981).

Stakeholder theory is a form of company obligations regarding rights, needs and hopes to show concern for the environment and social problems of stakeholders (Famiyeh, 2017; Freeman & Reed, 1983; Mahrani & Soewarno, 2018). This theory confirms that the company's success is influenced by the company's ability to build relationships with stakeholders (Clarkson, 1995; Feng et al., 2017; Madueño et al., 2016; Martinez-Conesa et al., 2017). Stakeholder theory states that the means of fulfilling the expectations and needs of stakeholders can be met by implementing CSR (Barnett, 2007; Jones, 1995). This theory shows a positive relationship between CSR and Business Performance (Freeman, 1984).

Competitive pressure arises as a result of globalization, revolution and changes in natural conditions that require a company to pay attention to the environment and create a competitive advantage (Purnama & Subroto, 2016; Wiesner, Chadee, & Best, 2017). Highly competitive pressure will be a problem for the company because there is an uncertain business environment, so the company must focus on every threat and opportunity that come with it (Purnama & Subroto, 2016; Tyler et al., 2018). The competition faced by companies has two dimensions, namely, competition that arises due to new entrants and due to similar old companies (Li, 2010; Purnama & Subroto, 2016), this competition is categorized as external competition (Clercq, Thongpapanl, & Dimov, 2013). Regulations can create competitive pressure, the looser the regulations, the newer companies that enter, which triggers higher competition (Purnama & Subroto, 2016; Yang & Meyer, 2015). The strategy that companies can do in facing competition to achieve competitive advantage is differentiation cost leadership (Panwar et al., 2016; Porter,

1985). Both strategies are aimed at creating customer loyalty which can be done through CSR (Kemper et al., 2013; Panwar et al., 2016; Widiastuty & Soewarno, 2019)

Previous studies have used competitive pressure as a dependent, mediating or moderating variable associated with Business Performance (Clercq et al., 2013; Jaisinghani et al., 2019; Kamukama, Kyomuhangi, Akisimire, & Orobia, 2017; Kemper et al., 2013; Panwar et al., 2016; Purnama & Subroto, 2016; Sheikh, 2018; Sunny Yang & Emma Liu, 2015; Tyler et al., 2018) and the results of the studies vary. Jaisinghani et al. (2019) show that there is a positive relationship between market intensity, which is a competitive form of business performance. Sunny Yang and Emma Liu (2015) also show that competition can have a positive impact on business performance. One of the strategies that can be used to respond to competitive pressure is CSR (Flammer, 2014; Kemper et al., 2013; Panwar et al., 2016; Tyler et al., 2018).

CSR is a form of obligation that companies must undertake to serve the public (Brown & Dacin, 1997; Yoon & Chung, 2018), CSR is considered a long-term investment (Barnett & Salomon, 2012). CSR is divided into four elements, namely, employee, environment, customer, and market orientation. Employee-oriented CSR is aimed at carrying out obligations to employees so that employees have an advantage, because employees are the company's resources (Feng et al., 2017). CSR can improve employee qualifications, retain employees and increase employee innovation capacity (Donate, Martín de Castro, & Guadamillas, 2011; Surroca et al., 2010). CSR obligations to employees are part of internal CSR, a form of CSR that can be carried out, namely paying attention to welfare through various programs such as health and safety activities, training activities, diversity in hiring employees, providing work comfort by prioritizing balance with personal life, appropriate wages and hours fair work (Feng et al., 2017; Garg, 2016; Jain et al., 2017; Yoon & Chung, 2018). When CSR on employees is done well, employees feel happy, the perceived pleasure can increase motivation at work so that productivity is higher, besides that the commitment, loyalty and trust of employees in the company become stronger (Jain et al., 2017).

Liability to the environment is part of external CSR, if done well it can improve the reputation of the company because the company is considered to have made a positive contribution to the surrounding environment (Jensen, 2001; Kao et al., 2018; Yoon & Chung, 2018). CSR with an environmental orientation has a positive impact on society because they feel that their hopes have been achieved (Kao et al., 2018; Martinez-Conesa et al., 2017). Society is part of the social dimension which is external CSR. The social dimension is one of the obligations for companies that focus on the interests, needs and welfare of the community with the aim of increasing local community support so that

loyalty is higher, so as to retain old customers and attract new customers (Feng et al., 2017; Reverte et al., 2016).

CSR with a market orientation focuses on customers, the form of CSR that is carried out aims to shape customer attitudes, build good relationships, strengthen the brand, so as to create customer loyalty (Bhattacharya & Sen, 2004; Mont & Laire, 2009). A form of CSR that can be done by improving quality, providing honest information about products, dealing with complaints responsively and quickly (Feng et al., 2017; Garg, 2016; Turyakira, Venter, & Smith, 2013).

CSR that is done well can be a source of opportunities, innovation and competitive advantage (Porter & Kramer, 2007), so that in the face of competitive pressure, CSR can be implemented (Kemper et al., 2013; Panwar et al., 2016; Sheikh, 2018; Tyler et al., 2018). Research by Kemper et al. (2013) analyzed the three-way relationship between competition intensity, CSR, marketing capabilities and business performance which shows that CSR is an important thing to do for companies to respond to competition in order to increase marketing which has an increased impact on business performance. CSR can help gain a competitive advantage through differentiation and/or cost leadership (Panwar et al., 2016), research by Panwar et al. (2016) found that in small companies, cost leadership has no effect because when a company focuses on cost leadership it does not emphasize the environment or society, while differentiation is related to emphasis on society. Tyler et al. (2018) revealed that when competitive pressure is low, SMEs will tend to carry out environmentally oriented activities as a form of CSR.

The level of competition can affect business performance (Jaisinghani et al., 2019; Purnama & Subroto, 2016). The increase in the level of competition triggers the owner to create advantages in order to achieve goals and good performance (Jaisinghani et al., 2019), for example, increasing marketing efforts. Jaisinghani et al. (2019) show a positive relationship between market intensity and business performance, the ability to market products can create competitive advantages that have an impact on income. Sunny Yang and Emma Liu (2015) and Sheikh (2018) reveal that facing competitive pressure cannot be separated from the role of managers. When the company is in a highly competitive environment, the manager's power has a positive influence on firm value, so that the decisions and strategies made by the manager will have a big impact on business performance (Sheikh, 2018).

Companies that are in a competitive environment need to offer different product offerings, in which case CSR acts as a differentiation because it can provide individual satisfaction values for customers (Day & Nedungadi, 1994; McWilliams & Siegel, 2000). Kemper et al. (2013) have argued that the higher the competition intensity, the more companies are involved in implementing CSR. Flammer (2014) conducted

research on trade liberalization and showed that CSR is a strategy to achieve competitive advantage because CSR allows offering different offers from competitors. Tyler et al. (2018) have shown that at a low level of competitive pressure, CSR is performed well. Panwar et al. (2016) shows that CSR is a strategy to overcome competition and create competitive advantage through differentiation and/or cost leadership.

CSR is one of the strategies in facing competition in order to achieve goals. I/O theory (Porter, 1981) suggests that the external environment is faced with implementing a strategy; when a strategy such as CSR is successfully implemented, it can indicate that MSEs can face external environments such as competition. There are also studies that show a positive relationship between CSR and business performance (Famiyeh, 2017; Garg, 2016; Madueño et al., 2016; Martinez-Conesa et al., 2017; Reverte et al., 2016; Taghian et al., 2015; Yim et al., 2019).

Based on the literature review, the hypotheses are proposed as follows:

**H1:** *Competitive pressure has a positive effect on business performance*

**H2:** *Competitive pressure has a positive effect on corporate social responsibility*

**H3:** *Corporate social responsibility has a positive effect on business performance*

**H4:** *Corporate social responsibility has a mediating role on the relationship of competitive pressure toward business performance.*

### 3. Research Methodology

This research uses an explanatory quantitative approach. This study uses competitive pressure as the independent variable, business performance as the dependent variable, and corporate social responsibility (CSR) as the mediating variable. This study uses primary data. Questionnaires were distributed online and off line to batik MSEs in Central Java, Indonesia. This study used random sampling to obtain data, and 254 sample data has been collected. Before the questionnaire was distributed to the research subjects, a pilot test was conducted with the aim of testing its validity and reliability. The pilot test was conducted with 30 respondents of business owners from among the community. The pilot test shows that the questionnaire is relevant and reliable because it meets the requirements, indicators on all variables show that  $r\text{-count} > r\text{-table}$  with a significance level of 5% and 1% and Cronbach's alpha at competitive pressure of 72.7%, CSR of 80.6 %, organizational reputation is 89.1% and business performance is 93.6%.

Measurement of data on each variable uses a Likert scale with a scale of 1 to 5 as a reflection of opinions



about “strongly disagree” to “strongly agree”. Competitive pressure measurement uses seven indicators, namely, (1) product competition; (2) market share competition; (3) similar companies; (4) technological changes; (5) price competition; (6) government regulations and policies; and (7) promotion and distribution channels. This indicator refers to the research of Anning-Dorson (2016), Chen et al. (2010), Karakasnaki, Psomas, and Bouranta (2019), Purnama and Subroto (2016), Sahi, Gupta, Cheng, and Lonial (2019) and Yang and Meyer (2015) and modified as needed. The measurement of CSR indicators refers to Jain et al. (2017), Martinez-Conesa et al. (2017) and Turyakira et al. (2013), which has been modified as needed. The indicators used in employee orientation are resource development through training, safety and comfort in carrying out work. Environmental orientation uses indicators related to the ability to manage residual waste. Social concerns such as prioritizing the surrounding community as employees and carrying out social services are indicators of community orientation. In market orientation, the indicators used are the ability to handle complaints and transparency of information about products. The measurement of business performance indicators in this study refer to Kaplan and Norton (2004), which have been modified as needed. The indicators used in a financial perspective are sales volume and costs. From the customer’s perspective, the indicators used are price, quality, delivery time, and reputation building. In the business process perspective and internal use indicators of customer management and process innovation and learning and growth perspectives use human capital, information and organization as indicators.

The method used to analyze the data in this study is Structural Equation Modeling-Partial Least Square (SEM-PLS) with the help of the WarpPLS 6.0 software.

#### 4. Results

In the first iteration, there are indicators that are not valid on competitive pressure, namely, CP1, CP2, CP3, CP4, and CP7. In business performance there are several invalid indicators, namely, BP4, BP5, BP11. Invalid indicators on CSR include: CSR1, CSR4, CSR7. All of invalid indicators are dropped. The results of the second iteration show that all remaining indicators are valid with a loading factor  $\geq 0.70$ , which refers to Hair et al. (2017). Convergent validity does not only refer to the loading factor, but also to the Average Variance Extracted (AVE) value, provided that each variable is  $\geq 0.5$  (Hair et al., 2017). After second iteration AVE in each variable has met the requirements above a value of 0.5 as follows: (1) competitive pressure (Composite Reliability = 0,843; AVE = 0,729), (2) corporate social responsibility (Composite Reliability = 0,859; AVE = 0,605), and (3)

business performance (Composite Reliability = 0,932; AVE = 0,605).

Another component for assessing construct validity is discriminant validity by looking at the square roots of AVE, which is said to be fulfilled when the variable diagonal column has a higher value than the correlation between variables in the column other than the diagonal (Hair et al., 2017). Discriminant validity can ensure that the indicators on each variable do not measure the same thing so that multicollinearity can be avoided. Table 1 shows that the discriminant validity has been fulfilled with the following values: (1) competitive pressure = 0.854; (2) CSR = 0.778; and (3) business performance = 0.778. Based on the results of the validity test, it has met the requirements, so it can be concluded that the research data is valid. Testing on reliability refers to composite reliability with an accepted limit value of 0.7 (Hair et al., 2017). Table 1 shows the composite reliability on each variable more than 0.7. So, it can be concluded that the research data is reliable.

Common Method Bias needs to be considered in research which shows that the results of research conducted are free from bias. One of the causes of common method bias is the implicit social desire and is related to how to answer a questionnaire (Kock, 2015). The common method bias test uses the full collinearity Variance Inflation Factors (VIFs) criteria with the condition that the value is lower than 3.3 (Hair et al., 2017; Kock, 2015). On testing, the value of full collinearity VIFs is at CP = 1.076, CSR = 1.524, OR = 1.945 and BP = 1.642, thus indicating that the test is free from bias.

Hypothesis testing in this study uses an inner model through direct effects and indirect effects (Hair et al., 2017) with the SEM-PLS method. This study focuses on testing the effects of competitive pressure on business performance, either directly or indirectly, through CSR and organization reputation as mediating variables.

Table 2 presents the test results of the direct effect on competitive pressure on business performance before the insertion of mediating variable, which shows that there is a positive and significant effect ( $\beta = 0.10$ ,  $p = 0.05$ ) with the coefficient of determination ( $R^2 = 0.01$ ), which indicates that competitive pressure can explains business performance by 1%.

**Table 1:** Result of Discriminant Validity Testing

	CP	BP	CSR
CP	<b>0.854</b>		
BP	0.007	<b>0.778</b>	
CSR	0.056	0.472***	<b>0.778</b>

Notes: Diagonal element square root of AVE; correlation between constructs; \*\*\* Significant at  $p < 0.01$ .

**Table 2:** SEM-PLS test results

Direct Effect	Path Coefficient	R <sup>2</sup>	Information	
<b>Before Mediation Variable</b>				
CP > BP	0,10*	0,01	Significant	
<b>After Mediation Variable</b>				
CP > BP	0,06	0,25	Non-significant	
CSR > BP	0,50***	0,25	Significant	
CP > CSR	0,33***	0,11	Significant	
Indirect Effect	P-Value		Category	Information
CP > CSR > BP	<0,001		Full Mediation	Significant, H1 Approved

Note: \* Significant at  $p < 0.1$ ; \*\*\* Significant at  $p < 0.01$ .

After the mediation variable is included, there is a positive and significant influence on the relationship between CSR and business performance ( $\beta = 0.50$ ,  $p < 0.01$ ) with a determination coefficient ( $R^2$ ) of 0.25, this indicates that 25% of business performance can be explained. on CSR. After inserting the mediation variable, it shows that there is a positive and significant influence on the relationship between competitive pressure on CSR ( $\beta = 0.33$ ,  $p < 0.01$ ) with a determination coefficient ( $R^2$ ) of 11% which indicates that CSR can be explained by competitive pressure.

The results of the direct effect between the variables, independent with dependent, independent with mediation and mediation with the dependent show a positive and significant relationship, so that it can be concluded that there is an indication of mediation. Table 3 also presents the indirect effect relationship. After including CSR in the relationship between competitive pressure and business performance, it shows that CSR is fully mediated, this is evidenced by a decrease in the coefficient pathway and the level of significance, which initially becomes insignificant ( $\beta = 0.06$ ,  $p = 0.19$ ). To ensure that CSR mediates the relationship between competitive pressure and business performance, it can be seen through the p-values of indirect effects for paths with two segments in Table 2, indicating that the indirect effects of competitive pressure on business performance are significant with p value  $< 0.001$ . The results that have been presented prove that H1 has been supported, namely the competitive pressure with the business performance of MSMEs in Central Java, which shows a positive relationship and is fully mediated by CSR.

## 5. Discussion and Conclusion

The hypothesis that states that competitive pressure has a positive effect on business performance has been accepted and supported by previous research (Jaisinghani et al., 2019; Sheikh, 2018; Sunny Yang & Emma Liu, 2015) and that CSR has fully mediated this relationship. The role of CSR as

mediation is supported by test results regarding the presence of a positive and significant relationship in competitive pressure on CSR, which is supported by previous research (Flammer, 2014; Kemper et al., 2013; Panwar et al., 2016; Tyler et al., 2018) and CSR toward business performance supported by previous research (Jain et al., 2017; Martinez-Conesa et al., 2017; Reverte et al., 2016). This shows conformity with I/O theory according to which competition can be faced with a strategy such as CSR; the role of full mediation concludes that, when competitive pressure occurs, it can fully be faced with CSR. Competitive pressure is a consideration to determine the strategy that will be taken by MSMEs because it has an influence on performance, thereby proving that the level of competition not only creates pressure and affects the performance of large companies, but also on MSEs and precisely with the presence of MSE competition is increasingly being promoted (Jaisinghani et al., 2019) because it has many similarities ranging from product, market share to quality. According to Jaisinghani et al. (2019) marketing strategies with market and customer orientation can overcome market intensity and also have a positive impact on performance.

This study makes CSR a strategy with customer orientation and also other stakeholders such as employees, social and environmental. MSMEs are required to have their own uniqueness that can be obtained through CSR in order to increase customer interest in products, thus MSMEs can increase competitiveness. Based on respondents' answers, competitive pressure on batik MSMEs in Central Java was triggered by tight price competition and government policies such as the obligation to have business licenses and regulations that were difficult to understand. Regulators need to frame policies and regulations as best as possible, so as not to cause long-term competition, and not lead to misallocation of resources (Jaisinghani et al., 2019). Unbalanced business competition has triggered batik SMEs in Central Java to develop and improve the performance of MSMEs through various strategic plans.

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