

Conference Paper

Looking at the Possibility of Implementing Green Economy Policies Through the Legal Framework of Corporate Social Responsibility

Nur Putri Hidayah¹, Inda Rahadiyan², Dwi Ratna Indri Hapsari¹, Isdian Anggraeny¹, Sholahuddin Al-fatih¹

¹Faculty of Law, Universitas Muhammadiyah Malang, 65144, Malang, Indonesia

²Faculty of Law, Universitas Islam Indonesia, 55581, Sleman, Indonesia

ORCID

Nur Putri Hidayah: <https://orcid.org/0000-0003-0789-3596>

Abstract.

Green economy policies must be encouraged so that welfare can be improved without sacrificing environmental sustainability which is the capital of the lives of future generations. This paper aims to see the possibility of implementing a green economy through the legal framework of corporate social responsibility (CSR). The method used is a normative legal research method. The results show that the implementation of the green economy concept within the CSR framework can only be implemented if regulatory weaknesses to the implementation of CSR in Indonesia can be overcome, including strengthening legal instruments, the existence of sanctions, expanding the subject of CSR implementation, the establishment of assessment and supervisory bodies so that the implementation of CSR for entrepreneurs is carried out optimally and consistently, to CSR technical references.

Keywords: Green Economy; Corporate Social Responsibility; Framework.

1. INTRODUCTION

The private interests of a company can endanger the sustainability of a country because of the disintegration between the interests of the company and the interests of the state [1], [2]. *Capital* issued by the company demands the existence of profits, especially for the benefit of *shareholders* [3], [4]. This way of obtaining profit is often contrary to the interests of the state. Production processes that focus on return on *capital* alone ultimately cause prolonged environmental damage and systemic impacts. For example, the United Nations states that 3,000 companies in the world have caused environmental damage with losses reaching 2.2 billion USD / year [5]. Meanwhile, in Indonesia, as much as 70% of the total environmental damage caused by the company's business activities[6].

Corresponding Author: Nur Putri Hidayah; email: nurputri@umm.ac.id

Published 5 January 2024

Publishing services provided by Knowledge E

© Nur Putri Hidayah et al. This article is distributed under the terms of the [Creative Commons Attribution License](#), which permits unrestricted use and redistribution provided that the original author and source are credited.

Selection and Peer-review under the responsibility of the 4th INCLAR Conference Committee.

 OPEN ACCESS

To reduce the systemic impact of environmental damage, the concept of green economy was introduced. A green economy is one that generates social welfare equity and improvements in human life and significantly reduces risks to the environment and ecological scarcity. In simple terms, the green economy can be considered as one that has low carbon, efficiency in natural resources to social life. Consideration of ecological sustainability aspects in every business action of the company is very important considering that in essence human life is built on the basis of adaptability and functional synergy with the natural environment and this is where the urgency of implementing the green economy lies.

2. METHOD

The method used in this writing is the normative legal research method[7], [8] as previous legal research conducted by researchers related to the review of laws and regulations [9]–[11]. The approach used is the approach of laws and regulations, by reviewing provisions related to green economy and CSR in Law Number 40 of 2007 concerning Limited Liability Companies. The material used in this writing is primary legal material in the form of statutory provisions, secondary legal material in the form of articles, magazines and books related to law, and tertiary legal material in the form of journal articles related to economics. The data presented is qualitative and presented in the form of descriptive analysis.

3. RESULTS AND DISCUSSIONS

In order for the green economy not to become a mere concept that ultimately flawed implementation, the green economy must be translated into a clear and binding legal framework and have clear technical references[12]–[15]. This clear and binding legal framework and clear technical reference is very aptly translated into the concept of *Corporate Social Responsibility (CSR)*.

Why is the green economy appropriately implemented through CSR legal framework? *First*, judging from the understanding of CSR itself, between the green economy and CSR already have 3 variables in common, namely environmental, social and economic [16]. *Second*, in terms of objectives, CSR and green economy both aim to reduce environmental damage and improve the economic and social standards of the community due to the excesses of the company's business actions [17]. *Third*, CSR is closely related to "sustainable development" where every policy and business action of the company

is not based on profit / dividends alone but must pay attention to current and future social and environmental consequences, this is also a concept of green economy [18]–[20]. *Fourth*, CSR has a *legal binding instrument* so that the implementation of the green economy can be forced on every company engaged in and/or related to natural resources. *Fifth*, as stated by Anthony Giddens, *globalization is a super-fast train that will crush anyone who does not climb into it. In this regard, CSR is one form of global power that will force every country to oblige business people operating within its territory to comply with CSR obligations.* *Sixth*, despite this coercion, theoretically, CSR can actually be viewed as a concept that is synergistic with the achievement of business goals. Such a view can be understood considering the development of business today shows how important 'image building' is as an instrument in order to achieve the company's goals.

The characteristic of *Social Responsibility* itself is the willingness of the organization to consider social and environmental aspects in decision making and be responsible for the impact of decisions and activities that affect society and the environment. This means that the meaning of CSR is not merely a "washing of sins" activity carried out by the company for the excesses of the company's business actions as referred to in article 1 point (3) of the Limited Liability Company Law, but becomes the spirit of all the company's daily policies and business activities, up to the level of the General Meeting of Shareholders and even stated in the company's articles of association. When this spirit animates every policy and business action of the company, the excesses of business actions against the environment can certainly be suppressed. This realization then results in *sustainability* which is the estuary of the green economy concept.

Despite the nature of CSR, the legal framework of CSR in Indonesia has many shortcomings. *First*, CSR by the Limited Liability Company Law and business people is seen as a mere fund-and-aid activity, not an activity that must be carried out sustainably with the concept of community and environmental empowerment [21].

Second, *CSR legal binding instruments* do not come to the mention of strict sanctions for renegeing in the implementation of CSR so that in terms of *law enforcement* it is weak [22], [23]. CSR is only regulated in one article, namely article 74 of the Limited Liability Company Law and Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies. This makes many companies reluctant to carry out CSR activities, especially to the point of leading to sustainable social and economic implementation of the environment and society that gets excesses from the company's business actions.

Third, from the side of the parties subject to obligations, the description of the subjects who are obliged to carry out CSR is still unclear (operating in the field of natural resources or related to natural resources). The meaning of 'related' to natural resources is too ambiguous. Obligations for the implementation of CSR can be avoided by tampering with the understanding of the subject of CSR actors.

Fourth, the biggest challenge in addition to the company's comprehensive and good CSR implementation efforts is the 'consistency' of implementation in order to realize *sustainability* which is the estuary of the green economy and the implementation of CSR itself.

Fifth, the words "propriety and fairness" in article 74 paragraph (2) of the Limited Liability Company Law are not further translated either in the explanation or in PPTJSL as implementing regulations for CSR in the Limited Liability Company Law so that companies tend to do CSR half-heartedly or only as a washing away activity without the intention of carrying out corporate business actions that pay attention to the excesses of the company's business actions to the environment and community.

Considering the weaknesses of the CSR legal framework above, to implement the green economy in an effective CSR legal framework, the following things must be done: *First, the creation of legal binding instruments* for the implementation of the principle of 'responsibility' in *good corporate governance*. The estuary is the creation of a technical reference for the implementation of the principle of *responsibility* in *good corporate governance*.

Second, the existence of sanctions, both in the form of fines and revocation of the company's business license, must be formed in the UUPT and PPTJSL as implementing regulations. The existence of these concrete sanctions certainly makes the company in carrying out its business actions think about social and environmental responsibilities. This means that revision of Limited Liability Company Law and Government Regulation Number 47 of 2012 must be carried out, without which the implementation of CSR is certainly still underestimated by the company because of the weak *CSR law enforcement* in Indonesia.

Third, the meaning of 'related' to natural resources should be removed and replaced with the word "or companies that do not carry out business in the field of natural resources". So, the subject of implementing CSR is all companies without exception. What must be realized is that there is not a single business action of the company that does not have excesses to the environment and society.

Fourth, consistency in implementation can be sought through the existence of a CSR assessment and supervisory body whose duty is to assess the implementation of CSR

by the company and supervise the implementation of CSR itself. The existence of this assessment and supervisory body should be independent and its establishment through the Presidential Decree in order to carry out its duties which specifically assess and supervise the implementation of the company's CSR. The establishment of assessment and supervisory bodies at the central level is needed to avoid corruption, collusion and nepotism, because if integrated with local governments, the potential for corruption is much greater.

*Fifth, the word "propriety and fairness" should be defined and explained more concretely in order to make a technical reference for the implementation of CSR so that the implementation of CSR by the company has technical and uniform standards[?]. This technical reference is very important to make a *legal binding instrument* so that the implementation of CSR is not only a washing of sins by the company for its business actions.*

Improvements to the legal framework and the creation of CSR technical references above can be a solution in implementing an effective and efficient green economy, so that *sustainability of the environment, socio-economic community and sustainability of the company* which is the estuary of these two concepts can be realized.

4. CONCLUSION AND RECOMMENDATION

There are still many weaknesses in the concept of CSR in Indonesia, such as the CSR paradigm is only a provision of assistance, weak legal instruments, unclear CSR implementation subjects, consistency of implementation to the concept of propriety and fairness that makes many entrepreneurs implement CSR half-heartedly. However, there is still the possibility of the green economy concept being applied within the framework of CSR by: 1. Preparation of legal binding instruments that lead to technical references for implementation; 2. Sanctions ranging from fines to license revocation; 3. The subject of implementing SCR is expanded; 4. Establishment of CSR assessment and supervisory bodies to maintain consistency in implementation; 5. Technical reference for the exercise of propriety and fairness.

References

- [1] 'Directorate For Financial And Enterprise Affairs Competition Committee Sustainability and Competition-Note by Greece', 2020, Accessed: Sep. 30, 2023. [Online]. Available:<http://www.oecd.org/daf/competition/sustainability-and-competition.htm>

- [2] White ND, Footer ME, Senior K, van Dorp M, Kiezebrink V, Puraka YW, et al. Blurring Public and Private Security in Indonesia: Corporate Interests and Human Rights in a Fragile Environment Human rights · Indonesia · Land rights · Logging · Private military and security companies · Natural resources industry · Palm oil · Public-private security · Responsibility. *Neth Int Law Rev.* 2018;65(2):217–52.
- [3] Pfajfar G, Shoham A, Małecka A, Zalaznik M. Value of corporate social responsibility for multiple stakeholders and social impact – Relationship marketing perspective. *J Bus Res.* 2022 Apr;143:46–61.
- [4] Vernyuy Wirba A. ‘Corporate Social Responsibility (CSR): The role of government in promoting CSR’, 123AD, <https://doi.org/10.1007/s13132-023-01185-0>.
- [5] United Nations. ‘With climate crisis generating growing threats to global peace, security council must ramp up efforts, lessen risk of conflicts, speakers stress in open debate | UN Press’, United Nations Meeting Coverage and Press Releases. Accessed: Sep. 30, 2023. [Online]. Available: <https://press.un.org/en/2023/sc15318.doc.htm>
- [6] Elok Syah Messwati. ‘70 Persen Kerusakan Lingkungan akibat Operasi Tambang’, Kompas.com. Accessed: Sep. 30, 2023. [Online]. Available: <https://regional.kompas.com/read/2012/09/28/17313375/70.Persen.Kerusakan.Lingkungan.akibat.Operasi.Tambang>
- [7] Taekema S. Methodologies of Rule of Law Research: Why Legal Philosophy Needs Empirical and Doctrinal Scholarship, vol. 40, no. 1. Springer Netherlands, 2021. <https://doi.org/10.1007/s10982-020-09388-1>.
- [8] Ansari T, Negara S. Normative Legal Research in Indonesia: Its Originis and Approaches [ACLJ]. *Audito Comparative Law Journal.* 2023 Feb;4(1):1–9.
- [9] Hidayah NP. ‘Comparative study of legal protection for migrant workers in participation of social security programs in Indonesia and Singapore’, *Legality Jurnal Ilmiah Hukum*, vol. 28, no. 1, pp. 47–59, 2020, Accessed: Jul. 25, 2021. [Online]. Available: <https://ejournal.umm.ac.id/index.php/legality/article/view/11786/pdf> <https://doi.org/10.22219/ljih.v28i1.11786>.
- [10] Hidayah NP, Cloet QR, Pradhan D. The Implementation of Labor Development Principles According to Job Creation Law as a Reason to Protect Wages Rights. *Bestuur.* 2021;9(1):68–76.
- [11] Jatmiko BD, Hidayah NP, Echaib S. ‘Legal Status of Interfaith Marriage in Indonesia and Its Implications for Registration’, *Journal of Human Rights. Culture and Legal System.* 2022;2(3):167–77.
- [12] Shayan NF, Mohabbati-Kalejahi N, Alavi S, Zahed MA. ‘Sustainable Development Goals (SDGs) as a framework for corporate social responsibility

- (CSR); *Sustainability* 2022, Vol. 14, Page 1222, vol. 14, no. 3, p. 1222, Jan. 2022, .<https://doi.org/10.3390/su14031222>.
- [13] Fatima T, Elbanna S. 'Corporate social responsibility (CSR) implementation: A review and a research agenda towards an integrative framework'. *Journal of Business Ethics* 2022 183:1, vol. 183, no. 1, pp. 105–121, Feb. 2022, .<https://doi.org/10.1007/s10551-022-05047-8>.
- [14] Novitasari M, Jiwa Z, Tarigan H, Leitão C, Pereira DB. 'The Role of Green Innovation in the Effect of Corporate Social Responsibility on Firm Performance'; *Economies* 2022, Vol. 10, Page 117, vol. 10, no. 5, p. 117, May 2022, .<https://doi.org/10.3390/economies10050117>.
- [15] Ryszawska B. The Role of CSR in the Transition to a Green Economy. *CSR, Sustainability, Ethics and Governance*; 2019. pp. 105–19.
- [16] Romero-Infante JA, Ramírez MS, Luna LA, Leguizamon S, Verjel E. Green economy metrics as a promoter of sustainable development in universities. Case study: El Bosque University. *Journal of Sustainability Perspectives*. 2022 Aug;2: <https://doi.org/10.14710/jsp.2022.15546>.
- [17] Gyamfi BA, Agozie DQ, Musah M, Onifade ST, Prusty S. The synergistic roles of green openness and economic complexity in environmental sustainability of Europe's largest economy: implications for technology-intensive and environmentally friendly products. *Environ Impact Assess Rev*. 2023 Sep;102:107220.
- [18] Lu J, Ren L, Zhang C, Rong D, Ahmed RR, Streimikis J. Modified Carroll's pyramid of corporate social responsibility to enhance organizational performance of SMEs industry. *J Clean Prod*. 2020 Oct;271:122456.
- [19] Dresse A, Nielsen JØ, Fischhendler I. From corporate social responsibility to environmental peacebuilding: the case of bauxite mining in Guinea. *Resour Policy*. 2021 Dec;74:102290.
- [20] Turcotte MF, Lachance A. Towards a repertoire of Corporate Social Responsibility (CSR) practices in the extractive industries. *Extr Ind Soc*. 2023 Sep;15:101316.
- [21] Kencana U, Sirozi M, Muchtar A. CORPORATE SOCIAL RESPONSIBILITY IN INDONESIA LAW AND LEGAL VALIDITY. *RUSSIAN LAW JOURNAL*. 2023;XI:3.
- [22] Manthovani R, Wiwoho J. The Urgency of Sanctions for Violators of Corporate Social Responsibility (CSR) for Improving of The Welfare of Society. *Advances in Social Science, Education and Humanities Research*. Indonesia: Atlantis Press; Oct. 2019. pp. 228–32.
- [23] Bunga Nayenggita G, et al. PRAKTIK CORPORATE SOCIAL RESPONSIBILITY (CSR) DI INDONESIA. *Focus: Jurnal Pekerjaan Sosial*. 2019 Aug;2(1):61–6.