

THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDONESIA: A LITERATURE STUDY

**Molina¹, Muhammad Nur², Erwin Indriyanto³, Kumba Digdowiseiso⁴,
Zalailah Salleh⁵**

^{1,2,3,4}Faculty of Economics and Business, Universitas Naaional Jakarta;

⁵Faculty of Business, Economics and Social Development, Universiti Malaysia Terengganu

Correspondence Address : kumba.digdo@civitas.unas.ac.id

Abstract

The incorporation of Corporate Social Responsibility (CSR) in Indonesia has emerged as a significantly crucial matter in the realms of business and sustainable development. This encompasses an understanding of the obligations that corporations have towards society and the environment, as well as the influence of government regulations and the growing concerns of society regarding social and environmental matters. The objective of this study is to analyze the progress of CSR implementation in Indonesia using a systematic literature review. The methodology employed in this study is a Systematic Literature Review, wherein we gather diverse literature sources encompassing the implementation of CSR in Indonesia. The findings indicate that the adoption of CSR in Indonesia has witnessed a favorable expansion, as companies are progressively recognizing the significance of their impact on society and the surrounding ecosystem. During the discussion, we emphasize the significance of government involvement, community engagement, consumer demands, and company awareness in promoting the development of CSR. Non-governmental organizations (NGOs) also have a significant impact in promoting corporate responsibility. Ultimately, CSR plays a crucial role in Indonesia by actively promoting sustainable development and enhancing the well-being of the community. It is an essential component of the company's existing business strategy. This encouraging progress demonstrates a recognition of the significance of corporate social responsibility in attaining sustainable development objectives

Keywords : *Corporate, Social, Responsibility, Indonesia.*

1. INTRODUCTION

The ability of a company to adapt to evolving circumstances is a crucial determinant of its business continuity and sustained prosperity. Amidst a swiftly evolving era, companies must possess the capacity to adapt and undergo transformation. This encompasses a range of components, including the development of new products and services as well as the adaptation of business strategies. Companies that thrive amidst shifting circumstances are likely to generate novel ideas, embrace evolving market patterns, incorporate cutting-edge technology, and address evolving societal expectations, such as Corporate Social Responsibility (CSR). By demonstrating visionary leadership and adaptability, companies can maintain their prominence in the public eye and contribute significantly to the advancement of a progressively modern society (Carolina & Martusa, 2019). Corporate Social Responsibility (CSR) is a principle that mandates companies to assume social and environmental responsibility, alongside their primary objective of attaining financial profitability. Within a business framework, Corporate Social Responsibility (CSR) encompasses the deliberate actions undertaken by a company to generate a beneficial influence on the local community and safeguard the environment. Companies that adopt Corporate Social Responsibility (CSR) are dedicated to conducting their activities with integrity, openness, and consideration for the well-being of all stakeholders, rather than solely focusing on shareholders (Carolina & Martusa, 2019).

CSR programs encompass a range of activities, including philanthropic contributions, environmental sustainability efforts, educational scholarship provision, enhancement of employee

well-being, and engagement in social initiatives. Aside from contributing to society, it is equally important to generate lasting value by establishing a favorable reputation, enhancing customer connections, and attracting sustainable investment (Tanudjaja, 2020).

CSR has gained significance in contemporary times as it has become an integral component of company business strategies. This is due to the growing societal emphasis on social and environmental matters. Companies that neglect their social obligations may encounter reputational hazards, whereas companies that actively engage in corporate social responsibility (CSR) can attain competitive benefits and achieve more enduring growth. Hence, Corporate Social Responsibility (CSR) is not solely a moral obligation, but also a fundamental component of achieving sustained business prosperity and securing the company's survival amidst the ever-evolving circumstances (Tanudjaja, 2020). The legislation that primarily regulates Corporate Social Responsibility (CSR) in Indonesia is Law Number 40 of 2007, which specifically pertains to Limited Liability Companies. According to Article 74 paragraph (1) of this Law, every limited liability company engaged in natural resources and environmental business activities is required to implement a Corporate Social Responsibility (CSR) program. In addition, CSR programs are subject to government regulations, including Government Regulation Number 47 of 2012 which specifically addresses Corporate Social and Environmental Responsibility. This regulation provides comprehensive guidelines for the implementation, reporting, and auditing of CSR programs, specifying specific requirements and details. The Indonesian government has implemented various regulations pertaining to corporate social responsibility (CSR) in specific industries, including mining, palm oil plantations, and others (Marnelly, 2022).

Many companies in Indonesia commonly utilize the Sustainability Reporting Standards published by the Global Reporting Initiative (GRI) as a reference when reporting their Corporate Social Responsibility (CSR) initiatives. Indonesian companies are required to implement sustainable corporate social responsibility (CSR) initiatives, support sustainable development, and fulfill their societal and environmental obligations, as mandated by the legal and regulatory framework (Marnelly, 2022). Indonesia possesses abundant natural resources, yet it also confronts a range of social and environmental challenges that demand immediate consideration. Enterprises across diverse sectors, including mining, palm oil plantations, and other industries, possess the capacity to exert a significant influence on the neighboring community and environment. Hence, conducting CSR research can provide insights into the level of adherence of these companies to CSR standards, along with the consequent favorable or unfavorable consequences (Arisanty Razak et al., 2020). Research on corporate social responsibility (CSR) can contribute to the measurement and evaluation of the efficacy of current CSR initiatives, as well as their alignment with public expectations, by enhancing public consciousness of social and environmental concerns. This is also applicable in the context of worldwide competition, where companies must establish a favorable reputation and secure endorsement from customers, business associates, and investors.

CSR plays a crucial role in promoting sustainable development and achieving the Sustainable Development Goals. CSR research can assist in identifying optimal strategies for implementing these programs and offer guidance to companies and governments in enhancing their positive influence. The Indonesian government has enacted regulations and policies pertaining to Corporate Social Responsibility (CSR), and conducting research can assess the degree to which these regulations are enforced and determine if there is a necessity for enhancements or modifications in the current legal framework. In light of this context, conducting research on the implementation of Corporate Social Responsibility (CSR) in Indonesia is of utmost significance in order to comprehend, enhance, and bolster sustainable development endeavors in this nation.

2. IMPLEMENTATION METHOD

The Systematic Literature Review (SLR) method is a rigorous research approach employed to methodically gather, assess, and present scientific discoveries in the literature pertaining to specific subjects. The process of SLR follows a rigorous and organized approach, which includes steps like identifying pertinent literature sources, determining criteria for inclusion and exclusion, extracting data, and conducting quality analysis and synthesis of findings (Zhu et al., 2018). The

objective of this method is to reduce bias and subjectivity, ensuring that the outcomes are dependable and can serve as a foundation for decision-making across diverse scientific fields. Systematic Literature Review (SLR) is frequently employed in scientific research, particularly in the domain of literature research, to generate a thorough and unbiased evaluation of a specific subject.

3. RESULTS AND DISCUSSION

Based on the SLR results of seven journals that match the keywords searched, namely “Corporate Social Responsibility” and “Indonesia”. The following results were obtained in Table 1:

Table 1. Research Results

No.	Article Title	Writer	Research Findings/Results
1	Implementation of Corporate Social Responsibility (CSR) on Company Profitability (Case Study at PT Bank Danamon Indonesia, Tbk)	(Bisnis et al., 2020)	A company's achievements can be reflected through its corporate social actions. The level of company involvement in social activities will influence the company's image.
2	Implementation of Corporate Social Responsibility	(Parinduri et al., 2019)	Efforts to improve society through implementing CSR begin with strengthening companies so they can achieve financial success, which in turn has a positive impact on economic, social and environmental aspects.
3	Corporate Social Responsibility (CSR) Practices in Indonesia	(Bunga Nayenggita et al., 2019)	CSR implementation in Indonesia still faces several unique challenges. Community needs are still not fully met and the right targets have not always been achieved. Sometimes, companies also implement CSR not only as a social obligation.
4	Implementation of Corporate Social Responsibility (CSR) and its Benefits for Companies	(Bisnis et al., 2020)	Company awareness in implementing Corporate Social Responsibility (CSR) will have a significant positive impact on the company. The harmony created between the company, society and the environment is one of the results that the company will enjoy in carrying out its operations.
5	Corporate Social Responsibility (CSR) Regulations in Indonesia	(Harahap, 2020)	CSR is applied to various activities that focus on social, educational, skills training and economic aspects. These efforts are very beneficial for the people living around the company's operational locations, with the aim of improving their abilities and quality of life.
6	Development of Corporate Social Responsibility in Indonesia	(Tanudjaja, 2020)	The implementation of CSR in Indonesia has experienced positive developments, both in terms of quantity and quality. Apart from the increasingly diverse types of activities and management, the financial contribution provided has also increased significantly.
7	Application of Islamic Principles in Corporate	(Uilly & Kelib, 2020)	CSR principles actually exist in Islamic teachings, which have long built a system of

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No.	Article Title	Writer	Research Findings/Results
	Social Responsibility Regulations in Indonesia		life based on social principles and justice. The five principles of Islamic business ethics, namely monotheism, balance or alignment, free will, and responsibility, can be adopted as CSR concepts in Islam.
8	Corporate Social Responsibility (CSR): A Review of Theory and Practice in Indonesia	(Marnelly, 2022)	If CSR is carried out consistently, it will provide significant benefits, especially for communities who may have felt the negative impacts of the company's presence in their area.

The adoption of Corporate Social Responsibility (CSR) in Indonesia has witnessed favorable advancements in recent years, as evidenced in the literature. Indonesian companies are progressively recognizing the significance of making contributions to society and the surrounding environment. This aligns with governmental regulations that necessitate companies to engage in corporate social responsibility (CSR) initiatives, as stipulated by Law Number 40 of 2007 regarding Limited Liability Companies (Handjaja, 2023). The growing societal and consumer expectations regarding social and environmental matters have prompted companies to incorporate corporate social responsibility (CSR) into their business strategy. This encompasses a diverse range of corporate social responsibility (CSR) initiatives, including educational programs, skills training, donations to foundations, environmental conservation efforts, and assistance to local communities. The advent of technology and increased availability of information has facilitated society's ability to monitor and evaluate corporate performance in relation to corporate social responsibility (CSR), consequently intensifying the demand for responsible behavior from companies (Sulistiyowati et al., 2022). Corporate consciousness and dedication to social and environmental matters is on the rise. Companies now view corporate social responsibility (CSR) as more than just a social obligation; they recognize it as a crucial component of their business strategy to enhance their reputation, competitiveness, and meet the demands of the market. Individuals who are growing more apprehensive about corporate social responsibility (CSR) matters (Suriany, 2019). NGOs and social activists have significantly contributed to the promotion and oversight of CSR implementation in Indonesia. Through the implementation of advocacy and public advocacy, they promote and incentivize companies to adopt a more responsible and transparent approach in implementing Corporate Social Responsibility (CSR). The combination of these factors contributes to the changing CSR environment in Indonesia, which demonstrates a recognition of the significance of corporate social responsibility in attaining sustainable development and societal welfare (Hakim & Ispriyarso, 2019).

In recent years, the implementation of Corporate Social Responsibility (CSR) in Indonesia has shown significant progress. Indonesian companies are progressively recognizing the significance of making contributions to society and the surrounding environment. CSR encompasses a range of activities that demonstrate corporate social responsibility, including contributions to charitable organizations, educational initiatives, vocational training, environmental conservation, and assistance to local communities. Numerous companies have incorporated Corporate Social Responsibility (CSR) into their business strategies. This integration is not solely perceived as a social duty, but also as a means to enhance their reputation and cater to a market that is progressively concerned about social and environmental matters (Harahap, 2020). Various factors exert influence on the implementation of Corporate Social Responsibility (CSR) in Indonesia. Government regulations are crucial in incentivizing companies to adopt Corporate Social Responsibility (CSR). According to Law Number 40 of 2007 on Limited Liability Companies, companies are obligated to engage in Corporate Social Responsibility (CSR) initiatives. In addition, societal and consumer demands, driven by growing concerns about social

and environmental matters, serve as a catalyst for companies to engage in Corporate Social Responsibility (CSR) initiatives (Sulistyowati et al., 2022).

The economic development of Indonesia is a crucial determinant. Due to consistent economic expansion, companies possess greater resources to allocate towards corporate social responsibility (CSR) initiatives. Furthermore, advancements in technology and the availability of information empower society to effectively observe and evaluate corporate performance in relation to corporate social responsibility (CSR), consequently intensifying the demand for responsible behavior from companies (Carolina & Martusa, 2019). The social and environmental consciousness and dedication of a company also have an impact. Companies are recognizing that adopting CSR is not only a moral obligation, but also a crucial component of their business strategy to enhance reputation, competitiveness, and cater to a market that is growingly concerned about CSR matters (Tanudjaja, 2020). NGOs and social activists are crucial in promoting and overseeing the implementation of corporate social responsibility (CSR) in Indonesia. Through the implementation of advocacy and public advocacy, they promote and urge companies to adopt a more responsible and transparent approach in implementing their Corporate Social Responsibility (CSR). Collectively, these factors contribute to the dynamic development of the corporate social responsibility (CSR) environment in Indonesia.

The objective of Corporate Social Responsibility (CSR) in Indonesia is to generate a beneficial influence on social, environmental, and economic dimensions within society. One of the primary objectives is to enhance the standard of living for the community residing in the company's operational regions, particularly those who may experience the impact of the company's presence. CSR endeavors to uphold sustainable development, conserve the environment, and foster ethical principles within the realm of business (Marnelly, 2022). In addition, CSR endeavors to enhance the company's standing, promote business longevity, and cater to the needs of consumers who are progressively mindful of social and environmental matters. CSR in Indonesia offers advantages such as enhancing the company's image and reputation, which can impact public and shareholder confidence, while also providing a competitive edge. Furthermore, by implementing CSR programs, companies can cultivate stronger alliances with the government, community, and non-governmental organizations, thereby bolstering the long-term viability of their operations. Additional advantages encompass a company's capacity to allure and retain exceptional personnel, enhance associations with business allies, and alleviate social and environmental hazards that may affect company operations (Arisanty Razak et al., 2020). CSR in Indonesia has the capacity to generate a favorable influence on society while delivering additional value for the company and stakeholders.

In the absence of Corporate Social Responsibility (CSR) implementation in Indonesia, the repercussions could be highly detrimental, particularly to society, the environment, and the sustainability of businesses. In the absence of Corporate Social Responsibility (CSR), companies may disregard the potential positive impacts they can have on the communities in which they operate. This can imply an absence of assistance for education, training in skills, enhanced social circumstances, and an improved living environment for communities that might be impacted by the company's existence. This could also lead to increased social inequity and exacerbation of economic disparities (Arisanty Razak et al., 2020). Moreover, companies that fail to adopt Corporate Social Responsibility (CSR) practices may encounter significant risks to their reputation, particularly in the present age of widespread access to information and increased transparency. This can lead to a decline in public and stakeholder confidence, consequently impacting the company's business negatively. Furthermore, abstaining from engaging in CSR activities can lead to failure to comply with progressively more rigorous government regulations pertaining to corporate social responsibility. Noncompliance with corporate social responsibility (CSR) practices in Indonesia can lead to adverse consequences encompassing multiple domains, including diminished community benefits, heightened environmental degradation, and increased business vulnerabilities (Parinduri et al., 2019). Thus, Corporate Social Responsibility (CSR) is regarded as a crucial endeavor to uphold sustainability and enhance the well-being of Indonesian society.

4. CONCLUSION

In Indonesia, the implementation of Corporate Social Responsibility (CSR) has shown positive advancements and is gaining more recognition for its significance. Indonesian companies are becoming more cognizant of their societal and environmental obligations and are implementing diverse corporate social responsibility (CSR) initiatives. The development of corporate social responsibility (CSR) has been driven by various factors, including government regulations, societal and consumer demands for social and environmental considerations, and corporate recognition of the business advantages of CSR. Furthermore, non-governmental organizations and social activists have a significant role in overseeing and promoting responsible behavior among companies. Ultimately, corporate social responsibility (CSR) plays a pivotal role in Indonesia by bolstering sustainable development, enhancing the well-being of individuals, and fostering stronger connections between businesses and local communities. This aligns with the ethos of corporate social responsibility, which is progressively growing and has now become an essential component of the company's business strategy.

Acknowledgement

This article is a part of joint research and publication between Faculty of Economics and Business, Universitas Nasional, Jakarta and Faculty of Business, Economics, and Social Development, Universiti Malaysia Terengganu

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