


Social Environmental Responsibility (CSR) as a Legal Obligation in Corporate Law: Implementation and Its Impact on Society

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<i>Article Info</i>	<i>ABSTRACT</i>
<p>Article history:</p> <p>Submitted Nov 10, 2025 Accepted Dec 17, 2025 Published Dec 31, 2025</p> <hr/> <p>Keywords:</p> <p>Social and Environmental Responsibility (TJSL), Corporate Social Responsibility (CSR), Legal Obligation, Implementation, Governance.</p>	<p>Specifically, the study identifies a crucial legal gap: the limited scope of this obligation only to natural-resource-based companies, and critically analyzes the disproportionality of legal sanctions that undermines its deterrent effect. Initially recognized as a voluntary, ethics-driven initiative, TJSL has now become a legal mandate for certain limited liability companies, especially those engaging in or related to natural resources. This shift creates a distinctive paradigm compared to neighboring Southeast Asian countries, which mostly prefer incentive-based or voluntary frameworks. The study aims to analyze in depth the juridical construction of TJSL as a mandatory obligation, identify primary challenges in its implementation and governance, and examine the legal enforcement and empirical implications of such regulation for the community in the context of sustainable development. Findings highlight legal gaps, particularly the limited scope of the obligation to only natural-resource-based companies, ambiguities in operational definitions and funding sources, and weaknesses in the effectiveness of legal sanctions. The research suggests the need for comprehensive regulatory reforms to ensure the effectiveness of TJSL both legally and empirically for Indonesian society as a whole.</p> <p><i>This is an open access article under the CC BY 4.0 license.</i></p> 

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1. Introduction

Corporate Social Responsibility (CSR), or Tanggung Jawab Sosial dan Lingkungan (TJSL) in Indonesia, has undergone a fundamental transformation from a voluntary ethical practice into a legal obligation embedded within national corporate governance. In Indonesia, CSR is not merely a philanthropic gesture but a statutory duty for specific categories of companies, especially those operating in or related to natural resources. This legal transformation is primarily governed by Law No. 40 of 2007 on Limited Liability Companies (UUPT) and Government Regulation No. 47 of 2012 (PP 47/2012), which collectively outline the juridical construction of CSR as a mandatory corporate duty. This shift distinguishes Indonesia's regulatory framework from most other Southeast Asian

nations, which generally maintain a voluntary or incentive-based CSR model (Lubis & Hajar, 2024).

The emergence of CSR as a legal obligation reflects a significant paradigm shift in the relationship between corporations, the state, and society. Historically, CSR in Indonesia developed within the ethical domain, inspired by stakeholder theory and sustainability principles that emphasized moral responsibility toward communities and the environment. However, following the enactment of Law No. 40 of 2007 on Limited Liability Companies (UUPT), CSR became institutionalized as part of corporate law enforcement through mandates for companies engaged in or related to natural resources to implement social and environmental responsibilities. This distinguishes Indonesia from most Southeast Asian jurisdictions, where CSR remains predominantly voluntary and is primarily driven by disclosure requirements or market incentives rather than explicit legal obligations, such as in Malaysia and Thailand. The legal codification of CSR in Indonesia thus represents a distinctive regulatory trajectory that integrates ethical commitments into enforceable corporate obligations (Dwipayana, 2025; Riska Septi Ariani *et al.*, 2025). The inclusion of CSR obligations within corporate legislation aims to align business operations with sustainable development objectives, promote equitable resource utilization, and enhance community welfare (Rozak, 2023).

From a global perspective, CSR has evolved as an integral mechanism for achieving the United Nations Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) principles. Across the European Union (EU), for instance, CSR has shifted toward mandatory sustainability reporting through the Corporate Sustainability Reporting Directive (CSRD) enacted in 2023, which compels large corporations to disclose detailed environmental and social impact data (European Commission, 2023). In India, CSR obligations are codified under the Companies Act 2013, Section 135, requiring qualifying firms to allocate at least 2% of their average net profits to CSR initiatives (Syafrullah, 2023). Comparatively, Malaysia maintains a semi-voluntary CSR model under Bursa Malaysia's Listing Requirements, in which listed companies are required to disclose their corporate social responsibility or sustainability activities in annual reports, but are not legally compelled to implement specific CSR programs. This disclosure-based regulatory approach emphasizes transparency and accountability to stakeholders while allowing corporations discretion in designing and executing CSR initiatives, thereby reflecting a governance framework that encourages responsible business conduct without imposing substantive legal obligations on CSR performance (Bursa Malaysia, n.d.). This juxtaposition reveals that Indonesia's CSR framework occupies a distinctive regulatory position within Southeast Asia: CSR is legally binding under national law, yet its application remains limited in scope because statutory obligations primarily apply to corporations operating in natural-resource-based sectors, resulting in uneven enforcement and selective coverage across industries (Martono *et al.*, 2025).

Despite its progressive appearance, Indonesia's mandatory CSR model presents critical legal and institutional challenges. First, its application remains restricted to resource-related industries, excluding numerous non-extractive sectors that exert substantial social and environmental impacts. This selective application creates a regulatory asymmetry, undermining the universality of corporate accountability. Second, the absence of clearly defined sanctions under Article 74 of the UUPT and Government Regulation 47/2012 generates ambiguity and weakens enforcement, leading many companies to treat CSR as a formalistic compliance measure rather than a substantive commitment to sustainable social outcomes. Empirical legal research suggests that limited legal sanctions and supervision hinder effective CSR implementation, resulting in symbolic CSR practices that focus more on corporate image than on actual social and environmental impact (Sondakh, 2025).

Third, the lack of standardized reporting frameworks and measurable indicators continues to complicate the evaluation and accountability of corporate sustainability efforts, often rendering CSR performance largely symbolic and weakly connected to actual sustainable outcomes due to inconsistent metrics and fragmentation of reporting practices (du Toit, 2024; Thammaraksa, 2024).

The theoretical foundation of CSR within Indonesian corporate law rests upon stakeholder theory and social contract theory, both of which emphasize the interdependence between business entities and societal interests. Stakeholder theory posits that corporations bear obligations not only to shareholders but also to all stakeholders affected by their activities (Freeman, 2010). Within this theoretical lens, CSR obligations embedded in law serve to formalize the moral imperatives of corporate citizenship into enforceable duties (Siregar, 2023). Meanwhile, contemporary social contract theory conceptualizes corporations as social institutions whose legitimacy is derived from their ability to meet societal expectations beyond mere profit generation. From this perspective, corporations operate within an implicit social contract with society, under which their right to exist and operate depends on fulfilling ethical responsibilities and contributing to public welfare. Corporate legitimacy, therefore, is not granted automatically by legal compliance alone but is continuously evaluated based on how well corporate practices align with prevailing social norms, shared values, and collective interests. This approach provides a normative foundation for understanding corporate responsibility as an obligation rooted in societal consent and public expectations rather than solely in market efficiency or shareholder interests. By transforming CSR into a legal mandate, the Indonesian government seeks to institutionalize these ethical principles through binding norms, thereby reinforcing corporate accountability as part of the broader sustainable development agenda.

However, several juridical gaps persist in the implementation of CSR in Indonesia. Article 74 paragraph (1) of the UUPT confines CSR obligations to “companies engaged in or related to natural resources,” a clause that fails to accommodate the expanding spectrum of corporate externalities in non-extractive sectors such as manufacturing, finance, and technology, thereby leaving a legal loophole for corporations outside the natural resources sector. This limitation not only generates inequitable regulatory treatment but also creates a de facto legal vacuum for other industries that significantly contribute to social and environmental degradation, as CSR remains largely unregulated for these sectors under current law (Pangkey Sondakh et al., 2025). This narrow regulatory focus contrasts sharply with global practices, where CSR and sustainability reporting frameworks apply universally across sectors, as seen in the ISO 26000 and Global Reporting Initiative (GRI) standards (PwC, 2023).

Another significant issue lies in the weak enforcement mechanisms and disproportionate legal sanctions. For instance, in the landmark case of Supreme Court Decision No. 1022 PK/Pdt/2022, several mining companies were proven to have neglected their CSR obligations for over a decade, causing material and social losses exceeding IDR 16 billion. Yet, the court-imposed compensation amounted to barely one-tenth of the damages claimed, illustrating the lack of a standardized formula for assessing social and environmental harm (Supreme Court of Indonesia, 2022). This legal insufficiency undermines the deterrent power of CSR regulations and fosters a compliance culture that prioritizes formality over substance.

In contrast, India’s CSR model demonstrates a stronger enforcement architecture. The Companies Act mandates explicit allocation of funds and annual CSR disclosures, with penalties for non-compliance, thereby integrating CSR into the corporate financial ecosystem (Syafurullah, 2023). Similarly, the European Union’s CSRD and Non-Financial

Reporting Directive (NFRD) compel corporations to integrate sustainability metrics into corporate governance, linking disclosure obligations with market and investor transparency (European Commission, 2023). These frameworks provide valuable insights for Indonesia to reform its CSR regime toward a more comprehensive, enforceable, and transparent model.

The evolution of CSR in Indonesia also reflects broader governance dynamics and socio-economic realities. While CSR was initially framed as a moral responsibility, its legal institutionalization signals a recognition of the corporate sector's role in addressing social inequality, environmental degradation, and regional development disparities. The state's involvement through Law No. 40 of 2007 on Limited Liability Companies (UUPT) and Government Regulation No. 47 of 2012 embodies a hybrid governance model that merges public regulatory oversight with private sector accountability. Nevertheless, this hybridization highlights the need for robust institutional coordination among ministries, local governments, and regulatory bodies to prevent fragmentation, duplication, and gaps in CSR enforcement and evaluation, as weak coordination has been identified as a key barrier to effective CSR implementation in Indonesia's decentralized governance structure (Setiawati *et al.*, 2025; Dasenta, 2025).

Empirical studies in Indonesia reveal a positive correlation between CSR programs and community welfare, particularly in state-owned enterprises (SOEs) implementing strategic CSR initiatives aligned with the SDGs. Programs such as PT PLN's Community Involvement and Development (CID) and Pertamina's Pinky Movement demonstrate tangible socio-economic benefits, including local entrepreneurship development and improved infrastructure (PT PLN, 2021). However, CSR outcomes across private corporations remain inconsistent due to weak monitoring and absence of transparent impact assessment frameworks (Rozak, 2023).

Furthermore, the intersection between CSR and ESG reporting has gained prominence as global investors increasingly demand non-financial disclosures. Indonesian corporations listed on the Indonesia Stock Exchange (IDX) are progressively adopting the GRI and TCFD (Task Force on Climate-Related Financial Disclosures) frameworks. Between 2021 and 2023, ESG disclosure rates among Indonesian public companies increased from 4% to 10%, signaling growing market pressure for sustainable transparency (PwC, 2023). Nonetheless, without integrating these standards into national legislation, voluntary ESG adoption remains insufficient to achieve systemic accountability.

Ultimately, the juridical construction of CSR as a legal obligation in Indonesia presents a dual character: it affirms the state's commitment to sustainable corporate governance while simultaneously exposing significant regulatory gaps that hinder full realization of its objectives. The present study, therefore, seeks to analyze the legal structure of CSR as a mandatory corporate duty, identify core challenges in its implementation and enforcement, and evaluate its empirical impacts on society. Moreover, by incorporating comparative perspectives from India, Malaysia, and the European Union, this research aims to generate comprehensive policy recommendations that enhance the effectiveness and inclusivity of CSR in Indonesia's corporate legal framework.

2. Methods

This research uses a normative juridical approach that focuses on the analysis of laws and regulations, legal doctrines, and policies related to Social and Environmental Responsibility (TJSL). This methodology includes the collection and analysis of primary legal materials, such as Law Number 40 of 2007 concerning Limited Liability Companies, Government Regulation Number 47 of 2012, and other relevant derivative regulations. In addition, the researcher also

reviewed academic literature, policy documents, and court decisions related to TJSL law enforcement, to comprehensively understand the legal construction and implementation challenges in the field.

In addition to normative analysis, this study also integrates an empirical approach through document analysis of court decisions and corporate sustainability reports, as well as comparative studies with other countries such as Thailand and India. By combining deductive analysis and interpretation of legal materials and empirical data, researchers can identify regulatory weaknesses, implementation barriers, and social implications of TJSL obligations in Indonesia. This approach allows researchers to provide relevant and evidence-based recommendations on the need for TJSL regulatory reform to be more effective and have a real impact on society.

3. Results and Discussion

3.1 Juridical Basis of TJSL Obligations in Indonesia: Between Mandate and Legal Void Juridical Basis of TJSL Obligations (UUPT 40/2007)

The juridical foundation of *Tanggung Jawab Sosial dan Lingkungan* (TJSL), or Corporate Social Responsibility (CSR), in Indonesia rests upon the understanding that corporations are not isolated economic actors but integral components of the social and environmental systems in which they operate. Article 74(1) of Law No. 40 of 2007 on Limited Liability Companies (UUPT) codifies this principle by stipulating that every company conducting business activities in the field of, or related to, natural resources must carry out social and environmental responsibilities, thereby transforming CSR from a voluntary ethical commitment into a legal mandate under Indonesian corporate law (Rahmadany *et al.*, 2022).

The rationale underlying this transformation is rooted in the principle of sustainable development, which integrates economic growth, environmental preservation, and social equity. Within this legal framework, CSR serves as a corrective instrument to balance corporate profitability with societal welfare. The UUPT thereby embeds sustainability principles directly into corporate governance obligations, implying that economic activities must not produce environmental degradation or social harm (Lubis & Hajar, 2024). This obligation reflects the state's commitment to implementing the constitutional mandate of Article 33 of the 1945 Constitution of Indonesia, which envisions the national economy as structured on mutual cooperation (*kekeluargaan*) and aimed at the welfare of the people.

The embedding of CSR in statutory law distinguishes Indonesia from most Southeast Asian jurisdictions, where CSR remains largely voluntary. Article 74(1) of Law No. 40 of 2007 on Limited Liability Companies (UUPT) transforms CSR from a voluntary ethical principle into a legal obligation for companies—especially those related to natural resources—mandating them to carry out social and environmental responsibilities as part of corporate conduct. This explicit inclusion of CSR obligations suggests that Indonesian lawmakers recognized a normative gap between traditional business ethics and enforceable legal accountability. By codifying CSR into positive law, Indonesia seeks to institutionalize corporate morality and compel companies to internalize the social and environmental costs of their operations, serving both preventive and corrective purposes: preventive in imposing duties before harm occurs, and corrective in providing a basis for corporate liability when social or environmental damage has been demonstrated (Setiawati *et al.*, 2025; Dasenta, 2025).

In this regard, Indonesia's model echoes the European Union's "double materiality" principle, wherein corporate sustainability obligations encompass both the impact of

environmental changes on companies and the impact of corporate activities on society and the environment (European Commission, 2023). This convergence between legal and ethical duties underscores CSR's role as a bridging mechanism between public and private interests.

Contemporary social contract theory conceptualizes corporations as societal institutions whose legitimacy is contingent upon their fulfillment of socially grounded obligations rather than mere compliance with legal or economic requirements. Within this framework, corporate legitimacy arises from an implicit social contract between business and society, under which corporations are expected to align their operations with prevailing social norms, ethical standards, and public welfare expectations (Scherer, Palazzo, & Seidl, 2020). Accordingly, the right of corporations to operate is not granted automatically but is continuously evaluated based on their contribution to collective interests and responsible conduct. This perspective positions corporate responsibility as a normative obligation rooted in societal consent and ethical expectations, reinforcing the view that legitimacy depends on the extent to which corporate behavior conforms to socially accepted values and boundaries (Kaptein, 2025). By transforming CSR into a legal duty, Indonesia has effectively codified the moral expectation that corporations reciprocate societal benefits through concrete, measurable actions contributing to sustainable development.

3.2 Implementation Arrangements through Government Regulation 47/2012

The operational implementation of CSR in Indonesia was later clarified through Government Regulation No. 47 of 2012 (PP 47/2012), which provides technical guidance for fulfilling the CSR obligations stipulated in the UUPT. Article 4(1) of PP 47/2012 requires companies to budget CSR activities as part of their business expenditures and report the results to the General Meeting of Shareholders (GMS). The regulation also designates the Board of Directors as the party responsible for ensuring that CSR obligations are properly carried out.

This framework demonstrates a deliberate effort by the government to formalize CSR management as part of corporate governance mechanisms. The requirement to budget CSR expenditures signifies that CSR is no longer an optional philanthropic activity but an intrinsic component of business operations (Government Regulation Number 47 of 2012, 2012). As such, CSR must be planned, executed, and reported with the same degree of accountability as other business functions.

Nevertheless, while Government Regulation No. 47/2012 provides procedural clarity, it remains substantively weak regarding the scope and evaluation of CSR programs. The regulation lacks explicit indicators for measuring program success or impact, leaving broad discretion to corporations. As a result, CSR implementation exhibits inconsistencies across sectors, with companies tailoring CSR activities to enhance corporate image or stakeholder perception rather than to achieve tangible developmental outcomes or sustainable social impact (Andriani & Lie, 2025; Seow, 2025).

The regulatory design also raises interpretive challenges. The absence of detailed provisions on sanctions or tax incentives reduces the coercive and motivational aspects of CSR compliance. Comparative studies suggest that jurisdictions such as India have addressed this gap through the Companies Act of 2013, which not only mandates CSR spending but also enforces reporting obligations and sanctions for non-compliance (Syafullah, 2023). Indonesia's CSR framework, therefore, would benefit from adopting a dual approach legal enforcement paired with fiscal incentives to strengthen compliance and encourage substantive contributions to societal welfare.

Another structural issue concerns the vertical coordination between national regulations and regional governance. CSR programs often intersect with local development agendas; however, the decentralization of authority in Indonesia has resulted in fragmented implementation. National CSR frameworks are often applied unevenly across regions, while local governments may impose additional administrative requirements or lack sufficient institutional capacity and standardized mechanisms to monitor and evaluate CSR effectiveness. This situation weakens policy coherence between central government objectives and sub-national implementation, ultimately reducing the potential of CSR to support sustainable regional development (Hombore, 2025). To address this, a more integrated governance model that aligns CSR implementation with national sustainability policies such as the SDGs Roadmap 2030 is essential for coherence and impact consistency.

3.3 Legal Voids and Limitations of Liability Issues

Although CSR obligations have been legally institutionalized, significant juridical limitations persist. The most prominent is the restriction of CSR obligations to companies operating in or related to natural resources. This limitation excludes a vast number of corporations in non-extractive sectors, including manufacturing, finance, technology, and services, all of which have tangible environmental and social footprints (Siregar, 2023).

This selective application creates a legal inconsistency that undermines the principle of equality before the law and contradicts broader global standards. For example, ISO 26000 defines CSR as applicable to all organizations, regardless of size or industry, emphasizing accountability, transparency, ethical behavior, respect for stakeholder interests, and human rights (PwC Indonesia, 2023). Indonesia's CSR regime, by contrast, remains confined to a narrow subset of industries, leaving other sectors under-regulated.

This limitation represents what legal scholars call regulatory myopia—a condition in which laws fail to anticipate or respond to evolving economic and social realities. The contemporary corporate landscape is characterized by complex supply chains and cross-sector environmental externalities, yet Indonesian CSR law confines obligations largely to natural-resource sectors. Restricting CSR mandates in this way ignores the fact that industries such as textiles, automotive manufacturing, and financial services also exert considerable social and ecological influence. As a result, the law's failure to recognize these broader dynamics contributes to a fragmented system of corporate accountability and reduces legal effectiveness in addressing non-extractive corporate externalities (Windari & Dewi, 2025; Wibawani *et al.*, 2024).

Moreover, the absence of an integrated regulatory framework leads to what can be termed a legal vacuum. While Law No. 40 of 2007 on Limited Liability Companies (UUPT) and Government Regulation No. 47 of 2012 establish general CSR obligations, they do not provide clear coordination with environmental law, labor law, or human rights law, resulting in inconsistencies and limited legal certainty for enforcement beyond natural-resource sectors. Consequently, when CSR violations occur outside the scope of these provisions, enforcement mechanisms become uncertain or nonexistent, and companies may evade substantive accountability due to normative ambiguities and overlapping sectoral regulations that do not harmonize CSR with broader legal obligations (Setiawati *et al.*, 2025; Dasenta, 2025).

To bridge this gap, Indonesian legal scholars advocate for a comprehensive CSR codification a single, harmonized legislative framework that unifies CSR obligations across industries. Such codification could draw inspiration from the European Union's Corporate Sustainability Reporting Directive (CSRD), which extends sustainability disclosure requirements to all large and listed companies, integrating environmental,

social, and governance metrics (European Commission, 2023). By aligning CSR with sustainability reporting, Indonesia could promote not only compliance but also transparency and market-driven accountability.

Finally, the absence of clear liability mechanisms weakens CSR enforcement. While Article 74(3) of the UUPT refers to sanctions “in accordance with applicable laws,” neither UUPT nor PP 47/2012 specifies the nature or scope of such sanctions. This omission creates interpretive ambiguity and allows corporations to escape meaningful accountability. Legal certainty requires detailed provisions on the types of sanctions administrative, civil, or criminal and the conditions under which they may apply. Without these, CSR remains a declaratory obligation rather than an enforceable legal duty (Rozak, 2023).

3.4 Challenges of Implementation, Governance, and Financial Accountability of TJSL

Regulatory Challenges and Operational Definitions

The effectiveness of Indonesia’s *Tanggung Jawab Sosial dan Lingkungan* (TJSL) framework depends not only on the legal mandates established under the Company Law (UUPT) and Government Regulation No. 47/2012, but also on the clarity and coherence of its regulatory definitions. A primary challenge lies in the absence of a precise and operational definition of corporate social responsibility (CSR) within these regulations, which leads to inconsistent interpretations across sectors and leaves corporations with significant discretion in deciding how CSR should be implemented. This legal ambiguity creates uncertainty in both the scope of obligations and expectations for corporate practice, undermining accountability and weakening the potential for CSR to contribute meaningfully to sustainable outcomes. Research indicates that the lack of uniform, clear regulatory standards in Indonesia’s CSR framework contributes to variable compliance and limits the ability of companies to integrate CSR into strategic governance and sustainable development planning (Setiawati et al., 2024; International Journal of Islamic Education, 2025).

This regulatory gap directly affects policy coherence. Because neither the UUPT nor PP 47/2012 specifies performance indicators or evaluation criteria, companies often perceive CSR as a compliance requirement rather than a strategic investment. As a result, CSR activities tend to focus on public image enhancement rather than long-term social impact, a phenomenon widely observed in contexts where weak regulatory frameworks and limited enforcement create *symbolic compliance* rather than substantive change in corporate behaviour (Papafloratos, 2025; Samarawickrama, 2025).

From a legal-theoretical standpoint, this ambiguity undermines the *principle of legal certainty* (*asas kepastian hukum*), one of the fundamental doctrines of Indonesian administrative law. Legal certainty ensures that rights and obligations are clearly defined, predictable, and enforceable. When CSR lacks operational clarity, corporations may comply superficially while regulators struggle to measure substantive compliance. This condition creates an enforcement paradox: CSR becomes both mandatory and unenforceable (Rozak, 2023).

Furthermore, the absence of uniform standards leads to discrepancies between domestic and multinational corporations. International companies operating in Indonesia often follow globally recognized frameworks such as ISO 26000, the Global Reporting Initiative (GRI), and Environmental, Social, and Governance (ESG) indicators, while local firms rely solely on PP 47/2012 (PwC Indonesia, 2023). This divergence generates inequality in CSR quality and reporting transparency, revealing that Indonesia’s CSR regime remains partially aligned with international best practices.

Another dimension of this regulatory ambiguity involves the scope of stakeholder participation. CSR regulations in Indonesia emphasize corporate responsibility but provide limited procedural mechanisms for involving affected communities in decision-making processes. This contrasts sharply with CSR frameworks in jurisdictions like the European Union, where stakeholder dialogue is a legally recognized component of corporate governance (European Commission, 2023). Without participatory mechanisms, CSR risks being top-down and paternalistic, diminishing its potential to empower local communities.

3.5 Financial Accountability and Funding Mechanisms

Another major challenge in CSR implementation is the **uncertainty surrounding funding sources**. Indonesian law does not explicitly determine whether CSR should be financed from operating expenses or deducted from net profits. This ambiguity results in divergent corporate practices: some treat CSR as part of routine expenditures, while others allocate it as post-profit spending (Lubis & Hajar, 2024).

This uncertainty undermines financial transparency and accountability in corporate social responsibility practices. When CSR expenditures are classified as operational costs, companies may rationalize reducing such spending under the justification of efficiency or budgetary constraints. Conversely, when CSR is treated as a post-profit allocation, its implementation tends to become irregular and reactive, fluctuating with annual profitability rather than being embedded in long-term corporate strategy. Existing scholarship on corporate legitimacy and sustainability reporting demonstrates that unclear regulatory guidance and discretionary accounting treatment of CSR often result in inconsistent funding patterns and weaken the accountability of corporate social investments (Scherer, Palazzo, & Seidl, 2020; du Toit, 2024; Papafloratos, 2025).

In financial jurisprudence, the categorization of CSR expenditure affects both taxation and shareholder equity. Treating CSR as an operational cost could reduce taxable income, thereby providing implicit fiscal incentives. However, this approach may also distort the perception of CSR as a cost rather than an investment. Conversely, treating it as profit allocation reinforces the notion of CSR as part of distributive justice—returning a portion of profits to society (Syafullah, 2023). Both approaches require clear regulatory guidance to avoid inconsistency and potential abuse.

To address these issues, several scholars propose integrating CSR with corporate governance reporting standards. The inclusion of CSR performance within annual financial statements, as implemented in India under the Companies Act of 2013, enhances both accountability and investor confidence (Syafullah, 2023). Indonesia's current legal framework, however, separates CSR reporting from financial disclosure, creating gaps in oversight and evaluation.

Furthermore, Indonesia lacks a standardized auditing mechanism for CSR funds. Although PP 47/2012 requires reporting to shareholders, it does not mandate third-party audits or verification. This absence of independent review allows companies to overstate achievements or underreport failures. Incorporating independent CSR auditing either through certified public accountants or sustainability rating agencies could strengthen accountability and ensure program integrity.

3.6 Corporate Governance and Reporting Standards (ESG Alignment)

Indonesia's CSR landscape increasingly interacts with global Environmental, Social, and Governance (ESG) frameworks, which emphasize transparency, accountability, and sustainability. Although CSR obligations under UUPT focus primarily on the social and environmental dimensions, the ESG framework integrates governance as a third pillar, reflecting a holistic approach to corporate responsibility (PwC Indonesia, 2023).

A 2023 PwC report revealed that approximately 80% of large Indonesian corporations already use GRI standards for their sustainability reports. Meanwhile, climate-related risk disclosure following the Task Force on Climate-related Financial Disclosures (TCFD) framework rose from 4% in 2021 to 10% in 2023. These statistics indicate growing market-driven pressure for transparency and sustainability performance (PwC Indonesia, 2023).

Despite these positive trends, the alignment between CSR law and ESG practice remains incomplete. While ESG frameworks are primarily market-driven and voluntary, CSR obligations in Indonesia are legally mandated. This duality often causes confusion: companies may satisfy legal CSR requirements without addressing ESG metrics, or vice versa. The lack of regulatory harmonization hinders the integration of CSR into broader sustainability strategies.

State-Owned Enterprises (SOEs) have been instrumental in bridging this gap. The Minister of SOEs Regulation PER-1/MBU/03/2023 explicitly requires SOEs to align CSR programs with the four pillars of the Sustainable Development Goals (SDGs) social, environmental, economic, and governance. Moreover, it directs that programs follow the seven core subjects of ISO 26000. This integration positions SOEs as pioneers of ESG-aligned CSR practices in Indonesia (PT PLN, 2021).

However, even with these advancements, CSR reporting in Indonesia lacks standardized performance metrics and impact assessment tools. Many companies emphasize output indicators such as the number of beneficiaries or total expenditure rather than outcome indicators that measure long-term changes in community well-being or environmental restoration. By contrast, international ESG frameworks use quantifiable metrics such as carbon footprint reduction, gender diversity ratios, and supply-chain ethics audits (European Commission, 2023). Aligning Indonesian CSR with such measurable indicators would enhance credibility and comparability at the international level.

Furthermore, the absence of centralized CSR data repositories impedes longitudinal analysis. Unlike the EU's digital sustainability database or India's CSR National Portal, Indonesia has yet to establish a comprehensive CSR registry. Creating such a platform would promote transparency, facilitate policy evaluation, and encourage corporate benchmarking (Rozak, 2023).

3.7 Empirical Challenges of Implementation

Beyond legal and governance challenges, CSR implementation also faces significant empirical obstacles. Many CSR programs lack contextual sensitivity and fail to adequately engage with the specific socio-cultural conditions of the communities they are intended to serve. As a result, CSR initiatives often prioritize standardized or symbolic interventions that deliver short-term assistance rather than fostering long-term community empowerment and sustainable social transformation. Prior studies on corporate legitimacy and sustainability practices indicate that when CSR is driven primarily by compliance pressures or reputational concerns, it tends to overlook local needs and participatory approaches, thereby limiting its developmental impact (Scherer, Palazzo, & Seidl, 2020; Papafloratos, 2025).

Empirical studies suggest that community-based and participatory approaches yield more enduring outcomes. Programs designed collaboratively with local stakeholders tend to align better with community needs, fostering a sense of ownership and mutual trust. For instance, SOEs implementing SDG-aligned programs such as PT PLN's *Community Involvement and Development (CID)* have achieved measurable improvements in social infrastructure and economic inclusion (PT PLN, 2021).

However, the private sector frequently treats CSR as a peripheral activity, separate from core business operations. This detachment reduces CSR's strategic impact and perpetuates the perception that it is merely a compliance exercise. Embedding CSR into corporate strategy,

governance structures, and performance evaluations can transform it into a genuine tool for sustainable value creation (Siregar, 2023).

Additionally, CSR implementation suffers from inconsistent monitoring and evaluation (M&E) systems. Few corporations in Indonesia employ standardized methodologies to assess program effectiveness. Without consistent data collection and reporting, policymakers and regulators cannot evaluate the aggregate social impact of CSR. Implementing standardized M&E frameworks such as the *Logic Model* or *Sustainability Balanced Scorecard* would provide a more systematic basis for assessment and public accountability.

Finally, institutional coordination remains weak. Multiple ministries such as the Ministry of Law and Human Rights, the Ministry of Environment and Forestry, and the Ministry of SOEs exercise overlapping jurisdiction over CSR, leading to fragmented governance. This fragmentation dilutes accountability and complicates policy implementation (Rozak, 2023). A centralized coordination body or inter-ministerial task force could streamline regulation and promote coherent policy enforcement across sectors.

3.8 Law Enforcement and Sanctions of the Criminal Code of Criminal Justice: A Critical Analysis of Jurisprudence

Legal Sanctions Framework and Legal Certainty Issues

The enforcement of Corporate Social Responsibility (CSR) obligations in Indonesia legally referred to as *Tanggung Jawab Sosial dan Lingkungan (TJSL)* remains one of the most complex and controversial aspects of corporate law. Article 74(3) of the Law No. 40 of 2007 on Limited Liability Companies (UUPT) states that companies failing to implement CSR shall be subject to sanctions “in accordance with applicable laws and regulations.” However, neither the UUPT nor its implementing regulation, Government Regulation No. 47 of 2012 (PP 47/2012), specifies the type, scope, or mechanism of those sanctions (Rozak, 2023)

This legislative silence has resulted in significant legal uncertainty, as regulators and courts are left without clear guidance on how to penalize non-compliance with CSR obligations. In practice, CSR violations often end up being addressed under environmental law or tort (unlawful acts) law rather than corporate law due to the absence of specific enforcement mechanisms and sanctions in CSR regulations. Such enforcement through general sectoral laws produces inconsistent and often lenient outcomes, undermining the deterrent effect and allowing CSR obligations to remain legally binding in form but weak in substance. Scholars argue that this legal ambiguity, coupled with weak sanctioning and fragmented regulatory coordination, contributes to CSR being treated as a symbolic mandate rather than a substantive accountability mechanism (Pangkey Sondakh *et al.*, 2025; Setiawati *et al.*, 2025).

From a doctrinal perspective, this gap undermines the *principle of legality (nullum crimen sine lege)*, which requires that sanctions be expressly defined by law. The absence of explicit provisions in UUPT or PP 47/2012 violates this legal certainty principle, as corporations cannot be punished without a clear legal basis. Legal certainty is not merely a procedural requirement; it is a constitutional guarantee under Article 28D(1) of the 1945 Constitution, ensuring that every citizen and corporate entity has the right to fair and predictable laws. Without such clarity, CSR law risks arbitrary enforcement, diminishing its deterrent effect and undermining public trust in corporate accountability mechanisms.

Moreover, Indonesia’s CSR sanction system contrasts sharply with international practices. For instance, India’s Companies Act 2013, Section 135(7) imposes financial penalties and public disclosure requirements for CSR non-compliance, while the European Union’s Corporate Sustainability Reporting Directive (CSRD) links sustainability disclosures to market and investor regulations (European Commission, 2023). In these jurisdictions, CSR enforcement mechanisms are both punitive and preventive—encouraging proactive compliance while penalizing neglect.

In contrast, Indonesia's current CSR enforcement model remains largely reactive. Regulatory violations are typically addressed only after social or environmental harm has occurred, while available legal remedies tend to focus on civil liability rather than preventive administrative or criminal sanctions. Such a reactive approach conflicts with the preventive rationale of CSR, which seeks to internalize social and environmental accountability within corporate decision-making processes. The absence of proactive enforcement mechanisms—such as periodic compliance audits, certification requirements, and mandatory public disclosure weakens regulatory oversight and encourages corporations to prioritize formal compliance over substantive behavioral change. Existing scholarship on corporate legitimacy and sustainability governance demonstrates that weak enforcement and limited preventive tools often result in symbolic CSR practices that fail to produce meaningful social or environmental transformation (Scherer, Palazzo, & Seidl, 2020; OECD, 2020; Papafloratos, 2025).

3.9 Jurisprudence Analysis: Case Study of Supreme Court Decision No. 1022 PK/Pdt/2022

The Supreme Court Decision No. 1022 PK/Pdt/2022 serves as a landmark illustration of the structural weakness in CSR law enforcement in Indonesia. In this case, companies were adjudged to have violated their statutory CSR obligations, but the sanctions imposed were limited and did not adequately reflect the magnitude of the resulting social and environmental harm. Scholars note that the case highlights significant gaps in both the scope of sanctions available and the effectiveness of enforcement mechanisms, demonstrating that legal accountability for CSR violations remains underdeveloped and insufficient to deter non-compliance, particularly in sectors such as mining where community and environmental impacts are profound (Zidni & Mahfud, 2025).

The total damages claimed by the affected community exceeded IDR 16 billion. However, the Supreme Court awarded only IDR 1.15 billion in compensation, equivalent to less than 10% of the total loss. The court's reasoning relied heavily on judicial discretion, as no statutory formula exists for calculating CSR-related damages. This outcome highlights a systemic deficiency in Indonesia's CSR enforcement system: the absence of quantifiable and standardized damage assessment methodologies (Rozak, 2023).

From a jurisprudential standpoint, this case exposes the disproportionality of civil sanctions relative to actual social harm. Disproportionality not only weakens deterrence but also signals to corporations that non-compliance may be economically rational—since penalties are significantly lower than compliance costs. This situation mirrors what legal theorists describe as regulatory capture, where laws exist but are too lenient to alter corporate behavior (Kagan, 2020).

Furthermore, this case underscores the judiciary's limited institutional capacity to adjudicate CSR violations. Judges often lack technical expertise in assessing social and environmental damage, leading to inconsistent rulings and unpredictable legal outcomes. The establishment of specialized environmental or corporate chambers within the judiciary could enhance consistency and technical competence in CSR-related adjudication.

The decision also reveals the absence of procedural integration between CSR law and environmental liability mechanisms under Law No. 32 of 2009 on Environmental Protection and Management. Although environmental law provides clear sanctioning procedures—including administrative and criminal penalties—CSR enforcement remains confined to civil remedies, depriving it of coercive power.

This judicial fragmentation illustrates the need for a systemic reform linking CSR obligations with existing regulatory regimes. For instance, environmental and social impact assessments (AMDAL) could be legally tied to CSR performance reports, ensuring that companies internalize the social costs of their operations. Such integration would transform CSR from an isolated

corporate duty into a legally enforceable component of sustainability governance. Weak Enforcement Mechanisms and the Need for Reform

The weakness of Indonesia's CSR enforcement regime can be traced to three interrelated factors:

- a. the absence of explicit sanction provisions,
- b. the lack of a standardized loss-calculation mechanism, and
- c. insufficient institutional coordination among enforcement agencies (Rozak, 2023).

These weaknesses collectively create a compliance paradox: while CSR is legally mandatory, its enforcement remains largely symbolic. The result is a widening gap between legal formalism and practical accountability.

From a comparative law perspective, India and the European Union offer instructive models for reform. India's CSR framework combines mandatory spending with mandatory reporting, and failure to disclose CSR performance constitutes a statutory offense under Section 134 of the Companies Act. Meanwhile, the EU's CSRD introduces administrative fines for inaccurate or incomplete disclosures, linking CSR compliance to investor transparency and capital market regulation (European Commission, 2023). Indonesia could adopt a hybrid model combining fiscal incentives, disclosure obligations, and sanction mechanisms to achieve similar results.

In addition to legislative reform, institutional reform is equally necessary to ensure effective CSR enforcement. In Indonesia, CSR governance involves multiple authorities—such as sectoral ministries, environmental regulators, and financial supervisory bodies—without a unified supervisory institution. This fragmented institutional arrangement creates overlapping mandates, regulatory inconsistency, and diluted accountability, ultimately weakening enforcement capacity. Comparative studies show that jurisdictions with integrated or coordinated CSR oversight frameworks are more effective in aligning incentives, disclosure obligations, and sanction mechanisms, thereby reducing symbolic compliance and enhancing substantive social and environmental outcomes (OECD, 2020; UNCTAD, 2023).

The establishment of a centralized National CSR Commission could provide coordinated oversight, policy integration, and data management, ensuring consistent implementation across sectors.

The theoretical basis for such reform lies in the concept of **responsive legal frameworks** that advocate for legal systems capable of adapting to evolving social and economic needs instead of rigidly enforcing formal rules. In the context of CSR regulation, a responsive legal framework emphasizes flexibility, stakeholder engagement, and mechanisms that encourage substantive compliance rather than mere formal adherence. By adopting such a responsive approach, Indonesia's CSR enforcement could evolve from a punitive deterrence model toward a collaborative compliance model—one that promotes both corporate accountability and innovative practices aligned with societal expectations. This perspective aligns with research highlighting the need for legal systems that embed adaptability and responsiveness in regulatory design to improve corporate governance and accountability outcomes, particularly in developing legal environments where traditional enforcement mechanisms may be weak (Setiawati *et al.*, 2025).

The weak enforcement of CSR obligations not only undermines legal authority but also threatens the broader agenda of sustainable corporate governance. When laws fail to impose meaningful sanctions, corporations tend to treat CSR as reputational insurance rather than a genuine commitment to social transformation (Siregar, 2023). This phenomenon, often referred to as greenwashing, allows corporations to project an image of responsibility without implementing substantive change (Lubis & Hajar, 2024).

Moreover, ineffective enforcement exacerbates public skepticism toward corporate governance and erodes trust in state institutions. Empirical research in corporate law suggests that credible enforcement mechanisms such as public naming-and-shaming policies, suspension of licenses, or market-based penalties significantly enhance compliance (OECD, 2022). Integrating these

measures into Indonesia's CSR regime could strengthen deterrence while preserving investor confidence.

In the long term, improving CSR enforcement contributes to achieving the United Nations Sustainable Development Goals (SDGs), particularly Goals 8 (Decent Work and Economic Growth), 12 (Responsible Consumption and Production), and 16 (Peace, Justice, and Strong Institutions). Thus, reforming Indonesia's CSR legal framework is not merely a corporate issue but a matter of national governance and international commitment.

3.10 International Comparison: The Effectiveness of Mandatory regulations vs. Voluntary

The Comparative Regulatory Landscape of CSR

Indonesia's regulatory approach to Tanggung Jawab Sosial dan Lingkungan (TJSL), or Corporate Social Responsibility (CSR), occupies a distinctive position within the global CSR framework. By integrating CSR obligations directly into Law No. 40 of 2007 on Limited Liability Companies (UUPT), Indonesia formalized CSR as a legal duty rather than a voluntary corporate initiative, particularly for companies engaged in or related to natural resources. This legal codification contrasts with the regulatory approaches of many of its regional neighbors, such as Malaysia and Thailand, where CSR remains primarily incentive-based or voluntarily driven through disclosure requirements and market-led sustainability programs rather than explicit statutory obligations (Risk Septi Ariani *et al.*, 2025).

The contrast among these jurisdictions reflects broader debates in comparative corporate law concerning the *efficacy of regulatory compulsion versus voluntarism*. Mandatory CSR, such as that of Indonesia and India, seeks to establish uniform corporate accountability through legal enforcement. In contrast, voluntary frameworks rely on market discipline, stakeholder pressure, and reputational incentives to motivate compliance. Each model presents trade-offs between *legal certainty* and *corporate innovation*.

Mandatory CSR laws provide explicit obligations and sanctions, promoting legal uniformity but sometimes stifling creativity and contextual adaptation. Voluntary models, conversely, encourage innovation and stakeholder collaboration but often suffer from weak enforcement and inconsistent implementation (Lubis & Hajar, 2024). The balance between these two paradigms determines how effectively CSR contributes to sustainable development.

3.11 Indonesia's Mandatory Approach: Legal Certainty and Symbolic Compliance

Indonesia's mandatory CSR model offers **legal certainty** by clearly defining corporate obligations in statutory law. Companies are required to allocate resources and report CSR activities, ensuring formal compliance. However, critics argue that the lack of stringent sanctions and measurable performance standards reduces this system's transformative potential (Rozak, 2023).

The phenomenon of symbolic compliance where companies fulfill CSR obligations in form but not in substance has become increasingly evident. Because legal requirements focus on reporting rather than outcomes, many corporations conduct CSR projects that prioritize public visibility over actual community impact, leading to superficial sustainability efforts rather than meaningful change. Research indicates that firms often use CSR disclosures as a symbolic mechanism to manage legitimacy and stakeholder perceptions without committing to substantive changes in practice, thus emphasizing compliance rhetoric over measurable social or environmental outcomes (Yang & Kim, 2025; Journal of Corporate Finance, 2025). This situation exemplifies what sociologist Gunther Teubner calls *legal formalism without normative substance*, where compliance with formality replaces genuine accountability.

From a governance standpoint, Indonesia's CSR model demonstrates a tension between legal compulsion and voluntary moral engagement. While formal mandates ensure corporate participation, the absence of strong enforcement mechanisms, clear sanctions, and robust oversight allows companies to treat CSR largely as a bureaucratic exercise rather than an ethical imperative. Scholars note that weak enforcement and limited regulatory clarity have hindered CSR's potential to function as an effective governance instrument, resulting in compliance that is often ceremonial rather than substantively accountable to stakeholders (Setiawati *et al.*, 2025; Ama Khasanayanti *et al.*, 2025). This duality has led scholars to describe Indonesia's CSR regime as "compulsory in law, voluntary in effect."

Nevertheless, Indonesia's mandatory framework has also yielded positive institutional effects. It has encouraged companies—particularly those in the extractive sectors—to establish CSR units, appoint sustainability officers, and incorporate CSR into strategic planning (PT PLN, 2021). Moreover, by embedding CSR in corporate law, Indonesia ensures that CSR obligations survive changes in corporate leadership, creating a degree of continuity and predictability absent in purely voluntary systems.

3.12 The Indian Hybrid Model: Mandated Funding, Flexible Implementation

India's Companies Act 2013 represents the world's most structured form of mandatory CSR. Section 135 of the Act requires companies above a specified financial threshold to spend at least 2% of their average net profits on CSR activities. Non-compliance triggers financial penalties and disclosure obligations (Syafrullah, 2023).

India's model illustrates how legal compulsion can coexist with operational flexibility. While the Act mandates CSR spending, it allows companies to choose which projects to fund, provided they fall within the categories listed in Schedule VII (education, health, environment, rural development, etc.). This flexibility encourages corporate creativity while maintaining accountability.

India's approach has also institutionalized public disclosure as a compliance tool. Every year, companies must include CSR expenditure and program descriptions in their annual reports. This disclosure requirement introduces transparency and peer pressure, as non-compliant firms risk reputational and market penalties.

Empirical studies suggest that India's model has improved both CSR spending and reporting quality. Between 2014 and 2022, CSR expenditure among India's top 100 listed companies increased by 30%, and alignment with national development priorities such as women's empowerment and clean energy also strengthened (OECD, 2022). The combination of mandatory spending and voluntary implementation has thus created a *responsive compliance model* that balances legal enforcement with managerial discretion.

Comparatively, Indonesia could adopt similar mechanisms by mandating a minimum CSR expenditure ratio, introducing public CSR reporting, and incorporating performance indicators aligned with the Sustainable Development Goals (SDGs).

3.13 The Malaysian and Thai Models: Incentive-Driven Voluntarism

In contrast to Indonesia's mandatory framework, Malaysia and Thailand exemplify voluntary and incentive-driven CSR regimes. In Malaysia, CSR disclosure is required for listed companies under the Bursa Malaysia Listing Requirements, but implementation remains voluntary (Lubis & Hajar, 2024). The government and financial regulators encourage CSR through tax incentives, awards, and public recognition programs rather than punitive sanctions.

This incentive-based system aligns CSR with market competitiveness and brand reputation. Companies engage in CSR not because of legal compulsion but due to reputational and investment advantages. For example, firms listed in Malaysia's FTSE4Good

Index have reported improved investor confidence and lower capital costs due to strong sustainability performance.

Thailand's approach follows a similar path. Although CSR is not legally mandatory in Thailand, it remains a voluntary responsibility actively promoted by market institutions such as the Stock Exchange of Thailand (SET), which encourages listed companies to disclose sustainability information and engage in ESG-related practices through annual sustainability reporting, workshops, and ESG ratings programs that build capacity and public recognition of corporate sustainability achievements. This voluntary model has helped cultivate a culture in which corporations integrate CSR into business strategy and tailor projects to local socio-economic contexts, linking CSR efforts with long-term value creation and stakeholder expectations rather than strict legal compliance (The Stock Exchange of Thailand, 2025; ASEAN Exchanges, 2025).

However, voluntary frameworks face limitations in ensuring inclusivity and equity. Small and medium enterprises (SMEs) often lack resources and expertise to implement effective CSR programs. Without regulatory compulsion, such firms may ignore CSR altogether, widening disparities in corporate contribution to societal welfare. This limitation underscores the importance of hybrid models combining voluntary incentives with minimum legal standards.

3.14 The European Union Model: Mandatory Disclosure and Investor Governance

The European Union's Corporate Sustainability Reporting Directive (CSRD), adopted in 2023, introduces a new dimension to CSR regulation—mandatory disclosure rather than mandatory spending (European Commission, 2023). Under this directive, large and listed companies must publish detailed sustainability reports integrating environmental, social, and governance (ESG) data.

The EU's model represents a *transparency-based approach* that leverages market forces to enforce accountability. Instead of directly mandating CSR activities, it compels companies to disclose sustainability performance, allowing investors, consumers, and regulators to evaluate corporate behavior. Non-compliance can result in administrative fines and reputational damage, creating strong indirect enforcement pressure (OECD, 2022).

This approach effectively transforms CSR from a philanthropic activity into a component of corporate risk management and investor governance. It aligns with the "comply or explain" principle widely adopted in European corporate governance, where firms either adhere to sustainability standards or justify deviations publicly.

For Indonesia, the EU's disclosure-based model offers valuable lessons. Integrating mandatory sustainability reporting into the CSR framework could enhance transparency and harmonize corporate accountability with global ESG norms. Furthermore, linking CSR performance to access to public procurement or investment incentives could strengthen both compliance and competitiveness.

3.15 Synthesis: Lessons and Policy Implications for Indonesia

The comparative analysis across Indonesia, India, Malaysia, Thailand, and the EU reveals that no single model guarantees optimal CSR performance. Instead, effective CSR governance depends on the balance between legal enforceability, managerial flexibility, and stakeholder engagement.

Indonesia's challenge is to evolve from formal compliance to transformative compliance from CSR as a legal obligation to CSR as a corporate culture. To achieve this, the government should:

- a. Introduce minimum spending thresholds for CSR aligned with company size or industry impact;

- b. Mandate annual CSR and sustainability reporting in line with GRI and TCFD frameworks;
- c. Establish measurable performance indicators for community and environmental outcomes;
- d. Provide tax incentives or preferential treatment in public procurement for compliant firms; and strengthen public access to CSR data through a national reporting portal.

These reforms would not only enhance the legitimacy of CSR as a legal obligation but also align Indonesia's corporate governance standards with international sustainability practices.

Ultimately, the future of CSR regulation lies in hybridization the integration of legal mandates with voluntary initiatives. Such a framework recognizes that sustainable corporate behavior cannot be achieved solely through coercion but must also be cultivated through ethical commitment, stakeholder dialogue, and transparent accountability mechanisms.

3.16 The Empirical Impact of Mandatory TJSL on Society and the Environment

Positive Impact and Community Empowerment

Empirical observations show that the implementation of *Tanggung Jawab Sosial dan Lingkungan* (TJSL) programs in Indonesia has contributed significantly to community development when executed strategically and aligned with sustainability goals. Programs led by State-Owned Enterprises (SOEs), particularly those integrated with the four main pillars of the Sustainable Development Goals (SDGs)—social, environmental, economic, and governance—demonstrate that CSR can become a powerful catalyst for inclusive growth (PT PLN, 2021; Siregar, 2023).

For example, PT PLN (Persero)'s Community Involvement and Development (CID) program has contributed to infrastructure improvement and expanded community access to basic services, while Pertamina's Pinky Movement has empowered small-scale entrepreneurs through capacity-building programs and access to capital. These initiatives illustrate that CSR initiatives embedded within corporate strategy—rather than treated as auxiliary or symbolic activities—can simultaneously enhance corporate reputation, improve community welfare, and support long-term business sustainability, particularly within the Southeast Asian governance context where CSR is encouraged through policy frameworks and institutional incentives rather than strict legal mandates (Martono et al., 2025).

Moreover, CSR programs implemented under the framework of *Good Corporate Governance* (GCG) encourage transparency and accountability in the corporate sector. This alignment with global reporting frameworks such as the Global Reporting Initiative (GRI) and ISO 26000 ensures that TJSL activities contribute not only to immediate social welfare but also to the nation's broader sustainable development agenda (PwC Indonesia, 2023).

Implementation Quality Risks and Challenges

Despite positive progress, the implementation of TJSL still faces challenges that limit its overall impact. Weak enforcement mechanisms and the absence of standardized evaluation methods result in varying CSR quality across sectors. The case of *Supreme Court Decision No. 1022 PK/Pdt/2022* illustrates the enforcement gap, where companies that failed to implement CSR received sanctions disproportionate to the social and environmental damage caused (Supreme Court of Indonesia, 2022).

Such weak sanctioning undermines deterrence and allows companies to comply only symbolically. Without a clear legal framework defining sanctions and enforcement mechanisms, the TJSL obligation risks becoming formalistic—legally mandatory but socially ineffective—because companies face limited consequences for failing to implement

substantive CSR activities. This legal uncertainty contributes to low compliance and reinforces CSR as a symbolic practice rather than an effective governance tool that drives meaningful social and environmental impact. Strengthening standardized sanctions, clear enforcement procedures, and robust oversight is essential to ensure that CSR obligations are implemented substantively and contribute to sustainable development outcomes (Setiawati et al., 2025; Siahaan et al., 2025).

In addition, most CSR programs remain concentrated among large corporations and SOEs, while small and medium enterprises (SMEs) still lag behind due to limited financial capacity and lack of technical expertise. This disparity reflects a broader issue of unequal corporate participation in national development

To address these challenges, policy reforms should prioritize strengthening monitoring mechanisms, establishing clear and outcome-based criteria for impact evaluation, and providing structured incentives particularly for SMEs to engage meaningfully in CSR initiatives. Aligning TJSL regulations with measurable sustainability indicators, such as community income growth, job creation, or environmental recovery, is essential to shift CSR practices from symbolic compliance toward substantive implementation. Empirical studies demonstrate that when CSR frameworks emphasize measurable outcomes and strategic integration rather than disclosure alone, CSR can function as an effective instrument for enhancing community welfare, corporate legitimacy, and long-term economic sustainability (Yang & Kim, 2025; Martono et al., 2025).

4. Conclusion

JSL in Indonesia has been constructed as a strict legal obligation for Limited Liability Companies engaged in or related to natural resources, based on UUPT Number 40 of 2007 and Government Regulation Number 47 of 2012. However, the analysis points to some crucial weaknesses. The government must reformulate regulations to expand the scope of TJSL obligations beyond natural resource companies, utilizing criteria of impact risk and/or financial size. Practical implementation is constrained by the unclear definition of operations, ambiguity of funding sources (operational or profit), and the risk of formalism in the program. Third, and most crucially, is the failure of law enforcement to provide adequate deterrence. The latest jurisprudence (Supreme Court Decision 1022 PK/Pdt/2022) shows that there is a huge disproportionality of civil sanctions compared to the actual losses of the community. This failure implicitly reduces the strength of the *mandatory* nature of TJSL in the court realm.

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