

# Implementation of Corporate Social Responsibility of Sustainable National Project Companies

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## Abstract

This study aims to analyze the implementation of corporate social responsibility (CSR) by companies that contribute to communities directly affected by sustainable national development projects and identify legal obstacles to its implementation. The research was conducted at the location of the infrastructure project managed by PT Hutama Karya Infrastruktur. The method used is empirical legal research with direct observation techniques, interviews, and case studies to obtain data on CSR practices implemented. The results showed that PT Hutama Karya Infrastruktur has implemented a CSR program that includes community empowerment, social infrastructure development, and environmental protection, such as the construction of public facilities, reforestation, and support for local Micro, Small and Medium Enterprises (MSMEs). However, challenges remain, particularly in aligning company policies with community needs and weak government oversight. Therefore, this study recommends strengthening government regulations and oversight mechanisms and increasing transparency and active community involvement in CSR planning and implementation. Companies can contribute more consistently to inclusive and responsible sustainable development with this approach.

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## 1. Introduction

Business entities and/or corporations are drivers of economic activity, a business practice carried out by business actors (Afriana & Sujatmiko, 2015). The number of companies listed on the IDX (Indonesia Stock Exchange) has reached 700 companies. This means that it is inevitable that at least 700 corporate office buildings are standing. It can be ascertained that people live directly side by side with company activities every day (Afrita & Arifalina, 2021). Suppose the activity has little or a lot of influence on the surrounding community, whether in terms of land use, the use of the environment, or human resources. In that case, the company should be responsible to the community and the surrounding environment, which will bring benefits or symbiotic mutualism (Dharnayanti et al., 2017).

In 2024, many Indonesian state-owned enterprises (SOEs) will be involved in national infrastructure, energy, and other development projects. Some state-owned companies have carried out Corporate Social Responsibility (CSR) programs in an orderly manner. From a strategic perspective, CSR activities are a way for companies to communicate with their environment. The level of satisfaction with the environment around the company is one of the agendas for formulating CSR activities. Environmental satisfaction is one factor contributing to the company's sustainability development. This sustainable vision is one of the emphasis points of the formulation of the vision of many companies in addition to the vision of profit so that the company can be competitive in the future without sacrificing existing environmental and social aspects (Hutagalung & Butar, 2021).

Implementing Corporate Social Responsibility (CSR) is inseparable from good corporate governance in company operations. Implementing sound corporate governance includes managing the company responsibly and fulfilling its social obligations towards society and the environment. The implementation of CSR is relevant as a form of corporate responsibility in providing compensation, empowerment, and protection for communities affected by national development projects. However, the implementation of CSR in sustainable national projects still faces various challenges. One of the main obstacles is companies' lack of understanding and awareness of the urgency of CSR as part of a sustainable business strategy. In addition, the lack of government supervision and unclear regulations regarding the technical implementation of CSR have resulted in inconsistencies in the program's implementation by various companies (Kamila & Haryanto, 2022).

In addition to regulatory and supervisory aspects, the effectiveness of CSR programs is also affected by the mismatch between company policies and the needs and aspirations of affected communities. Many companies carry out CSR as an administrative obligation without considering the long-term benefits for the community. As a result, the programs designed are often poorly targeted or unsustainable. Therefore, analyzing how companies implement CSR to contribute to communities affected by national development projects is important. This research specifically examines the implementation of CSR by PT Hutama Karya Infrastruktur and assesses its compliance with the provisions of Article 74 of Law No. 40 of 2007 concerning Limited Liability Companies. This analysis is expected to provide a deeper understanding of the effectiveness of CSR implementation and the legal obstacles faced in its implementation.

## **2. Methods**

This legal research uses an empirical method that directly observes social reality to understand how the law functions in society. This method examines law as a social phenomenon practiced by individuals, institutions, or governments in everyday life (Irianto, 2009). With interview, observation, and case study techniques, this research focuses on written legal norms and their application and effectiveness in practice (Rusdianti et al., 2022). This approach helps identify gaps between the law in regulation and its implementation to provide more concrete recommendations for policymakers and law enforcement.

## **3. Results and Discussion**

### **Implementation of Corporate Social Responsibility (CSR) for Communities in Sustainable National Projects**

The Triple Bottom Line (TBL) concept emphasizes that companies must prioritize the interests of stakeholders (all parties involved and affected by company activities) over the interests of shareholders. These stakeholder interests include three main aspects, namely profit sustainability (Profit), community welfare (People), and environmental sustainability (Planet). This approach balances economic growth, social responsibility, and environmental protection. Case studies such as Starbucks with Corporate Social Responsibility (CSR): How Starbucks Succeeds in a Business World with CSR show that implementing the TBL concept can support business sustainability in the long run. Companies that are only profit-oriented and ignore social and environmental aspects tend to experience challenges in sustainably maintaining their operations.

In the economic aspect, the company's primary goal is profit. However, to ensure long-term business continuity, companies must focus on profit and consider their impact on society and the environment. Concern for society and the environment can provide various benefits, such as reducing production costs, improving product quality, improving the company's image in the media, and building long-term relationships with stakeholders (Khairandy, 2013). Investing in social and environmental programs can increase consumer loyalty, create sustainability-based innovations, and build the company's reputation as a responsible entity. Therefore, integrating

economic aspects with social and environmental sustainability is becoming an increasingly important strategy in the modern business world.

In the social aspect, companies have responsibilities that cover both internal and external environments. This responsibility is realized within the company through providing a safe working environment, employee skills training, welfare improvement, and fulfillment of human rights. Social responsibility can be realized outside the company through various programs that support community welfare, such as education, health services, and economic empowerment programs. A good relationship between the company and the community is important because it can create mutually beneficial synergies. Companies that are active in social activities have a positive image, increase customer loyalty, and gain support from the surrounding community. Therefore, a business strategy based on social development is not only beneficial for society but also for the growth of the company itself (Kotijah, 2011).

The environmental aspect of the TBL concept emphasizes that all human activities, including business activities, are highly dependent on healthy environmental conditions. However, many companies still lack responsibility for the environmental impacts they cause, such as air pollution, water pollution, and excessive exploitation of natural resources. Worsening environmental damage can lead to climate change and other ecological crises. Therefore, companies are expected to implement environmentally friendly technologies, reduce waste, and optimize the use of renewable energy. This reduction in environmental impact contributes to the planet's sustainability and can also reduce the company's operational costs in the long run. Along with the increasing global awareness of the importance of sustainability, the TBL concept is increasingly being adopted in corporate management strategies, as it is proven to be able to measure business success in economic, social, and environmental aspects in a balanced manner (Multazam et al., 2023).

Corporate Social Responsibility (CSR) regulations in Indonesia are governed by several laws and regulations that specifically stipulate the obligations of companies in carrying out their social responsibilities. One of the principal regulations is Law No. 40/2007 on Limited Liability Companies, where Article 74 requires companies engaged in natural resources to carry out social and environmental responsibilities (Njatrijani et al., 2019). In addition, Law No. 25/2007 on Capital Investment also emphasizes that investors are obliged to implement corporate social responsibility. To provide further guidance on the implementation of CSR, the government also issued Government Regulation No. 47/2012 on Social and Environmental Responsibility of Limited Liability Companies, which regulates the implementation of CSR by companies in more detail.

To support Indonesia's long-term development goals, the National Strategic Project (PSN) focuses on developing modern and adequate infrastructure to improve connectivity between regions, facilitate the mobility of goods and services, and encourage economic growth. Good infrastructure is the main foundation for accelerating logistics distribution and improving national competitiveness. Some projects that have been and are being developed in the PSN include the construction of toll roads, railways, seaports, international airports, and large-capacity Steam Power Plants (PLTU). This infrastructure development not only aims to improve transportation and logistics efficiency but also to open access to areas that were previously less accessible to encourage equitable development and economic growth in various regions.

In addition to infrastructure development, National Strategic Projects (PSN) also play a role in strengthening the industrial sector to increase national economic independence. PSN encourages the growth of the manufacturing industry and creative sectors, such as culinary, fashion, art, culture, and tourism, to create new jobs and increase the added value of local products. This effort is expected to reduce dependence on imports and strengthen the competitiveness of the national industry in the global market. In addition, PSN also prioritizes the development of human resources through education and training so that the Indonesian workforce has competencies according to industry needs. The government continues to improve the quality of the workforce by providing various education programs, including free education initiated by the Ministry of Education and Culture, to support sustainable economic growth.

In addition to focusing on economic aspects, National Strategic Projects (PSN) also emphasize the importance of sustainable energy management and environmental protection. The

government encourages the development of environmentally friendly energy sources, such as renewable energy, to ensure sufficient energy availability for industry and society. Some of the projects that have been developed include the utilization of solar, wind, and hydroelectric energy, as well as the reduction of carbon emissions in the industrial sector. Although development is a priority, PSN still pays attention to environmental sustainability by implementing environmentally friendly practices in every project. This includes preserving natural resources, better-managing waste, and protecting flora and fauna. With this approach, PSN encourages economic growth and ensures a balance between development and environmental sustainability.

Implementing Corporate Social Responsibility (CSR) in sustainable national projects is essential to ensure that development provides economic, social, and environmental benefits. Effective CSR can create shared value by addressing social challenges relevant to the company's business. Companies involved in national projects, such as significant infrastructure developments, are responsible for positively impacting the surrounding community. Well-executed CSR enhances the company's reputation and helps strengthen relations with the community and government. As such, implementing CSR in sustainable national projects contributes to achieving more inclusive and sustainable development goals.

The implementation of CSR in national projects is not only limited to social responsibility but also community empowerment through job creation and upskilling of local labor. For example, in the Medan Toll Road project managed by PT Hutama Karya Infrastruktur, the apprenticeship and employment program has involved the local community with a participation rate of 40%, where they are incorporated in a specific time work contract (PKWT). This program provides opportunities for the surrounding community to gain work experience and new skills that can increase their competitiveness in the labor market. Thus, CSR in national infrastructure projects provides short-term benefits and contributes to broader economic development through increased human resource capacity.

In addition to social and economic aspects, CSR implementation in national projects also focuses on environmental protection. PT Hutama Karya Infrastruktur allocates Rp370,700,900 for environmentally oriented CSR programs to comply with CSR regulations and sustainable development principles. Companies involved in national projects are expected to implement environmental conservation programs, such as reforestation or waste management, to minimize the negative impact of construction activities. Companies can ensure their business activities do not damage natural ecosystems by implementing environmentally-friendly policies. In addition, these environmental protection efforts can also improve the sustainability of the company's operations, as communities and governments tend to provide more significant support to companies that demonstrate a commitment to environmental sustainability.

One significant form of CSR in environmental conservation is mangrove restoration, which is important in maintaining the balance of coastal ecosystems and improving community welfare. Mangroves serve as coastal protection and erosion reduction and as an effective carbon sink to reduce the impact of climate change. In addition, mangrove ecosystems enhance biodiversity by providing habitat for various types of flora and fauna and assisting in flood prevention and water quality improvement. Healthy mangroves also contribute to the sustainable use of natural resources, increase resilience to natural disasters, and support sustainable tourism. Therefore, mangrove restoration is a strategic step that supports environmental protection and improves the social and economic welfare of communities that depend on coastal resources.

### **Conformity of CSR Implementation by PT Hutama Karya Infrastruktur with Implementation Provisions of Article 74 of Law No. 40 of 2007**

The philosophical foundation for implementing Corporate Social Responsibility (CSR) by the mandate of the 1945 Constitution is based on the philosophy of the Indonesian nation, namely Pancasila (Prabandari, 2014). This philosophy emphasizes that the state must realize a decent and dignified life and fulfill citizens' rights and basic needs to achieve social welfare (Putri, 2020). Through various professional efforts, the state organizes welfare services and development in a planned, directed, and sustainable manner by involving all stakeholders. As long as the sovereignty of the state is maintained, the values of Pancasila must always be used as guidelines

in carrying out the life of the nation and state (Sikellitha et al., 2021). In realizing the welfare of the people, the state and the people must not only be result-oriented but must always refer

The unanimous and complete Pancasila provides the belief that human happiness can be achieved if it is based on harmony, harmony, and balance in various aspects of life, both individually and in relationships with God, fellow humans, society, the natural environment, and the nation and state (Wirazilmustaan & Saliman, 2017). In these various relationships, humans are formed into individuals with personalities who can place themselves appropriately and have good self-control. This philosophy aligns with the state's goal of achieving people's welfare, as defined by the United Nations (UN), a series of organized activities to assist individuals and communities in meeting basic needs and improving welfare collectively. Both public and private institutions have a role in preventing and overcoming social problems to improve the community's quality of life.

Welfare indicators can be measured through health, education, economic conditions, and the overall quality of life in the community. Welfare aims to ensure that every citizen can live adequately and develop themselves to properly carry out their social functions. A prosperous society achieves prosperity in various aspects of life. Welfare is closely related to economic stability because a developed economy enables the community to have the capacity and ability to fulfill various other welfare indicators. Thus, the achievement of welfare based on Pancasila depends not only on government policy but also on the contribution of all elements of society in creating balance and sustainability of socio-economic development.

The primary purpose of providing Corporate Social Responsibility (CSR) for the community is in line with the values of Pancasila, which prioritizes social welfare. In its implementation, there are legal provisions that regulate the implementation of CSR, one of which is Law No. 40 of 2007 concerning Limited Liability Companies (PT Law). This law requires companies engaged in sectors related to natural resources to implement social and environmental responsibilities. Article 74 Paragraph (1) states that every company that carries out business activities in the field of natural resources is obliged to implement CSR. This obligation aims to improve the community's quality of life and the surrounding environment while balancing corporate profits and sustainable social and environmental contributions.

The scope of CSR, as stipulated in Article 74 Paragraph (3), includes social and environmental responsibilities that focus on community empowerment and ecosystem preservation. CSR programs must be carried out transparently and accountable by the company. The implementation of CSR can cover various fields, such as education, health, environment, and economic development of the surrounding community. CSR must also be adjusted to the capabilities of each company, as stated in Article 74 Paragraph (4). This provides flexibility for companies to carry out CSR programs by their financial and operational capacity without neglecting the main objective of contributing to sustainable social and environmental development.

In addition, CSR reporting and accountability is regulated in Article 66 Paragraph (2), which requires companies to include reports related to CSR implementation in their annual reports. This report must contain information on the implementation of CSR programs, the resulting impacts, and the use of funds in these activities. With this obligation, companies are required to account for their CSR activities to shareholders and the wider community. Transparency in CSR reporting is essential to ensure that the programs benefit the community and the environment and are not just a formality used as a corporate image strategy.

To ensure compliance with CSR provisions, Article 74 Paragraph (5) regulates sanctions for companies that do not carry out social and environmental responsibilities as required. These sanctions can be fines or restrictions on business activities to enforce compliance with CSR regulations. This provision encourages companies to be profit-oriented, actively maintain the environment, and support social welfare. Overall, the CSR regulated in Article 74 aims to ensure that companies participate in sustainable development, thereby providing long-term benefits to society, the environment, and the sustainability of their businesses.

## 4. Conclusion

Based on the research results conducted in this thesis, it can be concluded that PT. Hutama Karya Infrastruktur has carried out or implemented Corporate Social Responsibility practices that impact empowerment, society, and the environment. The programs realized in the annual agenda and spread in various regions have been clearly and in detail outlined in the company's accountability report, specifically in this research PT. Hutama Karya Infrastruktur. Order and compliance in implementing the provisions of Hutama Karya Infrastruktur is a national project company that is sustainable as a law-abiding company and complies with applicable regulations. The programs carried out are also based on the community's needs, including the construction of toilets, reforestation of nature, construction of bridges as infrastructure facilities, empowerment through machinery assistance for MSMEs, and the involvement of residents around the development project.

The advice that can be given to the government is to strengthen supervision of the implementation of corporate CSR through establishing special institutions or strengthening the role of relevant ministries. In addition, it is necessary to prepare more detailed technical guidelines regarding the implementation of CSR to ensure its conformity with the principles of sustainable development. The government must also encourage collaboration between the government, companies, and communities in planning and implementing CSR programs to increase their effectiveness and impact. For companies, it is important to increase the involvement of affected communities in planning and implementing CSR programs so that the programs run are by local needs. In addition, companies need to provide transparent and publicly accessible periodic reports on CSR implementation. CSR budget allocation should also be proportional, prioritizing projects supporting sustainable development. Meanwhile, communities are expected to increase active participation in CSR programs by providing constructive input to companies and the government. In addition, forming community groups that focus on monitoring the implementation of CSR in affected areas can be a strategic step in ensuring transparency and effectiveness of the programs implemented.

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