

## CORPORATE SOCIAL RESPONSIBILITY (CSR) STRATEGY AS A LEGAL INSTRUMENT TO IMPROVE COMPANY REPUTATION

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### ARTICLE INFO

#### Keywords:

Law, Responsibility, Company

### ABSTRACT

Legal problems regarding inconsistencies in legislation regarding corporate social responsibility in Indonesia, which do not yet fully regulate the mechanism for implementing corporate social responsibility, and do not regulate clear sanctions. This research uses a qualitative method where the qualitative method aims to obtain a complete picture of a matter according to the views of the people being studied, while the aim of this research is to try to explain corporate CSR law based on plans and expected impacts and the results explain the reasons for corporate social responsibility regulations. the inconsistency of Indonesia being a free, sovereign country, including making regulations in the field of corporate social responsibility; environmental conditions are increasingly worrying, companies also become part of society; not all companies carry out their responsibilities. Second, Legal Certainty of the Mechanism for Implementing Corporate Social Responsibility. Third, sanctions should also be regulated, namely criminal sanctions so that corporate social responsibility will be adhered to as a legal obligation.

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### 1. INTRODUCTION

In this era of very rapid globalization, building quality performance for company sustainability is the main capital that must be considered and implemented in accordance with existing laws and regulations (Ambarini, 2010). Free trade creates increasingly tight business competition and encourages companies to be able to pursue maximum profits without paying attention to the state of the surrounding environment (Azhari, 2007). Cahya's research results (2022) explain that an imbalance between the company, employees, the environment and the ecosystem, which is a unit that supports the existence of the company, can actually damage the sustainability of the company itself.

Ernawan, (2014) said that it has become a fact that resistance from local communities in various places and times has surfaced against companies that are considered not to pay attention to social, economic and environmental aspects. Many companies have been protested, had their operational permits revoked, and even been damaged by the community around the company's location because they caused environmental damage, where the company only exploited and exploited the natural resources in the area, without paying attention to environmental factors (Hadi, 2016).

In the journal Haerani, (2017) said that implementing a country's development is not only the responsibility of the government. In realizing social welfare and improving the quality of life of the community, of course participation is needed from various levels of society, including in the business world, where this process can be used to encourage economic growth while still considering existing environmental factors (Hariyanto & Humaidy, 2019). To make this happen, social responsibility must really be carried out, especially on the internal side of the business entity and the external side of the company. So with the presence of the concept of corporate social responsibility (CSR/Corporate Social Responsibility) it is hoped that it can provide the role of companies as a step to involve partnership responsibility between the government, community resource institutions and local communities for sustainable economic development by paying attention to social responsibility. company and emphasizes a balance between attention to economic, social and environmental aspects (Hendar, 2017).

The results of research by Kangihade, (2013) are of the view that the concept of social and environmental responsibility or corporate social responsibility (hereinafter referred to as CSR), was ratified by the DPR on 20 July 20027 and is regulated in Law Number 40 of 2007 concerning Limited Liability Companies (UUPT) , which has been promulgated in the State Gazette of the Republic of Indonesia Number 106 of 2007 and Supplement to the State Gazette of the Republic of Indonesia Number

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4756 of 2007. The four paragraphs in Article 74 of the Law stipulate the obligations of all companies in the natural resources sector to carry out social and environmental responsibilities. CSR in general is a comprehensive contribution from the business world to sustainable development, taking into account the economic, social and environmental impacts of its activities.

Judging from the origin of the word, CSR originates from business ethics literature in the United States which is known as corporate social responsibility or social responsibility of corporations. The word corporate itself means "large company" established to serve the public interest. Meanwhile, the concept of corporate social responsibility (CSR) according to The World Business Council for Sustainable Development (WBCSD) is the commitment of the business world to continuously act ethically, operate legally and contribute to economic improvement, along with increasing quality of life for employees and their families as well as improving the quality of local communities and society more broadly) (Lageranna, 2013).

CSR regulations in Indonesian law function as a form of government intervention to protect various aspects of human life, especially social, economic and environmental aspects carried out by economic actors (companies). Government intervention is basically needed in order to maintain the balance of interests of all parties in society. In fact, there is a relationship of mutual need between companies as producers and society as consumers, as well as with nature and the environment and the community around where the company operates (Marnelly, 2012).

If the above laws and regulations are analyzed further, then the regulation of environmental rights as human rights and the adoption of the principles of sustainable development and environmental insight into the 1945 Constitution shows that the Indonesian nation is serious about realizing governance based on green values or better known as green constitution. Based on this, development programs including the implementation of CSR by companies must be in line with the principles of sustainable development and environmental insight mandated by the "green constitution" or the 1945 Constitution of the Republic of Indonesia.

The obligation to implement CSR based on BUMN Ministerial Regulation Number 4 of 2007, is not only aimed at state-owned companies, but also covers all private companies in Indonesia, where in the process this regulation instructs every private company and BUMN not only to be oriented towards profit interests. only companies or shareholders, but must pay attention to the interests of stakeholders and the interests of the local natural environment. CSR regulations in the content of legislation and its implementation will create economic justice for all levels of Indonesian society.

According to Maulidiana, (2018), CSR policies by companies are a legal strategy in increasing community empowerment, where in the process this CSR policy can be categorized into 3 (three) forms, namely public relations, which is a form of effort to cultivate positive perceptions. to stakeholders or stakeholders regarding the activities carried out by the company by establishing existing relationships, then the company implements CSR to change the negative perception that has developed previously and the third form is a sincere desire to carry out good activities and truly originate from the vision and mission company (Religia, 2019).

Corporate Social Responsibility is an investment for companies for the company's growth and sustainability. Corporate Social Responsibility is the company's commitment to supporting the creation of sustainable development. On the other hand, society questions whether companies that are business-oriented in maximizing economic profits have a moral commitment to distribute their profits to develop local communities, because over time society not only demands companies to provide necessary goods and services, but also demands them to be socially responsible. . So, based on the description and explanation of the background above, the researcher wants to dig deeper into how CSR (Corporate Social Responsibility) laws are implemented by companies in Indonesia.

## 2. METHOD

This research aims to explain corporate CSR law based on plans and expected impacts. In this research, the method used is a qualitative method. Research using qualitative methods aims to obtain a complete picture of a matter according to the views of the people being studied. This is in line with the opinion of Sugiyono, (2013) who states that, through qualitative research, social problems can be understood and obtain a holistic and complete picture formed with words, as well as reporting informants' views in detail, and arranged in a natural setting. Qualitative research is used if research factors cannot be quantified, cannot be calculated, or variables cannot be expressed with numbers such as perceptions, opinions, assumptions and so on.

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### 3. RESULTS AND DISCUSSION

According to history, the initial concept of corporate social and environmental responsibility, CSR (corporate social responsibility), before it entered the Indonesian legal system, was introduced in 1950 through the thoughts of Howard R. Bowen in *Social Responsibility of Businessmen*. It was also stated that Howard R. Bowen was the first thinker in the modern era regarding CSR, where the results of his ideal thoughts were used as guidelines for companies in carrying out their business activities. Then in the late 1990s a definition of CSR emerged by the World Business Council for Sustainable Development as a business forum institution under the United Nations which views CSR as a business commitment to behave ethically, operate legally and contribute to economic development while improving the quality of life of employees, and their families as well as the local community and society in general.

CSR activities seem to be a moral calling as business ethics, it's just that implementation standards still vary, meanwhile John Elkington put forward the idea of CSR through 3 concepts, namely (Profit, People and Planet) which are outlined in the book *Cannibals With Forks*. This idea then became more widespread after the World Summit on Sustainable Development (WSSD) was held in 2002 in Johannesburg, South Africa, which indicated that since then the definition of CSR has increasingly developed in various parts of the world. According to John Elkington, the scope of CSR can be grouped into 3 (three) aspects which are better known as the "Triple Bottom Line" which includes economic prosperity, environmental quality improvement and social justice.

CSR is increasingly developing into a company's social responsibility towards economic development, workers, local communities, the surrounding environment and society in general. Based on ISO 26000, the focus of CSR issues will actually cover 7 main contents, namely: a) Community development; b) Consumers; c) Practice healthy industrial activities; d) Environment; e) Employment; f) Human rights; and g) Government organizations. On the other hand, the development of CSR implementation in Indonesia is marked by the number of state and private companies implementing CSR as an effort to improve the welfare of their communities. Several models of implementing corporate CSR in Indonesia are carried out in the form of charity or empowerment.

The social responsibility that companies have towards society should not only be carried out by corporations in the sense of companies that are legal entities and large scale. However, it does not rule out the possibility that individual companies that have not yet been incorporated can also have significant social and environmental impacts on the surrounding community. If we use the term corporate social responsibility, then all activity processes that occur within it must be carried out fairly regardless of how big the company's influence is (Santoso, 2011).

Differences in the concept, scope and mechanisms for implementing corporate social responsibility in statutory regulations tend to cause confusion for business actors in Indonesia. If corporate in Indonesia is translated as a business entity, then all companies can carry out corporate social responsibility regardless of their form, legal entity or not. Meanwhile, if we refer to the philosophy of corporate social responsibility in Indonesia, which is based on the 1945 Constitution of the Republic of Indonesia. The fourth paragraph of the Preamble to the 1945 Constitution of the Republic of Indonesia, states that the aim of the Republic of Indonesia is to protect the entire nation. Indonesia and all of Indonesia's bloodshed and to advance general welfare, educate the life of the nation, and participate in implementing world order. So, in short we can interpret that to realize this goal, support and efforts from all the people (including companies) in Indonesia are needed. This does not mean that the state delegates its obligations or responsibilities to society or companies, but the role of companies is also important in the country's economic development.

Growth and a good economic climate are one of the things that support the growth and development of a company's business. So in fact, social responsibility carried out by companies can be said to be an activity that does not just waste funds or costs because there are profits that will be obtained by the company that carries it out. Because the concept of corporate social responsibility is true, this aims to remind companies not to focus on profit alone, but must also contribute and provide benefits to society (people) and pay attention to environmental sustainability.

According to Dirk Matten and Jeremy Moon, the implementation of corporate social responsibility can be divided into two approaches, namely explicit and implicit (Sholikhah, 2017). Explicit corporate social responsibility, carried out voluntarily, all company strategies, programs and policies are the internal desires of the company itself. The company carries out corporate social responsibility as a responsibility to the company and all its stakeholders. Meanwhile, implicit corporate social responsibility means that all

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state institutions, both formal and informal, assign companies to carry out their corporate social responsibilities. Implicit corporate social responsibility usually consists of the values, norms, and regulations that result.

Various factors are the reasons why social responsibility has become so important within the scope of organizations, including (1) The existence of globalization, which provides an illustration of the disappearance of dividing lines between various regions in the world, thereby bringing about universality. Thus, it is very possible for multinational companies to develop anywhere as a link in the chain of globalization (2) Consumers and investors as the primary public of profit organizations need an overview of the organization's responsibility for social and environmental issues (3) As part of organizational ethics, responsibility is needed organization to be able to manage the organization well (more properly known as good corporate governance).

The CSR concept is not only an effort to show an organization's concern for social and environmental issues, but can also support the realization of sustainable development by balancing economic and social development aspects supported by environmental protection. In order to respond to change and create relationships of trust, efforts currently being undertaken by organizations (especially business organizations) are to design and develop a series of programs that lead to forms of social responsibility.

However, the results of Tanaya's research (2016) explain that it is also important to note that the definition of CSR is very diverse and there is no agreement from experts, official institutions or community empowerment activists on the same definition of CSR. Meanwhile, the Constitutional Court in its opinion stated that social and environmental responsibility is a state policy which is a shared responsibility to cooperate between the state, business actors, companies and society. So it can be ascertained that until now there is no common definition of CSR in general as a form of moral responsibility of a business organization towards its stakeholders.

The absence of a single definition that is accepted globally by all parties has also given rise to various opinions regarding the scope of CSR, where each company determines its own form of CSR according to the company's capabilities. CSR is always linked to the interests of shareholders versus stakeholders in relation to labor protection. CSR is also always associated with environmental protection, a comprehensive set of policies, integrated program practices in business activities, supplier networks and decision-making processes throughout the company wherever the company carries out its activities, including responsibility for actions taken for the benefit of the future. coming (Siregar, 2016).

A company's awareness of carrying out its social responsibilities can at the same time help a company to carry out its legal responsibilities, where as a legal entity under the rule of law, a company is obliged to comply with various applicable norms. In terms of administrative law, companies must implement applicable legal provisions, for example the provisions stipulated in the Environmental Protection and Management Law, especially those relating to Environmental Quality Standards (AMDAL), waste disposal processes, provisions of the Employment Law, as well as protection of consumer rights. Likewise for other parties to carry out the rights and obligations agreed upon in the agreement; as well as court demands.

When viewed from a regulatory perspective, basically the implementation of Corporate Social Responsibility (CSR) has become the government's commitment, but in reality, even though many companies in Indonesia have implemented CSR, the results are still incidental and not yet fully integrated. In Indonesia itself, the level of orientation for CSR implementation often centers on partial charity programs and is oriented towards increasing competitiveness. As previously mentioned, the implementation of CSR by companies is based on several reasons. For example, the implementation of CSR is due to pressure and market pressure from users, workers, or the capital market regarding the choice to use company products that have CSR, then there is the role of organizations through social media which can pressure companies to carry out social activities towards society consciously. .

Apart from that, CSR can help the government to deal with budget limitations in developing the social economy of company areas, holistically, institutionally and sustainably. The existence of a partnership between the government and companies is none other than necessary for efforts to improve community welfare, either through programs to improve the quality of infrastructure such as repairing damaged roads or programs related to community empowerment. There are at least two fundamental problems in implementing Corporate Social Responsibility which are still often encountered in Indonesia, firstly, namely the regulatory realm and secondly the realm of financing sources. In the realm of regulation, problems that have emerged include: (1) lack of clarity in the definition of what is meant by

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Corporate Social Responsibility (2) lack of clarity in the implementation and enforcement of the law (3) tax intensive for companies.

Legislation does not yet clearly regulate the mechanism for implementing Corporate Social Responsibility. Therefore, there is no uniformity in Corporate Social Responsibility programs implemented by companies in Indonesia. The company's obligation to carry out Corporate Social Responsibility can be guaranteed by applying the theory of absolute liability (strict liability) and the existence of criminal sanctions is important for every company to comply with which does not carry out its Social Responsibility in full.

Based on this, it is necessary to synchronize the concept, funding and mechanisms for implementing corporate social responsibility. A comprehensive legislative regulation regarding corporate social responsibility is very necessary, especially in terms of formulating minimum standards for the implementation of corporate social responsibility so that they can act as clear guidelines for companies that are required to implement corporate social responsibility and these minimum standards can become the basis for their implementation. criminal sanctions at a later date.

#### 4. CONCLUSION

The existence of the concept of CSR or social and environmental responsibility in Indonesia has gained legitimacy to be implemented by private companies and state-owned companies. CSR is not just a responsibility (moral responsibility), but has become a liability (legal responsibility), because obligations and sanctions related to CSR have been regulated in various laws and regulations, both those related to human rights and those related to companies. Community empowerment can be implemented through company CSR program policies. Community empowerment through CSR program policies is a legal strategy to overcome the problem of community poverty. Corporate Social Responsibility has been regulated in several laws and regulations in Indonesia. However, there are no complete and complete regulations that truly consistently regulate Corporate Social Responsibility. So there are still various conceptual differences in its application.

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