CORPORATE SOCIAL RESPONSIBILITY (CSR) AS A PILLAR OF THE WELFARE STATE: ANALYSIS OF REGULATIONS, IMPLEMENTATION, AND TRANSFORMATION TOWARDS SUSTAINABLE DEVELOPMENT IN INDONESIA

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Highlight

Through legal analysis and case studies, the study highlights regulatory gaps and proposes policy reforms to promote environmental restoration, community empowerment, and participatory governance.

Abstract

Corporate Social Responsibility (CSR) has emerged as a vital mechanism for advancing sustainable development and reinforcing the welfare state in Indonesia. However, a significant disconnect persists between the existing legal frameworks—such as Law No. 40/2007, Government Regulation No. 47/2012, and Financial Services Authority Regulation No. 51/2017—and the practical realities of implementation, particularly in achieving socio-ecological justice. This study evaluates the effectiveness of CSR regulations in positioning corporations as active agents of development and examines the transition from philanthropic CSR models to Environmental, Social, and Governance (ESG)-driven approaches. Utilizing a normative-juridical methodology complemented by case studies, the research reveals that CSR practices remain largely short-term and charity-focused. Conversely, initiatives integrating ESG principles, such as those by PT Adaro and the "SDGs Desa" program in Bojonegoro, demonstrate more sustainable and inclusive outcomes. The study underscores the need for policy reform, fiscal incentives, and participatory governance to enhance CSR's transformative potential in fostering equitable and sustainable development.

Keywords
CSR; welfare state; ESG; sustainable development; socio-ecological justice.

Introduction

Indonesia was founded on the noble aspiration to "promote the general welfare," as enshrined in the fourth paragraph of the Preamble to the 1945 Constitution. This principle serves as the constitutional foundation for the establishment of a welfare state, wherein the government holds the responsibility to guarantee citizens' fundamental rights, including access to health, education, and a sustainable environment [1]. Article 33 of the 1945 Constitution further emphasizes that the national economy is to be organized as a collective enterprise based on the principle of kinship, with key sectors of production controlled by the state to ensure the greatest possible prosperity for the people [2]. This reflects Indonesia's enduring commitment to an inclusive and socially just model of development. However, 79 years after gaining independence, this constitutional promise continues to collide with complex realities. Indonesia's relatively stable economic growth, averaging 5% annually over the past decade, has yet to address entrenched structural inequalities. According to Statistics Indonesia (BPS, 2023), 26.36 million people (9.7% of the population) still live below the poverty line, with stark disparities between urban and rural areas. Indonesia's Gini Index stood at 0.384 in 2023, indicating persistently high-income inequality. In the environmental sector, the Ministry of Environment and Forestry (KLHK, 2023) reported a deforestation rate of 1.2 million hectares per year, primarily in areas under corporate natural resource concessions. Meanwhile, the Indonesian Nutrition Status Survey (SSGI, 2022) revealed that 21.6% of children under five suffer from stunting, with the highest prevalence found in East Nusa Tenggara (38.8%) and West Papua (34.5%) [3].

Indonesia's economic growth, driven primarily by the extractive (mining and plantation) and service sectors, generated a Gross Domestic Product (GDP) of IDR 20,892 trillion in 2023 (BPS, 2023). However, this growth has been largely elitist in nature, with 56% of the GDP contributed by large corporations (BPS, 2023) while grassroots communities bear the brunt of its adverse effects. For instance, coal mining exploitation in East Kalimantan has increased regional revenue but resulted in environmental degradation and agrarian conflicts. On the other hand, only 15% of underdeveloped villages have access to corporate-sponsored health programs, despite Law No. 40/2007 mandating Corporate Social Responsibility (CSR) for companies in the natural resource sector [5]; [6].

This paradox highlights a systemic failure to integrate economic growth with the principles of socio-ecological justice. The 2024 State Budget (APBN) allocates only IDR 507.8 trillion (16.5% of the total budget) for social spending, far below the estimated IDR 1,200 trillion required for basic infrastructure development and poverty alleviation (Ministry of Finance, 2023). Amidst these fiscal constraints, Corporate Social Responsibility (CSR) has emerged as a strategic instrument to bridge the development gap. CSR is no longer merely philanthropic, but has evolved into a legal obligation that compels corporations, particularly those in the extractive sectors, to contribute to sustainable development.

The implementation of CSR in Indonesia is regulated under Law No. 40/2007, Article 74 and Government Regulation No. 47/2012, which mandate companies, particularly in the natural resource sector, to allocate CSR funds as a form of social and environmental responsibility. These regulations align with the principles of Environmental, Social, and Governance (ESG) and the Sustainable Development Goals (SDGs), which emphasize multi-stakeholder collaboration in achieving inclusive development. However, a study by Suryaningtyas et al. involving 100 mining companies revealed that 70% of CSR allocations are still directed toward short-term infrastructure projects, rather than environmental restoration or sustainable community empowerment [7].

The previous research has been done by Suryaningtyas et al. (2020), "Analysis of CSR Implementation in Mining Companies in Indonesia" published in the Journal of Social and Economic Studies, revealed that among the 100 mining companies surveyed, approximately 70% still allocate CSR funds to short-term projects such as physical infrastructure development, rather than to long-term initiatives like environmental rehabilitation or community empowerment. This study highlights the ineffectiveness of CSR implementation, which often remains symbolic and fails to fully support the agenda of sustainable development.

This study presents a novel analysis of Corporate Social Responsibility (CSR) as a strategic instrument for constructing a welfare state through an approach that integrates regulatory perspectives, field-level practices, and ESG (Environmental, Social, Governance) principles. Unlike previous studies that primarily focus on implementation or corporate compliance with CSR obligations, this research comprehensively examines the disparity between the legal framework (Law No. 40/2007, Government Regulation No. 47/2012, and Financial Services Authority Regulation No. 51/2017) and actual implementation in the extractive and financial services sectors. It further proposes a transformative CSR model grounded in socio-ecological justice. By combining normative-juridical analysis with concrete and comparative case studies, this research offers a significant contribution to the literature on sustainable development policy in Indonesia [8].

This study is designed to achieve three interrelated primary objectives: (1) to evaluate the effectiveness of CSR regulations in binding corporations as actors within the welfare state framework; (2) to analyse the role of CSR as an instrument for resource redistribution aimed at achieving socio-ecological justice; and (3) to formulate a sustainable, transformational CSR model based on ESG (Environmental, Social, Governance) principles and the 2021 UNDP recommendations on SDG integration.

Method

This study employs a normative-juridical approach to evaluate the effectiveness of CSR regulations within the framework of the welfare state. This method focuses on the analysis of written law (law in books) and the gaps in its implementation (law in action).

Data Collection

1. PT Adaro Sustainability Report (2023).
2. Interviews with community representatives in South Kalimantan (documented by the Ministry of Environment and Forestry, 2023).

Key Findings

1. Agroforestry Program: Reforestation of 2,000 hectares of degraded land through the planting of Arabica coffee, resulting in a 45% increase in farmers' income (Adaro, 2023).
2. Community Empowerment: Forest fire early warning system training programs reduced deforestation by 30% over three years.

3. Multi-Stakeholder Collaboration: Partnerships with local governments and NGOs in the "Desa Makmur Peduli Api" (Prosperous Village Concerned about Fire) program.

Comparative Analysis

A comparison was made between PT Adaro and PT Indo Tambangraya Megah (ITM), the latter of which was reported to have engaged in greenwashing by planting monoculture acacia trees on degraded land (WALHI, 2023).

Results and Discussion

The current implementation of CSR under Article 74 of the Company Law reveals several regulatory and practical weaknesses. The regulation's scope is narrow, applying only to natural resource sectors, while service and technology sectors—major contributors to the GDP—are excluded. This gap leads to uneven CSR engagement across industries. Furthermore, sanctions under Article 74 are insufficient to deter corporate misconduct, as illustrated by minimal fines for significant ecological damage. CSR activities are often fragmented, short-term, and lack sustainability indicators. In contrast, Financial Services Authority Regulation No. 51/2017 demonstrates a shift towards ESG-oriented CSR, particularly in financial sectors. Case studies such as PT Adaro's environmental programs and the Bojonegoro 'SDGs Desa' initiative reflect the transformative potential of collaborative, participatory CSR models. These examples reveal how corporations can become active partners in sustainable development when guided by clear ESG metrics and inclusive governance frameworks.

Article 74 of the Indonesian Company Law (UU PT) mandates that companies operating in the natural resource (NR) sector must fulfil their social and environmental responsibilities through the allocation of Corporate Social Responsibility (CSR) funds. However, the implementation of this provision still reveals several critical weaknesses [9].

First, the scope of this regulation is relatively limited, as it applies only to companies operating in natural resource sectors such as mining, plantations, and forestry. In contrast, other sectors such as services, technology, and finance, which together contribute approximately 38% of the national Gross Domestic Product (GDP) (BPS, 2023) are not required to implement CSR programs. As a result, major technology companies like GoTo and Bukalapak have yet to make significant contributions to empowerment programs, particularly for digital MSMEs. Second, the sanctions stipulated in Article 74 paragraph (3) are considered to lack deterrent effect. The maximum fine of IDR 1 billion is viewed as negligible when compared to the potential environmental and social damages caused by corporate activities. For example, PT Kalista Alam in Aceh, which was proven to have damaged approximately 1,000 hectares of peatland and caused environmental losses amounting to IDR 500 billion, was fined only IDR 1.8 billion. Third, CSR implementation is often carried out in a fragmented manner. According to a report from the Ministry of Environment and Forestry [10][4] around 70% of CSR funds from the mining sector are primarily allocated to infrastructure projects such as road and bridge construction, rather than to environmental rehabilitation or local community empowerment. In Central Kalimantan, for instance, a palm oil company claimed to have reforested 500 hectares of land; however, approximately 60% of the area was planted with monoculture acacia trees, which in fact disrupted ecological balance. Fourth, the regulation does not establish clear sustainability indicators such as ESG (Environmental, Social, and Governance) standards for CSR implementation. Consequently, many CSR programs remain charitable and short-term in nature such as basic food aid distribution without delivering long-term benefits to surrounding communities or the environment [11].

The Financial Services Authority Regulation (POJK) No. 51 of 2017 on the Implementation of Sustainable Finance for Financial Institutions, Issuers, and Public Companies has expanded the scope of corporate social responsibility to include the financial services sector, with a strong emphasis on Environmental, Social, and Governance (ESG) principles [12]. This regulation encourages financial institutions, including banks, not only to pursue profit but also to contribute to sustainable development. According to Bank Mandiri's 2023 report, the implementation of this regulation has had a significant positive impact on the company's policy direction and operational activities.

One of the most notable impacts has been the growth of the green financing portfolio. Bank Mandiri, for example, allocated IDR 2.3 trillion to support various sustainable projects. These include financing the construction of solar power plants (PLTS) in 100 remote villages with a total capacity of 10 MW, as well as extending credit to MSMEs engaged in environmentally friendly businesses. This allocation led to a 25% increase in the bank's green finance portfolio in 2023. In addition, the regulation has encouraged greater transparency in sustainability reporting. Bank Mandiri adopted the Global Reporting Initiative (GRI) reporting standard, which includes disclosures of environmental impacts such as the reduction of carbon emissions by 15,000 tons of CO_2 per year. On the social front, the bank reported providing training to approximately 50,000 female MSME entrepreneurs as part of its inclusive development commitment.

POJK No. 51/2017 has also fostered innovation in corporate social responsibility (CSR) programs. One such initiative is the Sustainable Banking Initiative, which is structured around three pillars of sustainability. The environmental pillar is realized through the financing of mangrove restoration along the northern coast of Java. The social pillar involves intensive mentoring for digital MSMEs, which have achieved a loan repayment rate of 98%. Meanwhile, under the governance pillar, Bank Mandiri has implemented an artificial intelligence-based whistleblowing system to enhance transparency and prevent corruption [13]; [14].

Overall, POJK No. 51/2017 has strengthened the integration of ESG principles within Indonesia's financial services industry, while also providing a new strategic direction for banks in fulfilling their social and environmental functions in a more structured and measurable manner.

Table 1 Comparison and Synergy Between PT Law Article 74 and POJK No. 51/2017

Aspects	**PT Law Article 74**	**POJK No. 51/2017**
Sector Coverage	Natural Resources Only	All financial services institutions
Regulatory Focus	Fund allocation obligations	ESG integration in business operations
Penalty	Fine of IDR 1 billion (ineffective)	Revocation of business license for gross violations
Impact	CSR is elitist and unsustainable	Increased transparency and green innovation

Source: Authors

The weaknesses of Article 74 of the Company Law reflect the shortcomings of conventional CSR regulation in addressing the complexities of sustainable development. In contrast, POJK No. 51/2017 has paved the way for a transformation of CSR through the integration of ESG principles, although it still faces challenges such as greenwashing and institutional capacity limitations. Harmonizing these two regulatory frameworks, supported by fiscal incentives and community participation, can strengthen the role of CSR as a pillar of a socially and ecologically just welfare state.

Positive Case Study

PT Adaro Energy in South Kalimantan allocated 30% of its CSR funds for the reforestation of 2,000 hectares of critical land using coffee-based agroforestry. This program increased the income of 10,000 farmers by 45% while simultaneously reducing deforestation by 30%.

Table 2 Comparative Analysis: Infrastructure vs. Reforestation

Aspects	Infrastructure	Reforestation
Cost per Unit	IDR 5-10 million/km (road)	IDR 15-20 million/hectare
Short-Term Impact	Measurable (physical development)	Not immediately noticeable
Long-Term Impact	Risk of environmental damage	Ecosystem restoration, carbon sequestration
Community Participation	Low (top-down project)	High (involving local farmers)

Source: Authors

According to findings from the Ministry of Environment and Forestry (KLHK) in 2023, there are significant differences in the environmental and social impacts of CSR fund allocation. Regions that allocated a larger portion of CSR funds to infrastructure projects experienced deforestation rates 1.5 times higher than those that prioritized reforestation. Conversely, areas that allocated more than 20% of their CSR budgets to reforestation programs saw community income increases ranging from 25% to 40% through the development of agroforestry.

Based on these findings, several urgent policy recommendations have been proposed to enhance the effectiveness of CSR in the natural resource (NR) sector, particularly in supporting environmental restoration and community empowerment.

First, the government should revise Government Regulation (PP) No. 47 of 2012 by mandating that at least 40% of CSR funds from companies in the natural resource (NR) sector be allocated to reforestation and environmental restoration activities. Additionally, technical standards for reforestation must be established, including the planting of multi-species trees and the involvement of indigenous communities in land rehabilitation processes. Second, the provision of fiscal incentives is a strategic step to encourage private sector participation. The government could offer a 25% tax allowance to companies that carry out reforestation using economically valuable crops such as rubber or coffee. Furthermore, subsidies for the cultivation of endemic plant seedlings can be provided through collaboration with environmental NGOs. Third, capacity building is essential to support the sustainable implementation of reforestation. Thus, agroforestry training should be provided to both companies and local communities through programs organized by the Ministry of Agriculture. In addition, collaboration with universities is also important to develop reforestation research based on local wisdom and specific ecological conditions. Fourth, regarding oversight, a monitoring mechanism should be established involving independent audit teams such as WALHI and academic experts to conduct comprehensive evaluations of corporate reforestation programs. To enhance the effectiveness of monitoring, the use of modern technology such as drones and satellites should be optimized to enable real-time and transparent tracking of reforestation progress.

The dominance of CSR fund allocation toward infrastructure in the natural resource sector reflects a regulatory failure to bind corporations to the sustainability agenda. While infrastructure projects may offer short-term benefits, this imbalance poses a threat to environmental carrying capacity and exacerbates the climate crisis. A multi-stakeholder commitment is urgently needed to shift the CSR paradigm from "physical development" to inclusive "ecological restoration." The successful example of PT Adaro demonstrates that community-based reforestation is not only feasible but also economically and environmentally beneficial.

CSR Implementation in the Financial Sector

Corporate Social Responsibility (CSR) in Indonesia’s financial sector has undergone a significant transformation, particularly through the integration of green financing principles and sustainability reporting. The Financial Services Authority (OJK) has played a crucial role in promoting these practices through regulations such as POJK No. 51/2017 on Sustainable Finance. By 2023, OJK data showed increased participation by financial institutions in funding sustainable projects, although challenges such as institutional capacity and greenwashing continue to hinder the full optimization of impact [15]; [16].

OJK Regulatory Framework

POJK No. 51 of 2017, issued by the Financial Services Authority (OJK), mandates all financial service institutions, including banks, insurance companies, and capital market participants, to implement sustainable finance principles. Under this regulation, companies are required to formulate a Sustainable Finance Action Plan that includes strategies for mitigating environmental and social risks. Furthermore, financial institutions are obligated to publish annual sustainability reports that comply with global standards, such as the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB). In the banking sector, institutions are also required to allocate at least 10% of their total assets to green financing portfolios. As of 2023, 85% of banks and 78% of insurance companies had complied with these requirements, with total green financing reaching IDR 450 trillion [17].

Green Financing Implementation

The application of green financing in Indonesia has been concentrated in three main sectors. First, the renewable energy sector, where projects such as solar power plants (PLTS), hydroelectric power plants (PLTA), and biogas receive financial support. For example, in 2023, Bank Mandiri disbursed IDR 2.1 trillion to support the construction of solar power plants in 100 remote villages. Second, sustainable infrastructure has also become a priority area, as illustrated by Bank Central Asia’s (BCA) financing of IDR 1.5 trillion for the Jakarta Mass Rapid Transit (MRT) project. Third, green MSME financing involves the provision of credit to entrepreneurs engaged in environmentally focused sectors such as agroforestry and recycling. Bank BRI, for instance, disbursed IDR 3.8 trillion to support 25,000 ecology-based MSMEs. Despite these efforts, the implementation of green financing continues to face significant challenges. One major issue is limited data availability, with around 40% of banks reporting difficulties in accessing environmental data necessary for assessing project risks, according to the World Bank (2023). Additionally, the average interest rate for green loans at approximately 12% remains higher than that of conventional loans, which average around 9%, thereby reducing the attractiveness of green financing for business actors [18].

Sustainability Reporting Practices

To ensure accountability and transparency, the Financial Services Authority (OJK) requires companies to include three main aspects in their sustainability reports. The environmental aspect covers reporting on carbon footprints and the use of renewable energy. The social aspect highlights community empowerment programs and financial inclusion efforts. Meanwhile, the governance aspect includes anti-corruption policies and risk governance systems [19].

OJK's 2023 findings indicate that 90% of publicly listed companies had published sustainability reports, yet only 35% of them complied with recognized reporting standards such as the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB). Instances of greenwashing were also identified. 25% of banks claimed to offer green financing, but in reality, only 60% of the allocated funds were used for sustainable projects. Some best practices can be observed at Bank Mandiri, which has implemented a real-time reporting system through a digital platform and disclosed a reduction of carbon emissions by up to 15,000 tons per year. Bank BNI has also stood out through its collaboration with the United Nations Development Programme (UNDP) in developing an integrated Sustainable Development Goals (SDGs) report.

Case Study: Bank Syariah Indonesia (BSI)

Bank Syariah Indonesia (BSI) has emerged as a pioneer in implementing green financing based on Islamic principles by issuing a Green Sukuk worth IDR 5 trillion in 2023. The funds were allocated to finance a range of sustainable projects, including the restoration of 2,000 hectares of mangrove forests along the coast of Java, the construction of a floating solar power plant (PLTS) at the Cirata Reservoir with a capacity of 200 MW, and the provision of organic farming training for 10,000 farmers. As a result, farmers' incomes increased by up to 30% due to organic certification, while the solar power project contributed to a reduction in carbon emissions by 50,000 tons annually.

Challenges and Solutions

Several obstacles hinder the optimal implementation of green financing in Indonesia. Approximately 60% of small banks lack dedicated teams to manage ESG-related issues, making limited institutional capacity a major constraint. In addition, overlapping regional regulations, evident in the existence of 18 different local regulations related to green CSR, create confusion during implementation. The lack of adequate fiscal incentives also remains a concern, as current tax deductions for green CSR programs are only 5%, significantly lower than Malaysia's incentives, which can reach up to 150%. As a solution, it is recommended that the Financial Services Authority (OJK) and the Ministry of Finance adopt ESG training and certification programs for financial professionals to enhance technical capacity. Increasing fiscal incentives by raising the tax deduction rate to 20% for green financing should also be considered. On the regulatory side, policy harmonization is needed by streamlining local regulations through a unified national guideline.

Impact on Sustainable Development

Overall, the presence of green financing has made a tangible contribution to the achievement of the Sustainable Development Goals (SDGs). In 2023, the installed capacity of renewable energy reached 1.2 gigawatts (GW), supporting the achievement of SDG 7 on affordable and clean energy. In the employment sector (SDG 8), green financing helped create approximately 500,000 green jobs, particularly in the MSME segment. Meanwhile, in terms of climate action (SDG 13), the financial sector succeeded in reducing carbon emissions by 1.2 million tons per year.

The implementation of CSR in the financial sector through green financing and sustainability reporting has shown significant progress, yet it still requires stronger regulatory support and multi-stakeholder collaboration. The role of the Financial Services Authority (OJK) as a regulator must be reinforced through fiscal incentives and enhanced institutional capacity. With such commitments, the financial sector can serve as a key driver in Indonesia's transition toward an inclusive green economy.

Lack of Incentives: A Barrier to Sustainable Investment

According to a World Bank (2022) report, fiscal incentives for CSR in Indonesia remain considerably low compared to other ASEAN countries.

Table 3: CSR in Indonesia

Country	Tax Dedication for CSR	Examples of Other Incentives
Indonesia	5%	-
Singapore	200%	Government grants for ESG projects
Malaysia	150%	Preferential tax rates
Thailand	100%	Ease of licensing

Source: Authors

Impact of Minimal Incentives:

1. Short-Term Project Priorities: Companies tend to opt for low-cost CSR programs such as basic food donations instead of reforestation or MSME empowerment.
2. Low Private Sector Participation: Only 22% of non-natural resources companies voluntarily allocate CSR funds (BPS, 2023).
3. Capacity Gap: MSMEs are unable to meet ESG standards due to high certification and technology costs.

The Concept of Tripartite Collaboration in CSR

Tripartite collaboration in CSR involves synergy between governments, corporations, and communities to achieve sustainable development goals. This model is key in overcoming the limitations of the state budget and ensuring that CSR programs are on target. In Bojonegoro Regency, East Java, this collaboration is realized through the "SDGs Village" initiative, which integrates the global targets of the Sustainable Development Goals (SDGs) with local needs, supported by a digital platform for transparency and accountability.

Context of Village SDGs in Bojonegoro

Bojonegoro Regency is an area that has great potential in the oil and gas and agricultural sectors, but still faces various development challenges, including poverty rates that reach 14.2% of the total population, limited access to clean water, and degradation of agricultural land. In response to this, Bappenas (2023) developed the Village SDGs program in Bojonegoro which aims to align 17 Sustainable Development Goal (SDGs) targets with village development priorities, such as poverty alleviation and clean energy development. This strategy also emphasizes the use of CSR funds from oil and gas companies such as PT Pertamina and other private sectors, by actively involving the community from the planning stage to program evaluation.

Tripartite Collaboration Mechanism

Tripartite collaboration between the government, corporations, and the community is the main key in the implementation of this program. On the government side, Bappenas and the Bojonegoro Regional Government have prepared a roadmap for the implementation of the Village SDGs and identified as many as 45 priority villages. The Ministry of Villages also supports by allocating Village Funds of IDR 2.5 billion per village per year, which is synergized with CSR funds from the private sector.

From the corporate side, PT Pertamina EP Cepu allocates funds of IDR 50 billion annually to finance clean water infrastructure projects and renewable energy development in villages. In addition, PT Petrokimia Gresik contributes through funding for organic farming training programs and the construction of reservoirs as an alternative source of irrigation. Meanwhile, the community also takes an active role through the Tourism Awareness Group (Pokdarwis), which manages ecotourism programs based on local wisdom, such as agrotourism in Ngringinrejo Village. Village-Owned Enterprises (BUMDes) also play a role in supervising fund allocation and reporting program progress digitally through the platform that has been provided.

CSR Digital Platforms: Innovation for Transparency

Digital innovation has also strengthened program accountability through the launch of the "CSR Bojonegoro Hub" platform in 2022. This platform has several main functions, including: participatory mapping of village needs where people can input data such as clean water and electricity needs through applications; the distribution of CSR funds that allows companies to choose projects according to their competencies through a matching system; real-time monitoring of project progress through an interactive dashboard; as well as a whistleblowing feature to allow the public to report misappropriation of funds [20].

As an example of implementation, Temayang Village successfully used this platform to propose a hybrid Solar Power Plant (PLTS) project that combines solar power and biogas. PT Pertamina responded to this proposal by distributing funds of IDR 1.2 billion, and residents can directly monitor the progress of the installation through the digital application.

Impact and Achievements

According to the Bappenas report (2023), the results of this collaboration are quite significant. The organic agriculture MSME empowerment program has succeeded in lifting around 8,000 families in 15 villages out of poverty. In the field of access to clean water, around 90% of households in 20 villages have been reached by clean water networks thanks to PT Pertamina's CSR contributions. Meanwhile, as many as 30 villages now have renewable energy sources in the form of solar power plants or biogas, which have succeeded in reducing dependence on diesel-based energy by up to 70%. In terms of governance, the use of digital platforms has succeeded in reducing the potential for corruption in CSR funds from the previous 15% in 2021 to only 3% in 2023.

A case study in Margomulyo Village shows the success of the reservoir construction program and hydroponic training funded by PT Petrokimia Gresik's CSR worth Rp800 million. As a result, the productivity of vegetables in the village increased by 40%, and farmers' income increased by up to Rp2.5 million per month. Digital platforms also play an important role in this process, with residents being able to report their needs and monitor the construction of the reservoir through the livestreaming feature.

Challenges and Solutions

Despite recording various positive achievements, the implementation of this program still faces a number of challenges. First, there is a digital divide, where about 25% of remote villages have difficulty accessing platforms due to weak internet signals. Second, there is a difference in priorities between corporations which tend to focus on infrastructure development and people who prefer economic empowerment programs. Third, there is still a shortage of digital skills among BUMDes managers.

To overcome these challenges, several solutions have been implemented. The Ministry of Communication and Information Technology (Kemenkominfo) provides technology training for around 500 BUMDes managers to be more proficient in using digital applications. The government has also begun to provide incentives for corporations in the form of a tax allowance of 15% for CSR projects that combine infrastructure development and economic empowerment. On the other hand, NGOs such as the Indonesian Environment Forum (WALHI) also help in the preparation of sustainability indicators based on local wisdom.

To replicate the success of this program nationally, several strategic steps are needed. First, the Ministry of Communication and Informatics is recommended to develop a similar digital platform with modules that are adaptive to the context of their respective regions. Second, there is a need for policy integration through the issuance of a Presidential Regulation that explicitly requires tripartite collaboration in the APBD planning process and the allocation of CSR funds. Third, institutional strengthening is also very important, which can be done by establishing tripartite forums at the district level to coordinate the implementation and evaluation of programs regularly.

The tripartite collaboration model of "SDGs Desa" in Bojonegoro proves that CSR is not only about allocating funds, but also about building a sustainable ecosystem that involves all stakeholders. With the support of digital platforms, transparency and community participation are the backbone of success. Bojonegoro not only achieved 65% of its SDGs target by 2023, but also became an example of how technology and collaboration can change the CSR paradigm from philanthropy to socio-ecological transformation.

Corporate Social Responsibility (CSR) policies in Indonesia still face structural challenges, such as regulatory fragmentation, lack of incentives, and weak supervision. Based on Nugroho's (2021) analysis in "CSR and SMEs in Indonesia: Between Obligation and Survival", policy reform is needed to transform CSR from an administrative obligation into a transformative instrument of sustainable development. This chapter recommends three main policies: the National CSR Law, a 20% tax allowance, and the CSR Supervisory Board.

Despite the formalization of Corporate Social Responsibility (CSR) through regulatory instruments such as Law No. 40/2007 and Government Regulation No. 47/2012 in Indonesia, its implementation often lacks alignment with long-term sustainability objectives and the foundational principles of the welfare state. CSR practices remain predominantly philanthropic and short-term in nature, failing to address deeper structural and ecological challenges or promote inclusive development. Moreover, current regulatory frameworks do not adequately compel corporations to internalize Environmental, Social, and Governance (ESG) considerations in their strategic planning and social investments.

While previous studies have explored CSR from either a regulatory or developmental perspective, there remains a lack of integrated research that critically evaluates the effectiveness of existing CSR regulations in Indonesia and their potential to drive sustainable transformation. Specifically, few studies have examined how CSR can evolve from a compliance-driven or charitable model into a governance-oriented approach that contributes meaningfully to socio-ecological justice and participatory development. This study addresses this gap by combining legal analysis with case-based evaluation, offering a comprehensive framework for rethinking CSR as a pillar of the welfare state.

Conclusion

This study reaffirms that CSR has the potential to serve as a transformative pillar of the welfare state. However, its effectiveness depends on regulatory clarity, cross-sector coverage, and alignment with sustainability indicators. Indonesia's legal framework must evolve to enforce inclusive CSR policies beyond the natural resource sector, promote ESG integration, and establish stronger monitoring and sanction mechanisms. Examples from PT Adaro and Bojonegoro highlight the benefits of multi-stakeholder collaboration. Future policies should institutionalize such models, offer fiscal incentives and ensure participatory governance. Further research is needed to evaluate the long-term societal impacts of ESG-based CSR frameworks across different economic sectors.

On the contrary, the breakthrough through POJK No. 51/2017 has begun to prove that the integration of ESG principles in the financial services sector can become a future-oriented CSR model. Case studies such as PT Adaro and the "SDGs Desa" initiative in Bojonegoro show that synergy between corporations, governments, and communities can have a significant impact on environmental recovery, local economic empowerment, and governance strengthening. Thus, comprehensive policy reform is needed, ranging from harmonization of CSR regulations across sectors, the provision of fair fiscal incentives to technology-based participatory supervision mechanisms. The transformation of CSR from an administrative obligation to a strategic instrument of sustainable development is not only urgent, but also inevitable to realize socio-ecological justice and the ideals of a welfare state in Indonesia.

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