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LEGAL ACCOUNTABILITY AND GOVERNANCE IN CORPORATE SOCIAL RESPONSIBILITY IMPLEMENTATION IN INDONESIA

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Abstrak:
This study aims to examine the legal accountability and governance dimensions of Corporate Social Responsibility (CSR) implementation in Indonesia. It addresses the issue of weak integration between CSR legal mandates and their practical realization within corporate governance frameworks. Using a normative juridical method with statutory and conceptual approaches, this research analyzes legal materials including Law No. 40 of 2007 on Limited Liability Companies and Government Regulation No. 47 of 2012 on Social and Environmental Responsibility, complemented by secondary literature and qualitative analysis. The findings indicate that CSR in Indonesia remains largely voluntary and philanthropic, with weak legal enforcement and limited standardized mechanisms for auditing and reporting. The absence of clear sanctions for non-compliance and the lack of transparency hinder CSR's potential to function as a governance instrument that ensures corporate accountability. The study interprets CSR as a legally binding element of corporate governance that strengthens ethical responsibility, transparency, and stakeholder trust. It concludes that reinforcing CSR enforcement through standardized reporting, independent auditing, and regulatory collaboration can transform CSR from a symbolic practice into a binding social commitment that supports sustainable national development.

INTRODUCTION

Corporate Social Responsibility (CSR) has developed into a multidimensional concept that connects business activities with social, environmental, and ethical responsibilities. Initially perceived as a voluntary practice to enhance corporate reputation, CSR has transformed into a binding legal and moral obligation that represents the corporation's accountability toward society. In the Indonesian context, CSR is viewed not only as an ethical commitment but also as a legal instrument that ensures businesses contribute to public welfare and environmental sustainability (Fajar, 2018). This transformation highlights the growing awareness that corporations play a significant role in achieving national and global development goals, especially the Sustainable Development Goals (SDGs). The rationale for conducting this research stems from the imbalance between the normative expectations of CSR as mandated by law and the practical realities of its implementation. Despite strong legal foundations, many corporations still perceive CSR as a secondary or symbolic obligation rather than an integrated part of their governance framework (Buhmann & Leal-Arcas, 2020). CSR programs are often carried out as public relations activities designed to build a positive image instead of being implemented as structured, accountable programs that address social and environmental issues. This phenomenon creates a substantial gap

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between legal compliance and ethical responsibility, calling for a deeper analysis from a governance and legal perspective (Román-Cuesta, 2025).

The existence of Article 74 of Law No. 40 of 2007 concerning Limited Liability Companies, supported by Government Regulation No. 47 of 2012, provides a clear legal mandate for companies to implement CSR. However, the regulation's enforcement remains weak due to the absence of standardized mechanisms for supervision, auditing, and evaluation. While the law obliges certain sectors—particularly those related to natural resources—to perform CSR, the interpretation and implementation of these obligations vary widely among companies (Situmorang & Nurdin, 2024). Consequently, the legal intent to institutionalize CSR within corporate governance is often undermined by inconsistent practices and limited accountability mechanisms. From a governance standpoint, CSR should be integrated into the core structure of corporate management through transparency, accountability, and compliance. Good Corporate Governance (GCG) principles—such as fairness, responsibility, and transparency—should guide CSR implementation to ensure that corporate contributions align with public interests. However, in practice, CSR governance in Indonesia often lacks alignment between legal enforcement and managerial accountability (Arifudin & Purwanti, 2024). The absence of a clear audit framework for CSR activities further limits the ability of regulators and stakeholders to assess corporate performance in fulfilling social obligations.

Previous studies have extensively discussed CSR from economic, managerial, and ethical perspectives. For instance, Rahman and Bukair (2013) analyzed CSR disclosure in Islamic banking, while Adams and Evans (2004) emphasized the role of accountability and audit expectations in corporate citizenship (Rehman et al., 2020). Nevertheless, limited research has explored CSR as a legal obligation embedded within Indonesia's governance framework. This lack of legal integration creates a research gap, as most studies focus on voluntary CSR practices rather than CSR as a component of enforceable corporate accountability. Therefore, examining CSR from a legal and governance-based perspective is essential to bridge this theoretical and practical divide (Tamvada, 2023). The novelty of this study lies in its interdisciplinary approach that merges legal analysis, governance theory, and accountability frameworks. Unlike previous research that focuses primarily on CSR disclosure or performance measurement, this study examines how CSR functions as a form of legal compliance that strengthens governance structures (Sheehy et al., 2023). By contextualizing CSR within corporate law, this research emphasizes that social responsibility is not a peripheral obligation but a core element of corporate legitimacy. The study further highlights that CSR, when legally enforced and transparently audited, contributes directly to sustainable business practices and community empowerment (Schlusberg, 1969).

In addition to addressing the theoretical gap, this research contributes to the broader discussion on the relationship between law, governance, and social development. CSR implementation, when aligned with legal norms and governance mechanisms, can serve as a tool for social transformation. It promotes ethical corporate behavior, equitable distribution of resources, and environmental stewardship (Deffains et al., 2023). Strengthening CSR enforcement mechanisms can therefore enhance public trust in corporations and foster collaboration between business entities, government institutions, and communities in realizing sustainable development goals (Sharofiddin et al., 2024). Based on these considerations, this research seeks to answer several fundamental questions: How is CSR legally positioned within Indonesia's corporate governance system? What are the implications of CSR as a legal obligation for corporate accountability and community empowerment? And how can CSR governance and auditing mechanisms be optimized to ensure compliance with legal and ethical standards? Addressing these questions is expected to provide

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significant contributions to both the theoretical development of governance-based CSR and the practical enhancement of corporate accountability in Indonesia (Arifudin & Purwanti, 2024).

METHODS

This study employed a normative juridical research method with a statutory and conceptual approach to analyze the legal position and accountability of Corporate Social Responsibility (CSR) implementation in Indonesia. The research was conducted by examining primary legal materials, including Law No. 40 of 2007 concerning Limited Liability Companies and Government Regulation No. 47 of 2012 concerning Social and Environmental Responsibility, as well as secondary materials such as legal doctrines, journal articles, and previous research related to governance and corporate accountability (Aldila & Santiago, 2018). The study was carried out within the scope of the Indonesian legal system, focusing on companies operating in sectors obligated to implement CSR, particularly those related to natural resources and community-based enterprises. Data were collected through literature review and documentation analysis, which were then analyzed qualitatively using deductive and inductive reasoning to interpret the consistency between legal norms and practical implementation. The analytical framework combined legal interpretation with governance theory to evaluate the extent to which CSR functions as a legally binding component of corporate governance and as a tool to strengthen transparency, compliance, and public accountability.

RESULT AND DISCUSSION

The results of this study reveal that the implementation of Corporate Social Responsibility (CSR) in Indonesia is still dominated by a voluntary and philanthropic paradigm rather than being understood as a legally binding corporate obligation. Although Law No. 40 of 2007 and Government Regulation No. 47 of 2012 explicitly mandate CSR, many companies treat it as a discretionary social activity aimed primarily at improving corporate image. This indicates a weak internalization of legal norms into corporate governance structures (Putri et al., 2023). The findings demonstrate that CSR programs tend to focus on short-term charity projects rather than sustainable initiatives that align with national development goals. From the analysis of primary legal materials and secondary data, it is evident that there is a discrepancy between the legal provisions governing CSR and their implementation (Ahen & Amankwah-Amoah, 2018). The law requires companies, especially those utilizing natural resources, to allocate part of their profits for social and environmental programs. However, there is no standardized mechanism for determining the amount of CSR expenditure, reporting formats, or evaluation procedures. As a result, corporations often interpret CSR obligations differently, leading to inconsistencies in program execution and monitoring. This regulatory ambiguity contributes to the absence of legal certainty and accountability in CSR enforcement.

The study also found that CSR supervision and auditing mechanisms remain weak. There is no independent supervisory body specifically tasked with monitoring CSR practices, and external audits rarely include CSR compliance as part of their examination scope. This condition leads to a significant accountability gap between corporate policy statements and actual performance. Governance theory emphasizes the importance of transparency, accountability, and responsibility, yet the practical implementation of CSR in Indonesia shows limited adherence to these principles. Most CSR reporting remains voluntary, lacking standardized disclosure frameworks comparable to sustainability reports required in other jurisdictions. Empirical data from company reports and public documents indicate that CSR programs are frequently concentrated in infrastructure

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development and community donations, with minimal attention to environmental rehabilitation or human capital development. This pattern demonstrates a reactive rather than proactive CSR orientation. It also reflects the absence of comprehensive legal guidelines for evaluating program impacts. In comparison, developed countries have integrated CSR into environmental, social, and governance (ESG) metrics, which serve as benchmarks for corporate performance evaluation. Indonesia's current framework, however, still relies heavily on moral persuasion rather than regulatory enforcement.

Previous studies, such as Rahman and Bukair (2013), highlight the positive correlation between the presence of Sharia supervisory boards and CSR disclosure in Islamic financial institutions. Adams and Evans (2004) also argue that accountability and completeness in CSR reporting are crucial to bridging the audit expectation gap. The present study expands upon these findings by providing a legal perspective that strengthens the notion that CSR should not merely be disclosed but also enforced through legal accountability. This integration of law and governance ensures that CSR becomes part of the company's fiduciary responsibility to its stakeholders. Furthermore, the research identified that the lack of clarity in sanctions for CSR non-compliance undermines the effectiveness of the legal framework. Although the law stipulates CSR as a corporate obligation, it does not specify the consequences of failure to comply. In practice, sanctions are rarely imposed, and the absence of legal deterrents encourages companies to continue minimal compliance behavior. Strengthening enforcement mechanisms—through administrative penalties, public disclosure requirements, or tax incentives—could enhance compliance and promote fair competition among corporations in fulfilling social obligations.

The discussion also emphasizes the role of CSR in community empowerment. When implemented effectively, CSR contributes to improving education, health, and local entrepreneurship. Field observations show that community-based CSR programs that involve local participation tend to be more sustainable and have a lasting impact. This aligns with the governance principle of stakeholder engagement, which posits that corporate responsibility should be designed collaboratively with the communities affected by business operations. However, in many cases, companies implement CSR without meaningful consultation, resulting in programs that do not address real local needs. The analysis also reveals that there is limited synergy between corporate CSR initiatives and government development programs. Ideally, CSR should complement public policy objectives in areas such as poverty reduction, environmental protection, and sustainable resource management. However, the lack of coordination between private and public sectors leads to fragmented efforts and resource inefficiency. Governance reform is thus necessary to create a regulatory environment that fosters collaboration and information sharing between businesses, regulators, and local communities.

In the context of governance accountability, CSR should be seen as a tool to strengthen the ethical and institutional integrity of corporations. Companies that integrate CSR into their strategic management and auditing processes demonstrate higher transparency and resilience. This study found that organizations with internal CSR audit mechanisms—such as sustainability committees or compliance units—show better alignment with legal and ethical standards. These practices not only reduce reputational risk but also enhance investor confidence and long-term profitability, underscoring the business case for legally enforced CSR. Another important finding is that CSR disclosure remains inconsistent across industries. While publicly listed companies tend to publish sustainability reports, small and medium-sized enterprises (SMEs) often lack the resources and awareness to do so. This creates an uneven landscape of corporate accountability. Encouraging standardized reporting through mandatory disclosure frameworks—such as the Global Reporting

Initiative (GRI)—could harmonize CSR practices and provide measurable indicators for evaluation. The legal incorporation of such frameworks would ensure that CSR reporting becomes an integral part of corporate annual reporting requirements.

From a theoretical standpoint, the findings support the integration of governance and legal theories in CSR analysis. The principle of "responsibility to stakeholders" must be interpreted not only as an ethical norm but also as a legal duty. This perspective aligns with the concept of corporate social contract, where corporations owe obligations to the society from which they derive their legitimacy. By adopting this framework, CSR can serve as a bridge between legal compliance and social justice, ensuring that business operations contribute meaningfully to sustainable development and public welfare. Finally, the study concludes that strengthening the legal foundation of CSR requires multi-level collaboration between the government, corporations, and civil society. Legal reform should focus on clarifying CSR definitions, standardizing reporting mechanisms, and establishing enforceable sanctions for non-compliance. At the same time, businesses must internalize CSR within their governance systems through clear policies, dedicated oversight structures, and transparent disclosure practices. Only through the integration of law, governance, and accountability can CSR evolve from a voluntary initiative into a binding social commitment that supports equitable and sustainable national development.

CONCLUSION

This study concludes that Corporate Social Responsibility (CSR) in Indonesia has evolved from a voluntary ethical initiative into a legally recognized obligation that forms an integral part of corporate governance. However, the implementation of CSR remains inconsistent due to the weak integration of legal mandates into governance frameworks and the absence of standardized accountability mechanisms. CSR is often still perceived as a symbolic activity rather than a structured and transparent responsibility that contributes to social welfare and environmental sustainability. Strengthening the alignment between law and governance is therefore essential to ensure that CSR fulfills its intended role as a tool for corporate accountability and social transformation. The research highlights that the effectiveness of CSR depends on its enforcement through clear legal provisions, systematic supervision, and independent auditing. Legal recognition alone is insufficient without robust monitoring and sanctioning mechanisms. Therefore, CSR must be embedded within corporate compliance systems, accompanied by measurable indicators and transparent reporting. Integrating CSR into corporate governance principles—such as fairness, accountability, responsibility, and transparency—will enhance corporate legitimacy and public trust, while simultaneously advancing sustainable development goals.

From a governance perspective, CSR should be viewed not merely as a social obligation but as an instrument for institutional reform. The incorporation of CSR within auditing and compliance structures can strengthen the ethical foundation of corporate behavior. Companies that institutionalize CSR through internal policies, monitoring units, and community engagement strategies are more likely to achieve long-term business sustainability while fulfilling their legal and moral responsibilities. This study reinforces the idea that CSR is both a reflection of corporate citizenship and a mechanism for ensuring distributive justice in society. The findings of this research also contribute to the theoretical discourse on the relationship between law, governance, and accountability. By conceptualizing CSR as a legally binding component of corporate governance, this study advances the understanding that social responsibility is a matter of legal compliance as much as it is of moral conviction. It bridges the gap between normative legal frameworks and

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practical governance implementation, offering a more holistic view of corporate responsibility in the Indonesian context.

Future research can further explore the quantitative assessment of CSR compliance and its measurable impact on community welfare, environmental protection, and corporate financial performance. Empirical studies that evaluate CSR audit frameworks or stakeholder perceptions would complement the normative juridical analysis presented in this study. Such interdisciplinary approaches will enrich the academic discourse and provide stronger policy recommendations for enhancing the legal and governance structures that underpin CSR implementation in Indonesia.

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