

Reconstruction of Corporate Social Responsibility Legal in Realizing Good Corporate Governance

Riswadi¹, Yudi Hasnawan²

riswadi@borobudur.ac.id¹, yudihasnawan@gmail.com²

Universitas Borobudur^{1,2}

Abstract. Corporate Social Obligation has been normatively stated as a commitment to organizations operating in fields related to fixed assets as regulated in Article 74 of Regulation Number 40 of 2007 concerning Limited Liability Organizations. Corporate Social Responsibility (CSR) programs are long-term efforts that are useful for limiting social risks, and the ability to realize the image of an organization according to the general public. The type of research used is normative research with a conceptual approach and statutory regulations. The success of a national program such as the CSR program cannot be separated from the participation of various parties such as the local government and the community around the company. Development that utilizes social capital shows good success, so it is said that social capital is one of the conditions for the success of a development program. Social capital does not lie in individuals but in groups and even countries. Social relations are an impression of participation and coordination between citizens which are based on dynamic and proportional social ties, apart from that standards and informal organizations will generally strengthen each other.

Keywords: Reconstruction, Corporate Social Responsibility, Good Governance

1 Introduction

Corporate social obligation is the social obligation towards society and the climate past financial obligation, or an organization's obligation to add to reasonable monetary improvement by thinking about corporate obligation and underlining the harmony between monetary, social, and natural perspectives.[1] Corporate social responsibility is often overlooked by companies. However, with the establishment of a company, there should be a mutual benefit for both the company and the community around it.

As a general rule, corporate social obligation is intentional. Nonetheless, the responsibility and familiarity with each organization will shift and rely upon the individual organization's strategies. Since the order of Regulation Number 40 of 2007 concerning Restricted Risk Organizations and Regulation Number 25 of 2007 concerning Speculation, corporate social responsibility has become mandatory. There are various perspectives between companies implementing corporate social responsibility, local governments granting permits for the establishment of companies, and being obligated to provide legal protection for their communities, as well as the communities around the company that should benefit from the company. Given the various different interests and perspectives, clear regulations are needed to

accommodate the legal certainty of the implementation of corporate social responsibility to be carried out by companies and to provide benefits to local governments and the population around the company.

Guidelines on corporate social obligation in Indonesia are controlled in Article 1 number 3 of Regulation Number 40 of 2007 concerning Restricted Responsibility Organizations, which states: " Social and ecological obligation is the organization's obligation to partake in supportable monetary advancement to work on the personal satisfaction and useful climate, both for the actual organization, the neighborhood local area, and society overall." Moreover, in Article 74 of Regulation Number 40 of 2007 concerning Restricted Risk Organizations, it is made sense of that:

- (1) Companies participated in exercises connected with normal assets are obliged to complete social and ecological obligations.
- (2) The social obligation as alluded to in passage (1) is the organization's commitment that is planned and represented as organization costs, completed with due respect to legitimacy and sensibility.
- (3) Companies that don't satisfy the commitment as alluded to in section (1) will be liable to sanctions as per the arrangements of the regulations and guidelines.
- (4) Further arrangements in regards to social and ecological obligations are directed by unofficial laws.

However, in practice, the implementation of corporate social responsibility by companies is not optimal because the existing laws and regulations do not specifically and clearly regulate corporate social responsibility issues, especially those related to regional interests and social responsibility to the community. Subordinate guidelines administering corporate social obligation are just specified in Unofficial law Number 47 of 2012 concerning Social and Natural Obligation of Restricted Risk Organizations (PP 47 of 2012). This administration guideline carries out the arrangements of Article 74 of Regulation Number 40 of 2007 concerning Restricted Responsibility Organizations. This Administration Guideline manages social and natural obligations pointed toward acknowledging supportable monetary improvement to work on the personal satisfaction and the climate that is gainful to the nearby local area and society overall as well as the actual organization to lay out an agreeable, adjusted, and fitting relationship with the climate, values, standards, and culture of the neighborhood local area.

In this Administration Guideline, organizations participated in exercises connected with normal assets are expected to execute social and ecological obligations. Activities to fulfill these social and environmental responsibility obligations must be budgeted and accounted for as company expenses, conducted with due regard to propriety and reasonableness.

The regulation of social and environmental responsibilities is intended to:

1. Increase the company's awareness of the implementation of social and environmental responsibilities in Indonesia.
2. Fulfill the development of legal needs in society regarding social and environmental responsibilities.
3. Strengthen the regulation of social and environmental responsibilities that have been stipulated in various laws and regulations in accordance with the business activities of the respective company.

In practice, there are still not many companies implementing Corporate Social Responsibility (CSR) based on a survey by Kompas in 2007, which stated that 70% of companies in Indonesia had not implemented CSR. [2] Based on this survey, Article 74 of the Restricted Risk Organization Regulation ought to have the option to oblige and be a response. The execution of Corporate Social Obligation (CSR) in a few nations ought to act as a source of perspective for the execution of Corporate Social Obligation (CSR) in Indonesia.

In the existing regulations, it has not been explicitly explained what sanctions will be imposed if a company does not implement CSR programs and how the implementation mechanism, supervision, and reporting will be. Legal reconstruction related to CSR is necessary to ensure its effective implementation, benefit the surrounding community, and serve as a form of compliance for companies that can enhance the company's image and establish good relations with the surrounding community.

The implementation of corporate social responsibility by companies is essentially one of the company's management activities in realizing good corporate governance. Good Corporate Governance (GCG) is basically an effort to make GCG a principle and guide for company management in carrying out its business activities. The application of GCG principles is essential for companies to withstand and thrive in increasingly competitive environments. GCG is expected to be a means to achieve the company's vision, mission, and objectives better, which is one of the goals to be achieved to realize the company's vision.

In light of the above issues, there is an absence of lawful clearness in regards to the guideline of the execution of corporate social obligation by organizations. In this way, lawful examination is expected to resolve the above issues to make legitimate assurance and not go against the lawful targets in regards to the execution of corporate social obligation by organizations to accomplish great corporate administration. For this situation, research named "Remaking of Corporate Social Obligation Regulation in Acknowledging Great Corporate Administration" needs to be conducted. According to Bentham, the government's duty is to increase the happiness of society by increasing the pleasures that society can enjoy and enabling the creation of security by reducing suffering.[3]

2 Research Methods

This research approach uses a conceptual approach and a statutory approach. " The reasonable methodology leaves from the perspectives and regulations that foster in lawful science.[4]

3 Discussion

That up to now there has been no arrangement in regards to the meaning of good corporate administration or great corporate administration (hereinafter alluded to as GCG). Nonetheless, by and large, GCG is perceived as a framework and a bunch of guidelines that manage the connection between different closely involved individuals, particularly in the limited feeling of the connection among investors and the leading group of magistrates and governing body in order to achieve company goals, while in the broad sense, GCG is used to regulate the relationship of all stakeholder interests as a whole. proportional and prevent significant errors in the company's strategy while ensuring that errors that occur can be corrected immediately.[5]

The principle of Corporate Social Responsibility (CSR) has actually been formed for a long time along with the start of the business itself. The history of CSR is the evolution and tug-of-war between business as creatures that are greedy and easily tempted by hazzard morals and business people as ordinary people who have a human heart and as social creatures who desire to be fully accepted by their environment. Apart from calls for responsibility, Corporate Social Responsibility (CSR) has also been demanded by regulators through regulations regarding how to do business and long-term orientation.

Regulations have of course emerged since the birth of business and the existence of government organizations as regulators, both those regulated in regulations and cultural values regulated in regulations as well as cultural values such as beliefs and myths which are often referred to as local wisdom.[6] As indicated by Edi Suharto, Corporate Social Obligation is "an organization's anxiety for saving a piece of its benefits (benefit) to support reasonable improvement of people (individuals) and the climate (planet) in view of fitting and expert techniques." [7]

In the Clarification to Article 74 of the Organization Regulation, the arrangements in regards to Corporate Social Obligation in the Organization Regulation mean to keep on making corporate connections that are agreeable, offset and as per the climate, values, standards and culture of the neighborhood local area. What is implied by "An organization that completes its business exercises in the field of normal assets" is an organization whose business exercises oversee and use regular assets. In the interim, what is implied by "Organizations that do business exercises connected with regular assets" are organizations that don't oversee or use normal assets, yet whose business exercises affect the working of normal asset abilities. This truly intends that if an organization (organization as PT), whose business exercises oversee and use normal assets or doesn't oversee and use regular assets, however affects the working of normal

asset capacities, then, at that point, it is expected to complete Corporate Social Obligation commitments, with legitimate outcomes. In the event that the organization doesn't complete its Corporate Social Obligation commitments, the organization might be liable to sanctions as per all types of approvals managed in the applicable regulations and guidelines (Sectoral Regulation). So even though implementing regulations for Article 74 have been made in PP 47 of 2012, the sanctions provisions in Article 7 of PP 47 of 2012 also do not explicitly regulate them, because they only reaffirm the sanctions provisions of Article 74 paragraph (3) of the PT UUPT, which still refers to the relevant sectoral law, then in a formal legal manner for companies that do not implement Corporate Social Responsibility, sanctions provisions can be applied as stipulated in statutory regulations which specifically regulate and relate to the management, utilization and impact on the function of resources. natural. If we look further at the sanctions referred to above, then there are indeed several sanctions that can be applied as regulated in the relevant special laws and regulations (Sectoral Law). [8]

Implementation and regulations regarding CSR itself have been carried out in developed countries such as Europe and America. They have felt the positive impact of Corporate Social Responsibility programs carried out by companies. For example, in England, in the Companies Act 2006 the British government requires public companies to report social and environmental performance, in addition to their business performance. This report is open so the public can question it. The public has the right and can observe it directly. [9] Thus it can be seen that the British government includes a Corporate Social Responsibility (CSR) policy in its company law.

In its execution, there are somewhere around four models or examples of Corporate Social Obligation (CSR) that are for the most part carried out by organizations in Indonesia, specifically: [10]

- a. Direct inclusion. The organization leads its Corporate Social Obligation (CSR) program straight by arranging social exercises themselves or giving commitments to the local area without go-betweens. To do this undertaking, an organization typically relegates one of its senior authorities, like the corporate secretary, public issue chief, or incorporates it as a feature of the obligations of the advertising official.
- b. Through organization establishments or social associations. The organization lays out its own establishment under the organization or its gathering. This model is a reception of a regularly applied model in organizations in created nations. Generally, the organization gives starting assets, normal assets, or gift supports that can be utilized routinely for establishment exercises. A few establishments laid out by organizations incorporate the Coca Cola Organization Establishment, Rio Tinto Establishment (Mining Organization), Dharma Bhakti Astra Establishment, Sahabat Water Establishment, and GE Asset.
- c. Partnering with different gatherings. The organization conducts CSR through participation with social foundations/non-legislative associations (NGOs), government offices, colleges, or broad communications, both in overseeing reserves and in doing their social exercises. A few social establishments/NGOs that work together with

organizations in executing CSR incorporate the Indonesian Red Cross (PMI), Indonesian Youngsters Government assistance Establishment (YKAI), Dompot Dhuafa; government organizations (Indonesian Establishment of Sciences/LIPI, Service of Training and Culture, Service of Get-togethers); colleges (UI, ITB, IPB); broad communications (Kompas CSR Group, Kita Peduli Indosiar).

- d. Supporting or joining a consortium. The organization partakes in laying out, turning into an individual from, or supporting a social foundation laid out for explicit social purposes. Contrasted with different models, this approach is more centered around giving improvement awards. The consortium or such establishments, confided in by effectively supporting organizations, actively seek partnership with operational institutions and then develop jointly agreed-upon programs.

Hopkins states that most companies are not yet aware that only through sustainable development can their businesses continue, or "sustainable development ensures sustainable enterprises." Improvement projects are substantially more muddled than beneficent gifts. Advancement implies working with worldwide accomplices as well as open foundations to make practical ventures. The best advancement projects are those that engage individuals to help themselves. [11]

The basic thought of Corporate Social Obligation (CSR), frequently viewed as the center of business morals, is that an organization has financial and lawful commitments (towards investors) yet additionally commitments to different partners whose compass goes past the previously mentioned commitments. A few perspectives remembered for Corporate Social Obligation (CSR) are corporate administration, which is currently prominent in Indonesia, a company's awareness of the environment, working conditions, and standards for employees, as well as the company's relationship with society (other stakeholders). Similarly, both internal and external stakeholders emphasize principles and values to collaborate and form partnerships with corporations in carrying out Corporate Social Responsibility (CSR) activities. Dialogue and opinion exchange mechanisms are fundamental and unavoidable. [12]

Corporate Social Obligation (CSR) isn't restricted to the idea of giving gifts alone; its idea is expansive and not static and latent, just gave by the organization yet rather freedoms and commitments divided between partners (different partners). The idea of Corporate Social Obligation (CSR) includes an organization obligation between the public authority, local area asset foundations, and the nearby local area. This association isn't detached and static; it is a common social obligation among partners (different partners). The idea of corporate generosity in friendly obligation is as of now not satisfactory in light of the fact that this idea doesn't include social organization obligation with different partners.[13] In line with the business world's enthusiasm to implement the increasingly widespread Corporate Social Responsibility (CSR) programs, the government and all its agencies should strive to understand this concept for alignment with the business world's understanding. Because, it is possible that if the understanding of this concept is not aligned, the policies issued by the government will never be in line with business world policies.

The obstacle to CSR fundamentally lies in the commitment of the company. If the company does not have a commitment to the surrounding environment, then social responsibility and concern will also be absent. Moreover, the program is also a challenge for companies in carrying out social concerns. Many companies have a high commitment to social issues, but the implemented programs are not based on sincerity but merely for popularity. [14]

CSR is a necessity for companies that want to continue to grow; therefore, the commitment implemented in the form of CSR programs can prevent social friction that could harm both the company and the community. If CSR is implemented effectively, it is possible that CSR will have a positive impact on business sustainability. Additionally, CSR can also be a part of building a company's image. In developed countries, CSR is one of the prerequisites for a company to obtain a loan from a bank.[15] Currently, many companies conduct CSR only as a way to pacify turmoil, and therefore, it has the potential to create many risks such as dependency, lack of education, lack of planning, and lack of sustainability.

Many companies use CSR merely as a marketing gimmick to engage in corporate greenwashing or deceive the company's image. Some issues in implementing CSR in Indonesia in achieving the implementation of Good Corporate Governance (GCG) include transparency issues in managing and providing social costs to the community. [16]

The problems encountered in the implementation of CSR regulations can disrupt national development and stability. One solution to address issues related to the implementation of CSR regulations in Indonesia is to reconstruct CSR regulations in Indonesia to make them comprehensive. The reconstruction that needs to be done in Presidential Regulation (PP) No. 47 of 2012 is as follows:

1. Supervision, In PP No. 47 of 2012, supervision regarding the implementation of CSR is not regulated. Supervision is necessary to ensure that companies implement CSR correctly and based on GCG principles. Monitoring and evaluation of CSR implementation are essential. The Board of Directors holds full responsibility for the CSR program's implementation, and the Board of Commissioners oversees the CSR implementation. This supervision should not only be carried out by the company's internal organs but also involve external parties, particularly the government, which can monitor and evaluate annually. This involvement, especially by local governments where the CSR programs are implemented, is essential. Local government involvement is not merely an intervention in the company's activities but a recognition that CSR activities involve direct community engagement, hence the need for local government involvement.
2. Sanctions, There should be firmness in imposing sanctions on companies that do not implement CSR programs. Reconstruction of Article 7 of PP No. 47 of 2012, which states that "companies referred to in Article 3 that do not fulfill social and environmental responsibilities are subject to sanctions in accordance with the provisions of the prevailing laws and regulations," should include specific and clear explanations regarding the sanctions. In this regard, to provide additional information about the sanctions mentioned

in Article 7 of PP No. 47 of 2012, the government should impose sanctions on companies that do not comply with CSR regulations by freezing the company's business license until the company implements its CSR programs according to the applicable regulations.

3. Reporting, Reconstruction is needed for reporting on CSR implementation, as stated in Article 6 of PP No. 47 of 2012, which states that "the implementation of social and environmental responsibilities is included in the Company's annual report and is accountable to the GMS." CSR implementation should not only be included in the annual report accountable to the GMS but also be publicly disclosed to ensure transparency. Moreover, for activities that provide funding or credit, or equivalent forms of support for CSR, financial statements audited by Public Accountants should also be part of the reporting.

Good corporate governance is a set of principles that guide and control a company to achieve a balance between the company's strengths and authorities in providing accountability to stakeholders. These principles serve as standard tools to enhance a company's image, efficiency, and social responsibility. Therefore, the application of good corporate governance (GCG) is crucial for building trust among the public and the international community, an absolute requirement for a company's growth and sound development.

The main principles of GCG necessary to support a company's objectives are:[17]

1. Transparency, It refers to openness in information, both in the decision-making process and in disclosing relevant and material information about the company.
2. Accountability, It is the clarity of the company's function, structure, systems, and accountability of the company's organs, ensuring effective company management.
3. Responsibility, The company's responsibility is compliance with healthy corporate principles and applicable laws and regulations in managing the company.
4. Independence, Independence implies managing the company professionally without conflicts of interest and in line with applicable laws and healthy corporate principles.
5. Fairness, Fairness refers to fair and equal treatment in fulfilling stakeholders' rights based on agreements and applicable laws and regulations.

Effective company management through the implementation of the Good Corporate Governance concept is believed to lead the company to advance and grow. However, the inappropriate application of the Good Corporate Governance concept can become a boomerang, bringing down the business and ruining the company. Thus, a proper understanding of the Good Corporate Governance concept is needed so that its implementation can be a means for business development and a company, including through the implementation of CSR programs.

4 Conclusion

There is a requirement for remaking in guidelines connected with Corporate Social Obligation, especially in Unofficial law Number Long term 2012 concerning the Social and Natural

Obligation of Restricted Responsibility Organizations, specifically regarding the content related to: a) Supervision: There should be monitoring and evaluation of CSR implementation involving the role of local government; b) Sanctions: Sanctions for companies that do not comply should involve freezing the company's business license until the company implements its CSR programs in accordance with the applicable regulations; c) Reporting: CSR implementation should be published for transparency, not only in the annual report accountable to the General Meeting of Shareholders (GMS), but also financial statements audited by Public Accountants should be part of the reporting, especially for CSR activities providing funding, credit, or equivalent forms of support. The execution of Corporate Social Obligation by organizations is on a very basic level one of the organization's administration exercises in accomplishing great corporate administration and fills in as an aide for organization the executives in directing its business exercises.

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