

OPTIMIZING LEGAL LIABILITY FOR CORPORATE SOCIAL RESPONSIBILITY (CSR) NON-COMPLIANCE IN INDONESIA

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Abstrak

Dalam konteks ekonomi global, Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility/CSR) telah berkembang dari kewajiban moral menjadi kewajiban hukum di berbagai yurisdiksi, termasuk Indonesia. Namun, ketidaksesuaian dalam regulasi CSR di Indonesia – terutama antara Undang-Undang Nomor 40 Tahun 2007 tentang Perseroan Terbatas dan Undang-Undang Nomor 25 Tahun 2007 tentang Penanaman Modal menimbulkan ketidakpastian hukum. Undang-undang pertama membatasi kewajiban CSR pada sektor sumber daya alam, sementara undang-undang kedua mewajibkan CSR bagi semua investor, sehingga menciptakan ambiguitas dan celah penegakan hukum. Penelitian ini menggunakan pendekatan yuridis normatif untuk menganalisis tanggung jawab hukum perusahaan yang tidak melaksanakan CSR. Temuan menunjukkan bahwa implementasi CSR masih lemah dan cenderung bersifat simbolis akibat terbatasnya sanksi dan lemahnya pengawasan. Akibatnya, banyak perusahaan memandang CSR hanya sebagai alat pencitraan. Studi ini menyimpulkan bahwa harmonisasi regulasi, penguatan sanksi hukum, dan peningkatan mekanisme penegakan diperlukan untuk menjamin kepatuhan CSR dan meningkatkan dampak nyata terhadap masyarakat dan lingkungan.

Kata Kunci: *Tanggung Jawab Sosial Perusahaan, Tanggung Jawab Sosial dan Lingkungan, Kepastian Hukum*

Abstract

In the global economy, Corporate Social Responsibility (CSR) has evolved from a moral duty into a legal obligation in many jurisdictions, including Indonesia. However, inconsistencies in Indonesian CSR regulations particularly between Law No. 40/2007 on Limited Liability Companies and Law No. 25/2007 on Capital Investment have led to legal uncertainty. The former restricts CSR obligations to natural resource sectors, while the latter

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mandates CSR for all investors, creating ambiguity and enforcement gaps. This study uses a normative juridical approach to analyze the legal liability of companies that fail to implement CSR. Findings reveal that CSR implementation remains weak and often symbolic due to limited sanctions and lack of supervision. As a result, many companies treat CSR merely as an image tool. The study concludes that regulatory harmonization, stronger legal sanctions, and improved enforcement mechanisms are essential to ensure CSR compliance and enhance its real social and environmental impact.

Keywords: *Corporate Social Responsibility, Social and Environmental Responsibility, Legal Certainty*

INTRODUCTION

In the modern economic system, companies are primarily driven by the pursuit of maximum profit. This profit-oriented motive, rooted in capitalist principles, often leads businesses to minimize production costs without regard for broader social or environmental consequences. As a result, negative externalities such as natural resource exploitation, environmental degradation, social inequality, and consumer harm frequently emerge. These issues reflect a deeper problem: the inadequate regulation and enforcement of corporate social responsibility (CSR), which allows profit-driven behavior to operate unchecked by ethical or social considerations.

With the growing awareness of sustainability in business practices, the concept of Corporate Social Responsibility (CSR) has been introduced as a form of corporate accountability toward the environment and society (Hendrik Budi Untung, 2008, p. 1). CSR is increasingly recognized not merely as a marketing instrument or regulatory requirement, but as a long-term commitment to building constructive and ethical relationships with stakeholders. Despite this evolution, the implementation of CSR in Indonesia still encounters significant challenges, particularly due to the lack of legal clarity and consistency in its regulation (M. Yahya Harahap, 2009, p. 298). While previous studies have emphasized the importance of CSR in promoting ethical business conduct, there remains a gap in legal scholarship concerning the regulatory inconsistencies and weak enforcement that undermine CSR's effectiveness in practice.

Juridically, the implementation of Corporate Social Responsibility (CSR) in Indonesia is governed by several legal instruments, most notably



Law No. 40 of 2007 on Limited Liability Companies and Law No. 25 of 2007 on Capital Investment. Article 74 of the Limited Liability Company Law stipulates that CSR is mandatory for companies operating in the natural resources sector, whereas the Investment Law extends this obligation to all investors, regardless of their business field. This divergence in scope and terminology between the two laws has led to legal uncertainty, undermining the consistency of CSR obligations across sectors. As a result, many companies interpret CSR as a selective requirement rather than a universal legal duty, which contributes to low compliance and weak enforcement (Permadi, 2016, p. 449). This regulatory inconsistency highlights the urgency of harmonizing Indonesia's CSR legal framework to ensure equitable and enforceable standards for corporate accountability.

Law No. 40 of 2007 on Limited Liability Companies and Law No. 25 of 2007 on Capital Investment contain differing provisions concerning Corporate Social Responsibility (CSR), resulting in legal ambiguity in its application. Article 74 of the Limited Liability Company Law mandates CSR only for companies operating in the natural resource sector, such as mining, oil, and gas industries. In contrast, the Investment Law imposes CSR obligations on all investors, regardless of their business activities (Yusuf Wibisono, 2007, p. 153). This regulatory inconsistency gives rise to legal uncertainty, creating disparities in the treatment of corporate actors. Companies not involved in natural resource exploitation may interpret themselves as exempt from CSR obligations, while others remain bound, leading to potential legal discrimination and regulatory loopholes. Therefore, the core legal issue addressed in this study is how to resolve these conflicting norms and establish a coherent and enforceable CSR obligation applicable across all sectors.

This lack of clarity also has an impact on the level of company compliance with CSR implementation. Since the Limited Liability Company Law only regulates CSR for certain companies, many companies in other sectors consider CSR as something voluntary and has no significant legal consequences if not implemented. In fact, the Investment Law requires all investors to carry out CSR, but has no strict sanctions against violations of this obligation. This inconsistency in regulation means that companies often prioritize economic benefits without regard to the social and environmental impacts of their operations. Therefore, there is a need for regulatory harmonization and clearer legal certainty so that CSR can be applied equally by all companies, without exceptions based on specific business fields. It is also important to ensure that CSR is not just a formality, but can actually provide benefits to society and the environment.



Several previous studies have highlighted the importance of CSR in the business world and its impact on sustainable development. A study conducted by Carroll (1991) developed the CSR Pyramid, which divides corporate responsibility into four levels: economic, legal, ethical, and philanthropic. In Indonesia, a study by Wibowo (2018) found that although CSR has been regulated in regulations, its implementation is still far from optimal due to the lack of strict sanctions for companies that ignore their social responsibilities. However, previous studies have focused more on the theoretical aspects of CSR without examining in depth how the mechanism of legal liability for companies that do not carry out CSR obligations. Not many studies have specifically reviewed how the optimization of law enforcement against CSR violations can be done in the context of Indonesian law. Therefore, this research has novelty in analyzing the mechanism of liability and optimization of CSR implementation through a more comprehensive legal approach.

From a legal perspective, CSR is not just a voluntary policy, but has become a legal obligation for certain companies in Indonesia. The absence of uniform regulations and strict sanctions against CSR violations has the potential to cause legal uncertainty and inequality in the implementation of social responsibility. This phenomenon can have implications in various aspects, such as social injustice, environmental damage, and increasing public distrust of the business world. In addition, in the context of *ius constituendum*, there is an urgent need to improve CSR regulations so that they are more effective in ensuring a balance between the interests of companies, communities and the environment. If not addressed, the differences in interpretation between the Limited Liability Company Law and the Investment Law may continue to be a source of legal conflict, hampering fair and transparent law enforcement in the business world.

In the context of Corporate Social Responsibility (CSR) regulation in Indonesia, there are differences in the definition and scope of obligations in several laws, which raises questions related to legal certainty and its application in the business world. One of the main issues is how companies are held accountable for CSR obligations, given that the applicable laws and regulations provide room for different interpretations, especially between Law No. 40/2007 on Limited Liability Companies and Law No. 25/2007 on Capital Investment. This difference results in inequalities in the implementation of CSR between companies engaged in the natural resources sector and those that are not. In addition, although CSR is mandatory, the legal liability mechanism for companies that do not implement CSR has not been effectively regulated, so companies often



ignore this obligation without clear legal consequences. Therefore, it is important to explore how optimal legal mechanisms can be implemented to ensure companies' compliance with CSR implementation, as well as how steps can be taken to streamline law enforcement for companies that do not fulfill their social responsibilities (Setiawan et al., 2023, p. 863).

This research aims to provide an in-depth legal analysis of corporate liability in the implementation of Corporate Social Responsibility (CSR) based on applicable regulations in Indonesia. By juridically examining various laws governing CSR, this research seeks to identify legal gaps and obstacles in its implementation, so as to provide recommendations for improvement to achieve better legal certainty. In addition, this research will also explore strategies to optimize law enforcement against companies that do not implement CSR, by considering aspects of regulation, supervision, and more effective legal sanctions (Zuhdi et al., 2025, p. 39). Thus, the results of this research are expected to contribute to creating a fairer and more assertive legal system, so that CSR is not only a formal obligation on paper, but is actually carried out concretely for the welfare of society and environmental sustainability.

In the context of Corporate Social Responsibility (CSR) implementation in Indonesia, legal uncertainty due to differences in regulations poses a major challenge in ensuring companies' compliance with their social responsibilities. Without clarity and harmonization between Law No. 40/2007 on Limited Liability Companies and Law No. 25/2007 on Capital Investment, there are legal loopholes that allow companies to avoid CSR obligations or implement them symbolically without significant impact on society and the environment. If there are no concrete steps to improve the legal system governing CSR, then the main objective of this policy, which is to create a balance between business, social and environmental interests, will not be achieved optimally. Therefore, there is a need to revise regulations to ensure that every company, without exception, carries out CSR as part of their legal obligations, not just a voluntary initiative or image strategy. With clearer and stricter regulations, CSR can function as an instrument that not only benefits companies in building a good reputation, but also contributes to sustainable economic development and the welfare of society at large.

THEORETICAL BASIS

The theoretical foundation is a fundamental part of this research that is used to provide a conceptual framework and academic arguments in analyzing Corporate Social Responsibility (CSR) as a legal obligation. The concept of CSR has evolved from a moral obligation to a legal instrument



that has regulatory implications for companies in Indonesia. Therefore, the relevant theories in this research include the theory of responsibility, the theory of legal certainty, and the theory of corporate governance that will be used as an analytical approach in optimizing CSR.

Theory of Responsibility

The concept of responsibility in the legal world has two main terms, namely liability and responsibility. Liability refers to a legal obligation that can be sanctioned in the event of a violation, while responsibility refers more to a moral or ethical obligation assumed by an entity without any binding legal sanctions (Ridwan H.R., 2006, p. 335). In the context of CSR, there has been a shift from moral responsibility to legal obligation, as stipulated in Article 74 of Law No. 40/2007 on Limited Liability Companies (UUPT) and Law No. 25/2007 on Capital Investment (UUPM). Kraneburg and Vegtig divide responsibility into two main theories:

- a) The Fautes Personelles theory, which states that responsibility is imposed on the individual who commits the harmful act.
- b) Fautes de Services theory, which asserts that responsibility is inherent in the institution or company, so that corporate social responsibility is not only the responsibility of the owner personally, but is an obligation of the corporate entity itself (Ridwan H.R., 2006, p. 365).

In modern legal concepts, corporate responsibility in CSR can be classified into fault-based liability and absolute responsibility. Fault-based liability refers to situations where companies must prove that they have met compliance standards before being deemed negligent in carrying out CSR. In contrast, absolute responsibility asserts that a company retains its CSR obligations, regardless of whether or not there is any direct fault in its operations (Jimly Asshiddiqie & M. Ali Safa'at, 2006, p. 61). Hans Kelsen in his theory of legal responsibility emphasizes that a person or entity is considered legally responsible if there are obligations that are ignored so that certain sanctions can be imposed (Hans Kelsen, 2007, p. 81). Therefore, in the context of CSR, the application of ineffective regulations will cause companies to avoid their obligations, thus requiring the strengthening of sanctions and supervision mechanisms.

Legal Certainty Theory

Gustav Radbruch (Radbruch, 1950, p. 45) stated that legal certainty has three main elements:

- 1) Clarity of Norms - regulations must be clearly understood and interpreted.
- 2) Regulatory Consistency - legal rules should not contradict each other.



- 3) Firmness in enforcement - rules must be enforceable with effective sanctions for violators.

The inconsistency of CSR regulations in Indonesia has led to legal uncertainty, which has resulted in weak corporate compliance with social responsibility. The Company Law only requires CSR for companies engaged in the natural resources sector, while the Capital Market Law requires all investors to implement CSR without exception. This difference creates a legal loophole that allows some companies to avoid CSR obligations by utilizing different interpretations of the regulations (Syaifuddin, 2019, p. 112). In the context of legal certainty, CSR should have uniform standards so that companies have a clear reference in its implementation. If CSR regulations continue to overlap, companies will be more likely to prioritize profits without considering social and environmental impacts.

Corporate Governance Theory

Corporate governance is the principle of good corporate governance, which emphasizes accountability, transparency, and regulatory compliance. The OECD defines **corporate governance** as a system that regulates the relationship between shareholders, the board of directors, and other interested parties with the aim of creating sustainable long-term economic value (OECD, 2015, p. 22). In the context of CSR, corporate governance plays a role in:

- a) Maintain a balance between the interests of the company and stakeholders.
- b) Ensure the company is responsible for the social and environmental impacts of its operations.
- c) Improve transparency and accountability in CSR implementation, including reporting mechanisms and periodic audits.

In some countries, such as India and the European Union, CSR implementation has been integrated with corporate governance principles through regulations that require companies to report their CSR activities regularly. By referring to the corporate governance approach, Indonesia needs to harmonize CSR regulations to be more effective in improving companies' compliance with their social responsibilities. This includes the implementation of audit mechanisms, periodic reporting, as well as stricter sanctions for companies that do not carry out CSR in accordance with established standards.



RESEARCH METHODS

This study employs a normative juridical method, which examines the law from a normative perspective by referring to statutory regulations and relevant legal literature (Ibrahim, 2012, p. 57). The research aims to analyze the legal framework governing Corporate Social Responsibility (CSR) in Indonesia to identify regulatory inconsistencies and propose strategies for optimizing law enforcement. The research is a normative legal study, which seeks legal truth through legal reasoning based on the logic of legal science (Marzuki, 2011, p. 24). It involves analyzing existing laws and regulations, legal theories, and legal philosophies related to CSR as a legal obligation imposed on corporations in Indonesia. The approach used in this research consists of: Statute Approach, which involves reviewing all legal instruments related to CSR to assess their coherence and consistency in providing legal certainty (Marzuki, 2011, p. 93). Conceptual Approach, which refers to legal doctrines and scholarly views to understand the foundational principles of CSR and identify legal concepts for regulatory improvement (Marzuki, 2011, p. 94).

This research is based on secondary data comprising various types of legal materials used to support normative legal analysis. The primary legal materials consist of binding legal instruments such as laws and regulations that serve as the main foundation of the study (Soekanto & Mamudji, 2012, pp. 14–15). These are complemented by secondary legal materials, including scholarly writings, commentaries, and legal textbooks that provide interpretation and analysis of the primary sources (Bambang Sunggono, 2002, p. 116). In addition, tertiary legal materials, such as legal dictionaries, encyclopedias, and indexes, are utilized to offer supplementary information that supports and clarifies both primary and secondary materials. Together, these sources form the comprehensive legal framework necessary to critically examine the regulatory issues surrounding Corporate Social Responsibility (CSR) in Indonesia. The collection of legal materials is carried out using the library research method, which involves searching, studying, and analyzing various laws and regulations, scientific journals, and other legal documents. Processes that are valid and relevant to the problem under study

RESULTS AND DISCUSSION

Legal Framework for Corporate Social Responsibility (CSR) in Indonesia

The subchapter *Legal Framework for Corporate Social Responsibility (CSR) in Indonesia* outlines the development of CSR from a voluntary concept to a legal obligation across various jurisdictions, including Indonesia. CSR regulations in countries such as the United States and the



European Union have evolved to include mandatory provisions that reflect corporate accountability for social and environmental impacts. Indonesia has similarly incorporated CSR into its legal system, particularly through Law No. 40 of 2007 on Limited Liability Companies and Law No. 25 of 2007 on Capital Investment (Kencana et al., 2023, p. 1811). However, despite these legislative efforts, the Indonesian CSR framework suffers from regulatory fragmentation and weak enforcement mechanisms (Waagstein, 2011, p. 458). Article 74 of the Limited Liability Company Law imposes CSR obligations specifically on companies engaged in natural resource extraction (Anggara et al., 2022, p. 347), whereas the Investment Law broadly mandates CSR for all investors, regardless of sector (Andani & Fatimah, 2024, p. 2502). A study by Sukmono, Firdaus, & Setyowati, highlighted that the difference in the scope of CSR regulations in these two laws resulted in unsynchronized implementation of CSR by companies, especially in the aspects of reporting and legal responsibility (Sukmono et al., 2018, p. 54).

Moreover, this inconsistency raises concerns regarding the juridical hierarchy and the potential for constitutional interpretation conflicts, especially when overlapping obligations stem from laws of equal legal force. Government Regulation No. 47 of 2012 attempts to operationalize CSR obligations but lacks a clear enforcement mechanism, including specific administrative or legal sanctions for non-compliance. As a result, many companies engage in CSR merely to fulfill procedural requirements, with little substantive benefit to communities or the environment. This situation illustrates a broader issue of ineffective legal implementation and insufficient state supervision (Supriyadi et al., 2021, p. 1). Therefore, harmonization of legal provisions, clarification of CSR's binding nature, and the establishment of concrete legal consequences for violations are essential to strengthen corporate accountability and promote sustainable development.

Corporate Social Responsibility Regulation in Indonesia

In the Indonesian legal system, Corporate Social Responsibility (CSR) is not just an ethical concept but has been regulated in various legal regulations. The principle of CSR basically reflects a company's social responsibility towards the environment and society, which is in line with the concept of sustainability in global business. Several definitions of CSR have been proposed by various international organizations, such as the World Business Council for Sustainable Development, the International Finance Corporation, and the European Commission, which essentially state that CSR is a company's commitment to conduct business ethically and



responsibly, and to have a positive impact on society and the environment (Amin Widjaja Tunggal, 2008, p. 23). In other words, CSR is not only a philanthropic effort, but also part of a sustainable business strategy that harmonizes economic, social, and environmental interests.

The existence of CSR in Indonesia today is not only a policy initiative from companies but has been outlined in several laws and regulations. Here is a summary of CSR regulations in a simpler and easier-to-read table:

Table 1. Regulation of Corporate Social Responsibility CSR in Indonesia

Regulation	Main Content
Law Number 40 Year 2007 (UUPT)	CSR as a corporate commitment to sustainable development. Mandatory for natural resource companies, but without strict sanctions.
Government Regulation No. 47 Year 2012 (PP 47/2012)	Explain CSR mechanisms in the company's annual work plan, accountable to the GMS, but without legal consequences for violators.
Law Number 25 Year 2007 (UUPM)	Investors are obliged to implement CSR, with administrative sanctions (warnings, business restrictions, license revocation) if not fulfilled.
Law Number 19 Year 2003 (SOE Law)	SOEs are required to run the Partnership and Community Development Program (PKBL) for community empowerment, with stricter regulations than private companies.
Law Number 32 of 2009 (UUPMH)	Every company is obliged to preserve the environment, conduct AMDAL, and implement environmental quality standards. Violations can lead to administrative or criminal sanctions.
Law Number 4 of 2009 (Minerba Law)	Mining companies are required to carry out community development, post-mining reclamation, and waste management according to standards. Violations can result in legal sanctions.

Source: Results of data processing Research by Jeremy Samuel P. S (2025), Based on Secondary Research data.

With these regulations in place, it can be concluded that CSR in Indonesia has a strong legal foundation, but still faces challenges in terms of implementation and compliance. State-owned enterprises (SOEs), the mining industry, and companies with environmental impacts have more



specific social obligations, but weak supervision and lack of strict sanctions often hamper the effectiveness of CSR itself. Therefore, efforts to harmonize regulations and strengthen law enforcement mechanisms are needed, so that corporate social responsibility can truly provide optimal benefits to society and the environment.

Forms of Corporate Responsibility in sustainable development

In the concept of sustainable development, social responsibility is not only a government obligation, but also involves the active role of companies and the industrial sector in creating economic, social and environmental balance. In addition, issues related to society, exploitation of natural resources, and environmental protection are central issues (Permadi et al., 2024, p. 721). Corporate involvement in community welfare through Corporate Social Responsibility (CSR) is not only a business strategy but also a form of responsible corporate ethics. CSR reflects a healthy interaction between companies and the surrounding community, where companies do not only pursue profits but also ensure a positive impact on the surrounding community and environment (JABAR, 2020).

As an evolving concept, CSR is not limited to philanthropic activities or simply making social donations. Saidi and Abidin (2004) suggest that companies have four forms of responsibility, namely economic, legal, ethical, and philanthropic responsibilities. Economic responsibility emphasizes that companies must continue to earn profits in order to survive and develop. Legal responsibility requires companies to comply with applicable laws and regulations in their business operations. Furthermore, ethical responsibility emphasizes that companies must conduct business with the principles of justice and high morality. Finally, philanthropic responsibility reflects the company's social contribution in improving the welfare of society, such as providing scholarships, improving health facilities, and preserving the environment (Zaim Saidi & Hamid Abidin, 2004, p. 59).

As attention to CSR has increased, various theories have been developed to assess its effectiveness and impact. Schermerhorn defines CSR as the concern of business organizations in acting to serve internal and external interests (Suharto, 2007, p. 102). Meanwhile, Nuryana emphasizes that CSR should be part of a sustainable business strategy by integrating social responsibility in the company's operational activities based on voluntary and partnership principles (Suharto, 2007, p. 103). This approach requires companies to balance the interests of external stakeholders (community, environment) with the interests of shareholders. In this context, CSR is no longer a burden for companies, but a long-term



investment that builds reputation, increases public trust, and creates sustainable business relationships.

A broader approach to CSR is known as the Triple Bottom Line (TBL), introduced by John Elkington (1998). This concept states that corporate sustainability should be based on three main pillars: Profit, People, and Planet. Profit refers to the achievement of sustainable economic profits, People relates to the company's responsibility for the social welfare of society, while Planet highlights the company's concern for the environment, including environmentally friendly business practices such as energy conservation and waste management (Elkington, 1998, p. 79). In practice, CSR carried out based on TBL principles has dual benefits, namely providing a positive impact on the community and strengthening the company's competitiveness in the global market.

In addition to these three main pillars, Suharto added a fourth principle, Procedure, which emphasizes that the CSR implementation process must be carried out in a systematic, planned, and transparent manner. In Indonesia, many companies still experience difficulties in implementing CSR effectively due to the lack of clear and measurable procedures. As a result, many CSR programs are only ceremonial and do not have a long-term impact on society (Suharto, 2007, p. 35). To overcome this problem, companies need to be committed to ensuring that their CSR programs are in line with the social and environmental needs of the local community. One indicator of the success of CSR is the improvement of people's quality of life, which includes economic, health, education, and social justice aspects (Faturochman, 1990, p. 1). Felce and Perry (1995) emphasize that quality of life is subjective, where each individual has different standards in assessing their well-being. Therefore, in implementing CSR, companies need to consider local perspectives and community aspirations so that the programs run really have a positive impact (Felce & Perry, 1995, p. 51).

In the context of globalization and increasingly fierce business competition, CSR is no longer just a moral or legal obligation, but also a business strategy that can increase public trust in the company. By implementing a well-planned and sustainability-oriented CSR policy, companies can create harmonious relationships with stakeholders and contribute to inclusive social development. Therefore, companies that want to survive in the long term must make CSR part of an integrated business strategy, not just as an additional activity or mere formality. In the context of corporate social responsibility (CSR), the fulfillment of social and environmental welfare is an integral part of the quality of life of the



community. Quality of life reflects not only economic well-being, but also social and environmental balance in the community ecosystem (Masykur & Sugiono, 2018, p. 57). Liu (2004) emphasizes that quality of life is a highly subjective concept, with different variations between individuals and community groups (Asthana et al., 2004, p. 303). WHO defines quality of life as an individual's perception of their position in life, which is influenced by cultural factors, value systems, and their relationship with life goals and expectations. This definition underlines that CSR is not only limited to fulfilling the company's legal obligations, but must also consider local social and cultural conditions so that the programs implemented actually have a positive impact.

The approach to quality of life in CSR can be categorized into several main aspects, as developed by Felce and Perry (1995). They divide quality of life aspects into five main parts: physical wellbeing, material wellbeing, social wellbeing, development and activity, and emotional wellbeing (Felce & Perry, 1995, p. 68). These aspects emphasize that CSR is not only related to the economic well-being of employees and the surrounding community, but also includes social, educational, and health aspects, which directly affect the quality of life of the community. In practice, companies that implement CSR by considering these aspects tend to gain greater trust and loyalty from the surrounding community.

In addition to quality of life aspects, Felce and Perry (1995) also identified three main components in measuring quality of life, namely the objective component (tangible conditions that can be measured, such as income and health), the subjective component (an individual's assessment of his or her life), and the importance component (how important an aspect is in influencing a person's well-being) (Felce & Perry, 1995, p. 23). These three components are relevant in the context of CSR, as companies can measure the impact of CSR not only through objective indicators such as increases in income or health levels, but also through how people subjectively assess the CSR programs run by the company. Therefore, the evaluation of CSR success should not only be based on economic aspects, but also on community satisfaction and perceptions of the benefits received from the company's CSR programs.

The link between CSR and quality of life can also be seen from the perspective of the Organization for Economic Co-operation and Development (OECD), which measures quality of life based on factors such as income, healthy environment, social stability, health, and employment opportunities (Jamaruddin & Sudirman, 2022, p. 51). Effective CSR should reflect companies' active involvement in improving these indicators in the



communities where they operate. For example, a company that provides education programs for the surrounding community not only helps to improve the competence of the local workforce, but also contributes to long-term sustainable economic growth. This is in line with Elkington's (1998) Triple Bottom Line (TBL) principle that emphasizes the balance between economic profit (Profit), community welfare (People), and environmental sustainability (Planet) (Elkington, 1998, p. 79).

In addition, there are three main criteria in measuring the quality of human life, namely: (a) the fulfillment of basic needs for biological survival (such as food, shelter, and health), (b) the fulfillment of basic needs to live humanely (including education, legal protection, and access to culture), and (c) the freedom to choose and make life decisions (Herlina, 2017, p. 164). The involvement of companies in improving access to these needs can be an indicator of the extent to which their CSR programs have a direct impact on community welfare. Overall, CSR is not only a company's obligation to allocate a portion of its profits to society, but also part of a sustainable business strategy that supports economic, social, and environmental well-being. By implementing CSR programs that are oriented towards the quality of life of the community, companies not only fulfill their regulatory obligations, but also build more harmonious long-term relationships with stakeholders. Therefore, it is important for companies to not only consider CSR as a legal obligation, but also as part of a social and economic investment that can enhance the company's reputation and competitiveness on a global scale.

Company Responsibility for Corporate Social Responsibility (CSR) Provisions

The implementation of Corporate Social Responsibility (CSR) in Indonesia has evolved in recent decades, with a more structural and regulatory approach. The concept of corporate social responsibility was initially more voluntary, but as public awareness of the environmental and social impacts of business increased, stricter regulations began to be implemented. In Indonesia, CSR is no longer just a corporate initiative, but has become a legal obligation, as stipulated in Article 74 of Law No. 40/2007 on Limited Liability Companies (UUPT) and Article 15 of Law No. 25/2007 on Capital Investment. These regulations require companies, especially those engaged in the natural resources sector, to allocate a special budget for CSR programs to ensure their contribution to the social and economic development of surrounding communities. However, despite being legally regulated, the implementation of CSR still faces various challenges,



including a lack of legal certainty regarding enforcement mechanisms and sanctions for companies that do not comply.

In Indonesia, CSR implementation still tends to focus on philanthropy, such as educational donations, social assistance, and environmental programs. Syaifa Tania (Tania, 2012, p. 81) reveals that the oil and gas and mining industry sectors are the most active in carrying out CSR, given the high risks that their operations pose to the environment and surrounding communities. However, social responsibility is not only an obligation of companies in the energy and mining sectors, but also companies in other sectors, such as manufacturing, banking and public services. This understanding is important to avoid the notion that CSR is only a sector-specific obligation, whereas all companies, without exception, have social responsibilities inherent in their business operations.

In the context of corporate legal responsibility for CSR, there are two main approaches that have developed in practice. The first approach is to minimize the negative impact of company operations, both on the environment and society. In this case, companies tend to carry out CSR as a form of compensation for the adverse impacts generated by their business activities. The second approach is to maximize the positive impact of CSR by creating programs that are sustainable and provide added value to the community, such as workforce training, infrastructure development, and support for local MSMEs. However, many companies still choose the first approach, where CSR is only done to dampen negative public reactions and not as a long-term oriented business strategy. As a result, many CSR programs are short-lived and unsustainable.

Nunung Prajarto and Radityo M. (Nunung Prajarto & M., Radityo, 2012, p. 265) identified several main categories of CSR implementation in Indonesia. First, human resource (HR) development through the provision of educational scholarships, job training, as well as funding academic and sports competitions. Second, economic community empowerment, for example through business capital assistance programs, entrepreneurship training, and strengthening local business capacity. Third, improving community welfare, which includes the provision of health services, sanitation, and the construction of transportation facilities. Fourth, environmental preservation, which is often manifested in the form of reforestation, waste management, and carbon emission reduction programs. Fifth, assistance for victims of natural disasters, including the provision of emergency relief as well as long-term assistance for the economic and social recovery of affected communities.



Although various CSR initiatives have been implemented by companies, many programs are still short-term and lack continuity with national development policies. For example, reforestation programs carried out by some companies often only involve planting trees without any long-term maintenance mechanism, so that more seedlings die than grow. In addition, some companies still use CSR as a tool to create a positive image (image building) without actually making concrete efforts to improve the welfare of the community. This shows that CSR regulations in Indonesia still have weaknesses in the aspects of supervision and accountability. As part of the effort to encourage stronger accountability in CSR, the government needs to improve the law enforcement mechanism so that CSR does not only become a formality for companies. Currently, there is no clear sanction mechanism for companies that ignore CSR, especially for companies outside the natural resources sector that are not explicitly required by the Company Law. Therefore, there is a need to harmonize regulations between various regulations governing CSR so that they are more comprehensive and have firmer legal force. Thus, CSR is not only a voluntary corporate policy, but also has strong legal implications, so that compliance with social responsibility can be optimized in real terms.

In its development, the implementation of Corporate Social Responsibility (CSR) in Indonesia has undergone significant changes. More and more companies are beginning to realize the importance of integrating CSR programs into their business strategies, not only as a form of compliance with regulations but also as a sustainable social investment. Saidi and Abidin (Zaim Saidi & Hamid Abidin, 2004, p. 85) explain that the current pattern of CSR implementation in Indonesia can be categorized into several main approaches, namely: direct involvement (companies carry out CSR independently), through foundations or social organizations, partnering with other parties such as universities or NGOs, and joining a consortium. Each approach has its own advantages and challenges, but in principle, the main goal is to ensure the sustainability of positive contributions for both the company and the surrounding community.

However, the reality on the ground shows that there are still many companies that carry out CSR as a formality without any real commitment to improving community welfare and environmental sustainability. Edi Suharto (Suharto, 2008, p. 13) identifies several biases in the implementation of CSR in Indonesia, including camouflage (CSR is only to form a positive image), generic (programs that are too general and not innovative), directive (CSR programs are more oriented towards the interests of the company than the community), lip service (CSR is only limited to charitable



actions), and kiss and run (there is no sustainability in the programs run). These biases often arise due to the lack of understanding of the true concept of CSR and the lack of supervision of CSR implementation in various industrial sectors.

From a regulatory perspective, corporate social responsibility in Indonesia has been regulated in various laws and regulations, including Law No. 40 of 2007 on Limited Liability Companies (UUPT), Law No. 25 of 2007 on Capital Investment (UUPM), and Government Regulation No. 47 of 2012 on Social and Environmental Responsibility of Limited Liability Companies. However, although there is a legal basis governing CSR obligations, there are some weaknesses in its implementation, especially related to legal certainty in the application of sanctions for companies that do not implement CSR optimally. According to Gustav Radbruch (Radbruch, 1950, p. 40), legal certainty must fulfill three main elements, namely norm clarity, regulatory consistency, and firmness in law enforcement. Unfortunately, CSR regulations in Indonesia still have many weaknesses in this aspect. For example, Article 74 of the Company Law obliges companies in the natural resources sector to implement CSR, but does not provide details regarding implementation indicators and minimum standards of CSR that must be met by companies. This has led to different interpretations among companies, reducing legal certainty in the implementation of CSR.

In addition, existing regulations also show inconsistencies in implementation. For example, Government Regulation No. 47/2012 stipulates that every company must develop an annual work plan for CSR, but in practice not all companies follow this procedure. Moreover, some sectoral regulations such as the Minerba Law create different CSR obligations for mining companies compared to other industrial sectors, resulting in potential overlapping regulations that may hinder the effective implementation of CSR. One of the most crucial problems with CSR regulation in Indonesia is the lack of enforcement. The UUPT does not clearly state the sanctions for companies that do not implement CSR, only stating that the sanctions will be regulated in government regulations, which until now have not been implemented effectively. The UUPM is actually more detailed in regulating administrative sanctions for companies that do not implement CSR (Article 34 of the UUPM), but the implementation of these sanctions is still weak due to the lack of supervision and clear law enforcement mechanisms (Edi Suharto, 2010, p. 50).



In order for CSR regulations to work effectively, more assertive policy reforms are needed, including harmonizing regulations to avoid overlapping rules, and providing clearer technical guidelines for companies in carrying out CSR. The government also needs to ensure that there is a stronger monitoring mechanism and apply stricter sanctions for companies that do not comply with CSR obligations. Radbruch (Radbruch, 1950, p. 52) emphasized that legal certainty can only be achieved if regulations can be applied consistently and have strong coercive power. In conclusion, although CSR has become a legal obligation for companies in Indonesia, there are still many obstacles in its implementation, especially related to the lack of legal certainty, regulatory inconsistencies, and weak law enforcement. To ensure that CSR truly contributes to sustainable social and economic development, concrete steps are needed to improve regulations and increase supervision of CSR implementation in Indonesia.

Optimization of Liability for Companies That Do Not Implement Corporate Social Responsibility (CSR)

The increase in domestic investment encouraged by Perpu No. 2 Year 2022 on Job Creation provides convenience for businesses to develop their business in Indonesia. However, this increase in business activity can also have a negative impact on the environment and society due to uncontrolled exploitation of natural resources. Therefore, Corporate Social Responsibility (CSR) is an important instrument in balancing economic benefits with social welfare and environmental sustainability (Edi Suharto, 2010, p. 10). CSR in Indonesia is regulated through various regulations, including the Limited Liability Company Law (UUPT) No. 40 of 2007 and the Investment Law (UUPM) No. 25 of 2007. However, there are inconsistencies in the scope and application of CSR, leading to ambiguity in the enforcement of obligations for companies. The inconsistency of CSR regulation in Indonesia is reflected in the different terms used in various laws (Sefriani & Wartini, 2017, p. 22). The Company Law uses the term Social and Environmental Responsibility (CSR) which only applies to companies engaged in natural resources, while the Capital Market Law requires all investors to implement social responsibility. In addition, SOEs have their own CSR scheme in the form of the Partnership and Community Development Program (PKBL), as stipulated in SOE Ministerial Regulation No. PER-02/MBU/04/2020. This difference creates a legal loophole that allows some companies to avoid CSR obligations by interpreting the regulation differently (Hidayat et al., 2020, p. 541).

Another weakness in the CSR regulation is the weak supervision mechanism and sanctions for companies that do not comply. Article 34 of



the UUPM includes administrative sanctions for companies that do not implement CSR, but its implementation is still weak due to the lack of supervision. In practice, many companies only carry out CSR as a formality or image strategy without providing real benefits to the community. This is due to the lack of legal certainty and the absence of clear implementation standards for companies in implementing CSR, which should be the case. The realistic legal objective is to provide legal certainty and legal benefits (Rusmanira et al., 2024, p. 143). Some other countries have established more stringent regulations regarding CSR. The European Union, for example, through its resolution "Corporate Social Responsibility: A New Partnership" on March 13, 2007, encouraged companies to be more transparent in reporting their CSR programs. India, through the Companies Act 2013, requires companies with certain assets and turnover to allocate special funds for CSR. These regulations can be a reference for Indonesia in improving its CSR system, especially in establishing more effective reporting and monitoring mechanisms (Sefriani & Wartini, 2017, p. 14).

To optimize corporate responsibility in CSR implementation, several strategic steps are needed. First, harmonization of regulations between the Company Law, Company Law, and other regulations is needed so that there are no legal loopholes that can be used by companies to avoid CSR obligations. Second, it is necessary to strengthen the supervision mechanism by setting clear indicators in the implementation of CSR, including an audit system and periodic reports. Third, the application of stricter sanctions for companies that do not implement CSR, either in the form of fines, revocation of business licenses, or other sanctions that have forced power. Overall, optimizing accountability for companies that do not implement CSR requires stricter regulatory reforms, a stricter monitoring system, and education to business actors about the importance of CSR in business sustainability. With clearer and more structured regulations, CSR can be an effective instrument in improving community welfare, maintaining environmental balance, and creating a fairer and more sustainable business climate. This will ensure that CSR is not only a legal obligation, but also part of a long-term business strategy that benefits all parties.

CONCLUSION

This study reveals fundamental inconsistencies in the regulation and enforcement of Corporate Social Responsibility (CSR) in Indonesia, particularly the normative gap between Law No. 40 of 2007 on Limited Liability Companies (UUPT) and Law No. 25 of 2007 on Capital Investment (UUPM). While the UUPT confines CSR obligations to companies in the



natural resource sector, the UUPM extends this duty to all investors, creating legal ambiguity and enforcement disparities. These inconsistencies result in regulatory loopholes that enable selective compliance and undermine the legal certainty of CSR obligations. Although Article 34 of the UUPM provides for administrative sanctions, the absence of a consistent enforcement framework and weak institutional oversight contribute to CSR being treated merely as a procedural formality with limited social or environmental impact.

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