

CHAPTER ONE

INTRODUCTION

A. Background

To increase the harmony of development in the regions, it is necessary to improve the relationship between sectoral and regional developments since the sustainability of regional development as well as its comprehensive, directed, integrated and sustainable planning is needed.¹ In overcoming the problem of poverty and inequality of the corporate social responsibility, the Regional Government of Special Region of Yogyakarta needs support from all parties, including those of outside the government.²

The meaning of parties in this context are private companies which are considered to have an important role to advance the region; Corporate Social Responsibility programs owned by those companies are expected to help alleviate poverty and social gaps. The term Corporate Social Responsibility (abbreviated as CSR) has emerged since the early 19th century in the United States, and then developed to other countries including Indonesia. In Indonesia, CSR principle had been exercised and developed since the 1980s. CSR is a corporate social program to provide assistance and empower of the communities and also for the environment preservation around the company

¹ Anonymous, 2017, "Sejarah Bappeda", <http://bappeda.jogjaprov.go.id/page/sejarah-bappeda>, Accessed on Tuesday, 15 October 2019.

² Anonymous, 2018, Lewat CSR Center, "Swasta Dituntut Ikut Aktif Tangani Problem Kemiskinan di DIY", <https://jogja.tribunnews.com/2018/05/24/lewat-csr-center-swasta-dituntut-ikut-aktif-tangani-problem-kemiskinan-di-diy>, Accessed on Tuesday, 15 October 2019.

as a form of social responsibility or compensation for things that are lost from surrounding environment due to the company's operation.³

The concept of CSR can be interpreted as a company activity to help overcome social problems with economic improvement, improvement of people's quality of life and reduce various operational impacts on the environment by obeying applicable legislation, which in the long-run has profits for companies and community development.⁴ There are many terms that use for corporate responsibility: in the law domain, it is known as social and environmental responsibility or sometimes people call social business responsibility or corporate citizenship or business citizenship. Those terminologies above have the same meaning and frequently refer to the understanding of CSR.⁵

Based on various sources, the author can say that CSR is part of the company's activities; the program is purposed to maintain business continuity concerning internal relations and external relations of companies. A well done CSR program will have a positive impact on corporate survival, on the contrary, if CSR is not done well then it is likely that various obstacles will arise then they disrupt the sustainability of the company.⁶ Corporate Social Responsibility is not just a charity activity, which requires a company

³ Hartini Retnaningsih, 2015, "The Problem on Corporate Social Responsibility (CSR) for Community Empowerment", *Aspirasi*, Vol.6 (2), p.178.

⁴ Mukti Fajar. N.D, 2013, *Tanggung Jawab Sosial Perusahaan di Indonesia*, Yogyakarta, Pustaka Pelajar, p.35.

⁵ Mukti Fajar ND & Reni Budi Setyaningrum, 2017, "Pelaporan Program Kemitraan Dan Bina Lingkungan Serta Corporate Social Responsibility Badan Usaha Milik Negara", *Jurnal Media Hukum*, Vol. 24 (2), p. 196.

⁶ Hartini Retnaningsih, *Op. Cit.*, p.178.

to seriously pay attention to the effects of its decision on all the interests of the company, including the environment. This requires companies to increase external interests. Companies that are dominant in any society must take responsibility for the common good. Every decision made and every action taken must be executed within this framework of responsibility.⁷

Like some of the problems caused by the company, the condition of the companies that are closed to the communities may cause several problems in the environment and surrounding communities. Among the problems that may occur are: air pollution, poisoning, exploitation of natural resources, noise that caused by production machine and others. These negative impacts if they are not controlled by the company itself, they will harm the community and the environment.⁸

Corporate social responsibility has been promoted in several regulations, such as Law Number 25 of 2007 concerning Investment, Law Number 40 of 2007 concerning Limited Liability Companies. In its initial implementation, the Corporate Social Responsibility was only a voluntary activity but later its generosity and charity had turned into a legal responsibility. The purpose of corporate social responsibility as regulated in Article 1 point 3 of Law Number 40 of 2007 concerning Limited Liability Companies is to improve the quality of life and the environment that is

⁷ Lucia Dianingtyas, 2013, *Analisis Penerapan Akuntansi Pertanggungjawaban Sosial Terhadap Lingkungan dan Masyarakat untuk Mengukur Kinerja Sosial Pada PT. Astra Internasional*. TBK, Yogyakarta, Universitas Negeri Yogyakarta, p. 6.

⁸ Otto Soemarwoto, 2000, *Dampak Lingkungan dan Masyarakat*, PT. Cahya, Gadjah Mada University, p. 29

beneficial for the company itself, and the local community surrounding the company.⁹

Corporate social responsibility is specifically mentioned in some regulations, one of them is in the Law Number 40 of 2007 concerning Limited Liability Companies contained in the Article 74 paragraph (1), (2), and (3), as explained below:

a) The Limited Liability Company Law states that companies which carry out their business activities in the field and / or related to all natural resources are required to carry out social and environmental responsibilities;

b) Social and environmental responsibility is a corporate obligation that is budgeted and calculated as the company's costs, the implementation of which is carried out with due regard to propriety and fairness;

c) Limited Liability Companies that do not carry out the obligations as Article 1, are subject to sanctions in accordance with statutory provisions.¹⁰

CSR is not only regulated in the national law of Indonesia, but also in the local regulation. There are two reasons why local government regulates the CSR in local legislation; first reason is Local Government basically has the legal authority to regulate about CSR. According to Article 25 of the Act

⁹ See Article 1 (3) of Law Number 40 of 2007 on Limited Liability Company.

¹⁰ See Article 74 (1-3) of Law Number 40 of 2007 on Limited Liability Company.

No. 23 Year 2014 on Local Government that the local government has the duty and authority to:

1. Lead the implementation of local government based on policies established with *Dewan Perwakilan Rakyat Daerah* (DPRD).
2. Propose a draft and establish Local Regulations which was already approved along with *Dewan Perwakilan Rakyat Daerah* (DPRD).

Second, some regions realise that by regulating CSR, they can get benefit. The development process of the region can be accelerated by involving the companies synergistically.¹¹

Regulations regarding CSR itself have been made also by regional government, such as Yogyakarta Special Region Regulation Number 6 of 2016 concerning the Implementation of Corporate Social and Environmental Responsibility. Corporate care as part of CSR is manifested in the company's commitment to be responsible for the impact of the its business activities in economic, social and environmental aspects that are in line with the Triple Bottom Line concept.

From the explanation above, it is clear that the company has a social responsibility to pay attention to the community and the surrounding environment when carrying out its production activities. In fact it has

¹¹ Mukti Fajar ND, 2015, "The Administration of Corporate Social Responsibility in the District Regulation in Indonesia", *European Journal of Social Sciences Education and Research*, Vol.2 (4), p. 212-213.

become a legal responsibility that is charged to the company which was previously only in the form of voluntary actions from the company given to the community or the surrounding environment. CSR that is implemented by companies is expected to help the government to alleviate poverty and social gaps that happens in society. Therefore, the Regional Government through Regional Planning and Development Agency or in Indonesia known as *Badan Perencanaan dan Pembangunan Daerah* (BAPPEDA) established CSR Forum for increasing awareness of companies to implement CSR and for aligning the CSR program that owned by the companies with the government program to advance Yogyakarta Province from poverty and social gaps.

B. Problem Formulations

Considering the research background above, the author formulated two questions to be answered:

1. How are the roles of the CSR Forum in upholding the implementation of CSR in Yogyakarta?
2. What are the obstacles of CSR Forum in upholding the implementation of CSR and aligning the programs with The Local Government of Yogyakarta Province?

C. Research Objective

This research divided into objective and subjective, the objectives are:

- a. To analyse the role of the CSR Forum in Upholding the implementation of CSR in Yogyakarta.

- b. To know the obstacles faced by the CSR Forum in aligning CSR programs with local government programs.

Whereas the subjective of this research is as the graduation requirement to obtain Law Degree in Faculty of Law, Universitas Muhammadiyah Yogyakarta.

D. The Benefits of Research

There are some benefits of this research, namely:

- a. Theoretical Aspect

This research will give benefits on the implementation of Corporate Social Responsibility in Yogyakarta and also for the development of legal science that focusing on the Corporate Social Responsibility.

- b. Practical Aspect

This research will provide better understanding about the Corporate Social Responsibility for those who are engaged with Corporate Social Responsibility such as businesses, government, stakeholders, lecturers, students, and the party involved in CSR, etc.