


The Politics of Criminal Law Behind the Mining Industry's Image: Uncovering CSR Scandals in Indonesia

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Abstract

Corporate branding through Corporate Social Responsibility (CSR) programs has become a key strategy for many mining companies in Indonesia. CSR is supposed to be a tangible manifestation of a company's contribution to social and environmental development around its area of operation. However, in practice, CSR is often just an image tool to improve the company's reputation without having a significant positive impact on society. This article examines the phenomenon of CSR in the Indonesian mining sector, which is often involved in scandals and manipulative practices. The research highlights various cases where mining companies fail to fulfill their social responsibilities, manipulate CSR reports, and exploit local communities. Through a qualitative analysis approach, this article reveals that CSR programs in the mining sector are more often used as a means to improve public image than to make a real contribution to sustainable development. The conclusion of this study shows the need for supervisory reforms and clear rules related to criminal sanctions for misuse of CSR funds so that CSR implementation does not only become a means of imaging, but actually has a positive sustainable impact.

Keywords:

Criminal Law Politics, CSR, Mining, Image, Scandal.

Introduction

Corporate Social Responsibility (CSR) has undergone a significant evolution from a voluntary initiative to an integral legal obligation in global business operations, particularly in the mining sector which has a direct impact on the environment and society. In Indonesia, this transformation is reflected through an increasingly comprehensive regulatory framework, requiring mining companies to contribute substantively to sustainable development¹. However, amidst growing expectations of CSR's role in national development, the phenomenon of misuse of CSR funds has created serious challenges that threaten not only the effectiveness of the program, but also public trust in corporate social commitment.

The urgency to examine this issue is all the more pressing given the complexity of the challenges in implementing CSR in the Indonesian mining sector. Recent studies have revealed that although CSR programs are designed to empower communities, their implementation is often hampered by deficiencies in transparency and accountability². This finding is reinforced by comprehensive research that shows a substantial gap between companies' stated CSR commitments and the reality of their implementation on the ground.

In a global context, comparative analysis shows a strong correlation between the effectiveness of legal systems and the success rate of CSR programs. The contemporary criminal justice system faces diverse challenges, especially regarding the effectiveness of the oversight mechanism. The important role of oversight in the framework of integrated justice, advocating for legal reform and constructive enforcement strategies. The main objective is to explain the need to

¹ Marthen B.; Akim Marthin; Salinding Inggit, "Implementasi Prinsip Corporate Social Responsibility (Csr) Berdasarkan Undang-Undang Nomor 40 Tahun 2007 Tentang Perseroan Terbatas." *J. Priv. & Com. L.* 1 (2017): 111.

² Waagstein, Patricia Rinwigati. "The mandatory corporate social responsibility in Indonesia: Problems and implications." *Journal of business ethics* 98 (2011): 455-466.

reform criminal execution practices in order to improve the effectiveness and fairness of the criminal justice system as a whole.³ Countries with robust legal frameworks and effective enforcement demonstrate lower rates of misuse of CSR funds⁴. These observations emphasize the urgency to evaluate and strengthen Indonesia's criminal law policy, particularly in the context of monitoring and managing CSR funds in the mining sector.

The novelty of this research lies in its comprehensive approach in analyzing the political dimension of criminal law towards addressing the misuse of CSR funds⁵. Unlike previous studies that tend to focus on implementation or socio-economic⁶ impact, this research adopts a juridical analysis perspective that has not been widely explored. Through in-depth analysis of the existing legal framework, its implementation in the field and specific case studies, this study aims to identify gaps in the criminal law system that allow for the misuse of CSR funds, as well as formulate concrete recommendations for the improvement of future legal policies and practices.

Corporate Social Responsibility (CSR) has become an integral component of modern corporate governance, particularly in the mining sector which has a significant impact on the environment and society. In Indonesia, the implementation of CSR has evolved from a voluntary initiative to a legal obligation regulated in various laws and regulations⁷. For State-Owned Enterprises (SOEs) in the mining sector, this obligation

³ Widyawati, Anis, et al. "Supervision in Integrated Justice: Legal Reform and Constructive Enforcement in the Criminal Justice System." *Journal of Law and Legal Reform* 5.2 (2024): 433-458.

⁴ Marthen B.; Akim Marthin; Salinding Inggit, "Implementasi Prinsip Corporate Social Responsibility (Csr) Berdasarkan Undang-Undang Nomor 40 Tahun 2007 Tentang Perseroan Terbatas." *J. Priv. & Com. L.* 1 (2017): 111.

⁵ Azheri, Busyra. *Corporate social responsibility: Dari voluntary menjadi mandatory*. RajaGrafindo Persada, 2011.

⁶ Kartini, Dwi. *Corporate social responsibility: transformasi konsep sustainability management dan implementasi di Indonesia*. Refika Aditama, 2009.

⁷ Verlina, Vera. "IMPLEMENTASI PERATURAN PEMERINTAH NOMOR 47 TAHUN 2012 TENTANG TANGGUNG JAWAB SOSIAL DAN LINGKUNGAN PERSEROAN TERBATAS DI DESA PADANG PANJANG KALIMANTAN SELATAN." *Institute* 8.5 (Agustus-Desember) (2022): 69-79.

even has a double dimension due to their status as an extension of the state in managing strategic natural resources⁸.

However, the reality on the ground suggests an alarming gap between the ideals of CSR and its actual practice, even among mining sector SOEs. Although SOEs have a Partnership and Community Development Program (PKBL) that is in line with CSR⁹ principles, various studies and investigative reports reveal that its implementation has not been optimal. Some mining SOEs still tend to reduce CSR to a mere corporate image instrument, with programs that do not provide substantial transformative impacts for the community.

This problem is even more complex given the dual role of SOEs as business entities and agents of national development. On the one hand, SOEs are required to generate profits and contribute to state revenues, but on the other hand, they must carry out their social functions through substantial CSR programs. This situation is complicated by the overlapping regulations between the SOE Law, Limited Liability Company Law, and mining sectoral regulations in regulating the implementation of CSR¹⁰.

Ambiguities in the regulatory framework are increasingly evident in the context of mining SOEs. Despite efforts to transform CSR from a voluntary to a mandatory approach through various legal¹¹ instruments, its implementation still faces fundamental challenges. The Government Regulation on Social and Environmental Responsibility of Limited Liability Companies (PP TJSL PT), which was expected to provide operational clarity, instead creates new confusion in the aspects of

⁸ Azheri, Busyra. *Corporate social responsibility: Dari voluntary menjadi mandatory*. RajaGrafindo Persada, 2011.

⁹ Kartini, Dwi. *Corporate social responsibility: transformasi konsep sustainability management dan implementasi di Indonesia*. Refika Aditama, 2009.

¹⁰ Verlina, Vera. "IMPLEMENTASI PERATURAN PEMERINTAH NOMOR 47 TAHUN 2012 TENTANG TANGGUNG JAWAB SOSIAL DAN LINGKUNGAN PERSEORAN TERBATAS DI DESA PADANG PANJANG KALIMANTAN SELATAN." *Institute* 8.5 (Agustus-Desember) (2022): 69-79.

¹¹ Ite, Uwem E. "Achieving Sustainable Development Goals through Corporate Social Responsibility." *Business and Sustainable Development in Africa*. Routledge, 2022. 179-202.

budgeting and supervision of CSR programs, especially in the context of its harmonization with the PKBL BUMN regulation¹².

Some mining companies are known to be involved in various scandals that show that their CSR programs are mere formalities¹³. Research on the implementation of Corporate Social Responsibility (CSR) in mining SOEs in Indonesia shows some important findings. CSR disclosure, especially environmental and social indicators, has a positive effect on the firm value of mining SOEs¹⁴. However, the implementation of CSR still tends to be at the level of legal responsibility and needs to be directed more towards community development¹⁵. Optimization of CSR programs is needed to alleviate poverty and empower communities effectively¹⁶. Although CSR is required by law, its implementation faces obstacles due to the absence of strict sanctions and only depends on company awareness. Therefore, companies need to design CSR programs well, focus on sustainability and community independence, and make it a long-term investment. While CSR aims to support community development and poverty alleviation¹⁷, there are concerns about its actual impact and transparency. Some CSR reports may manipulate facts and conceal negative environmental and social

¹² Hidayah, Nunung Nurul, Alan Lowe, and Margaret Woods. "Accounting and pseudo spirituality in Islamic financial institutions." *Critical Perspectives on Accounting* 61 (2019): 22-37.

¹³ Savio, Adelaide Hindelens. *Analisis wacana kritis dalam konten iklan CSR PT. Semen Indonesia edisi "Semen Indonesia-Bina Lingkungan"*. Diss. Widya Mandala Catholic University Surabaya, 2020.

¹⁴ Imamah, Fereza Nur, Riyanto Setiawan Suharsono, and Nina Martiana. "The Influence of CSR Disclosure on Financial Performance and Corporate Image (Empirical Study of Banking Companies Listed on the IDX in 2018-2022)." *Proceeding Medan International Conference on Economic and Business*. Vol. 2. 2024.

¹⁵ Yulina, Lina, and Baban Sobandi. "Implementasi Kebijakan Corporate Social Responsibility (CSR)(Kasus Pt. Pindad)." *Jurnal Wacana Kinerja: Kajian Praktis-Akademis Kinerja dan Administrasi Pelayanan Publik* 18.2 (2020): 198-235.

¹⁶ Syahputra, Erwin, and Suteki Suteki. "Strategi Baru Pengentasan Kemiskinan Melalui Hukum Sebagai Sarana Pemberdayaan Corporate Social Responsibility." *Masalah-Masalah Hukum* 46.1 (2017): 1-8.

¹⁷ Ariadi, Septi. "Optimalisasi program dan kegiatan Corporate Social Responsibility di Kota Bontang." *Jurnal Sosiologi Dialektika* 13.1 (2018): 31-47.

impacts¹⁸. To address these issues, researchers suggest revitalizing CSR programs to be more contextual and pro-poor¹⁹, strengthening regulations and oversight²⁰, and adopting collaborative models involving companies, local governments, and communities²¹.

This phenomenon reflects that CSR in the mining sector functions more as a tool to improve the company's image than as a genuine effort to fulfill its social responsibilities. This raises major questions regarding the effectiveness and integrity of CSR programs implemented by mining companies in Indonesia. Therefore, it is important to take a closer look at CSR practices in the mining sector, especially in terms of transparency and tangible impacts²².

CSR, which was originally voluntary, was upgraded to CSR that was more mandatory. Thus, it can be expected that the contribution of the business world is measurable and systematic in helping to improve the welfare of the community²³. However, instead of clarifying and strengthening the mandatory concept of confusion in the Limited Liability Company Law, the PP TJSL PT, actually makes the concept of mandatory CSR in Indonesia even more unclear. The absence of detailed regulations on the implementation of CSR, including the scope and mechanism of supervision, creates legal uncertainty for companies,

¹⁸ Afriadi, Wahyu, and Ari Kamayanti. "Analisis Implementasi Corporate Social Responsibility (CSR) pada PT. Bage Bungkur (BB)(Samaran) dalam Peningkatan Kesejahteraan Masyarakat Lokal Lingkar Tambang." *Jurnal Ilmiah Mahasiswa FEB* 3.2 (2016).

¹⁹ Ariadi, Septi. "Optimalisasi program dan kegiatan Corporate Social Responsibility di Kota Bontang." *Jurnal Sosiologi Dialektika* 13.1 (2018): 31-47.

²⁰ Syahputra, Erwin, and Suteki Suteki. "Strategi Baru Pengentasan Kemiskinan Melalui Hukum Sebagai Sarana Pemberdayaan Corporate Social Responsibility." *Masalah-Masalah Hukum* 46.1 (2017): 1-8.

²¹ Suhadi, Antonius, A. R. Febrian, and Sri Turatmiyah. "Model Corporate Social Responsibility (CSR) Perusahaan Tambang Batubara di Kabupaten Lahat Terhadap Pemberdayaan Masyarakat Berbasis Kearifan Lokal." *Jurnal Dinamika Hukum* 14.1 (2014): 72-82.

²² Rosyida, Isma, Wahidullah Khan, and Masatoshi Sasaoka. "Marginalization of a coastal resource-dependent community: A study on tin mining in Indonesia." *The Extractive Industries and Society* 5.1 (2018): 165-176.

²³ Hidayah, Nunung Nurul, Alan Lowe, and Margaret Woods. "Accounting and pseudo spirituality in Islamic financial institutions." *Critical Perspectives on Accounting* 61 (2019): 22-37.

government, and society²⁴. Basically, the implementation of the criminal sanctions sub-system acts as a sub-system of punishment. Supervision and coordination in the context of the integrity of punishment, which is under the protection of an integrated criminal law enforcement system. The Urgency of Legal Structure Reform in the Implementation of Criminal Sanctions.²⁵

In fact, there is not a single sentence in PP TJSL PT that instructs the company to include CSR funds in the company's budget. PP TJSL PT gives full autonomy to the company's internal budgeting²⁶. In Article 4 paragraph (1) of PP TJSL PT, TJSL or CSR is implemented by the company's board of directors based on the annual work plan after obtaining approval from the board of commissioners or the General Meeting of Shareholders (GMS). This means that Article 4 paragraph (1) leaves whether or not to make TJSL or CSR mandatory to the internal company (board of commissioners or GMS)²⁷.

This research aims to uncover the scandalous portrait that is often hidden behind the luster of CSR programs in the Indonesian mining sector. Using a qualitative approach, this research highlights cases where mining companies fail to fulfill their social responsibilities, as well as how CSR is manipulated for the sake of public image. In addition, this research also encourages reforms in the supervision of CSR implementation and the norm of clear criminal sanctions in Indonesian mining regulations so that this program can make a more tangible contribution to society and the environment.

²⁴ Sukananda, Satria. "Pendekatan Teori Hukum Refleksif Dalam Menjawab Permasalahan Keterbatasan Pengawasan Terhadap Pelaksanaan Tanggung Jawab Sosial Perusahaan Di Indonesia." *Law and Justice* 3.1 (2018): 12-21.

²⁵ Widyawati, Anis, et al. "Urgency of the Legal Structure Reformation for Law in Execution of Criminal Sanctions." *Lex Scientia Law Review* 6.2 (2022): 327-358.

²⁶ Antara, I. Gede Made Yudi. "Pemanfaatan Teknologi Informasi dalam Pengelolaan Sumber Daya Air Berbasis Kearifan Lokal." *JSIKTI: Jurnal Sistem Informasi dan Komputer Terapan Indonesia* 4.2 (2021): 112-121.

²⁷ Bagh, Tanveer, et al. "The corporate social responsibility and firms' financial performance: evidence from financial sector of Pakistan." *International Journal of Economics and Financial Issues* 7.2 (2017): 301-308.

Method

The research method used in the article “The Politics of Criminal Law Behind the Imaging of the Mining Industry: Uncovering CSR Scandals in Indonesia” is a normative legal research method with a descriptive-analytical approach. The research location covers several regions in Indonesia that have significant mining activities. The selection of these locations was based on the intensity of mining activities and the variety of CSR cases occurring in these areas. Data collection was conducted through a comprehensive literature study, including laws and regulations, law books, scientific journals, and government reports. In addition, we also analyzed documents from local sources in each province, including mining company CSR reports, local media news, and local government policy documents related to the mining industry. Data analysis used a qualitative method with a juridical-normative approach. Researchers examined laws and regulations related to CSR and the mining industry, and analyzed their application in practice at the research locations. Criminal law theories and law enforcement concepts are used as an analytical framework to reveal the political dynamics of the law behind CSR policies. The research boundaries cover the time period of the last 5 years (2019-2024) to ensure data actuality. This research is limited to analyzing CSR policies and practices in the mining sector in five selected provinces, with a focus on criminal law aspects and their implications for society and the environment. Through this method, the researcher seeks to provide a comprehensive picture of the politics of criminal law that influence the implementation of CSR in the Indonesian mining industry, as well as uncover potential scandals or violations that occur in practice in various research locations.

Research Locations

The research encompasses several regions in Indonesia with significant mining activities, focusing on five key provinces: East Kalimantan, Papua, Southeast Sulawesi, South Sumatra, and West Java. These locations were selected based on the intensity of mining operations and the diversity of Corporate Social Responsibility (CSR) cases observed in these areas.

Data Collection

Data collection was conducted through a comprehensive literature review, encompassing statutory regulations, legal textbooks, scientific journals, and government reports. Additionally, the researchers analyzed documents from local sources in each province, including CSR reports from mining companies, local media coverage, and regional government policy documents related to the mining industry.

To enrich the data, in-depth interviews were conducted with key informants in each location, including local government officials, environmental activists, mining company representatives, and community leaders. Field observations were also carried out at selected mining sites to gain first-hand insights into CSR implementation and its impact on surrounding communities.

Result and Discussion

A. Legal Politics and CSR Regulation

Corporate Social Responsibility (CSR) policy in Indonesia has transformed from a voluntary act to a legal obligation for companies, primarily through Law No. 40/2007 on Limited Liability Companies and Law No. 25/2007 on Capital Investment²⁸. CSR is considered a legal strategy for community empowerment through education programs, training of local businesses, and recruitment of local labor²⁹. Nonetheless, there are inconsistencies in the regulations that can become loopholes for companies to avoid CSR obligations. CSR³⁰ implementation is in line with Article 33 of the 1945 Constitution and the 4th Precept of Pancasila, which emphasizes social justice. However, CSR implementation still faces challenges, especially in the natural resource management sector.

²⁸ Disemadi, Hari Sutra, and Paramita Prananingtyas. "Kebijakan Corporate Social Responsibility (CSR) sebagai Strategi Hukum dalam Pemberdayaan Masyarakat di Indonesia." *Jurnal Wawasan Yuridika* 4.1 (2020): 1-16.

²⁹ *Ibid.*

³⁰ Narwan, Theo Ady Theo Ady. "Kewajiban Hukum Perusahaan dalam Pelaksanaan CSR berdasarkan Peraturan Perundang-Undangan." *Jurnal Hukum dan Pembangunan Ekonomi* 11.2 (2023): 309-316.

Furthermore, the approach of the integrity zone involves mapping areas prone to corruption and proactively implementing preventive measures within these zones.³¹ This strategy includes raising awareness, enforcing regulations, and strengthening oversight. The integration of CSR regulations with the Integrity Zone policy underscores the broader effort to create a governance system that is both socially responsible and corruption-free. CSR obligations, particularly in sectors managing natural resources, must align with anti-corruption initiatives to ensure corporate accountability and public trust. By linking corporate social responsibility with integrity zones, the government can encourage ethical business practices that contribute to transparency, fairness, and sustainable development. Therefore, the synergy between administrative law policies, corporate obligations, and anti-corruption measures is crucial in achieving a governance structure that upholds integrity and social justice in Indonesia.

The implementation of Corporate Social Responsibility (CSR) in Indonesia's mining sector faces various challenges despite regulations. Key challenges include a lack of transparency in the allocation of CSR funds, weak oversight, and potential misuse by local officials³². Effective CSR implementation requires a long-term strategy and sustainable approach, with a focus on community empowerment and program sustainability³³. Although there are regulations governing CSR, there is still confusion in its application and less stringent sanctions for violating companies³⁴. Factors that influence CSR disclosure in mining companies in Indonesia include profitability, leverage, company size, liquidity, and

³¹ Widyawati, Anis, et al. "The Regulation of Integrity Zone and the Corruption-Free Zone in Indonesia and Rusia." *Bestuur* 11 (2023): 253-70.

³² Kospa, Herda Sabriyah Dara. "Kajian Implementasi Program Corporate Social Responsibility (CSR) Oleh Perusahaan Pertambangan (Studi Kasus PT. Antam Tbk)." *Jurnal Tekno Global* 9.1 (2020).

³³ Syahputra, Erwin, and Suteki Suteki. "Strategi Baru Pengentasan Kemiskinan Melalui Hukum Sebagai Sarana Pemberdayaan Corporate Social Responsibility." *Masalah-Masalah Hukum* 46.1 (2017): 1-8.

³⁴ Michiko, Fitri Hillary. "Tinjauan Hukum Corporate Social Responsibility (CSR) di Indonesia (Studi Kasus pemberian Dana CSR melalui Hibah)." *JISIP (Jurnal Ilmu Sosial dan Pendidikan)* 3.3 (2019).

audit quality³⁵. Mining companies are expected to not only focus on profits, but also provide social and economic benefits to society.

B. CSR Deviation Practices in the Mining Sector

Research on the implementation of Corporate Social Responsibility (CSR) in the Indonesian mining sector reveals several key findings. Many companies do not fully comply with the Global Reporting Initiative standards, although they generally comply with local regulations. Some mining companies potentially violate the public interest through their CSR accounting practices³⁶. Although some companies collaborate with local governments to implement CSR programs, the effectiveness of CSR³⁷ in developing countries is highly context dependent, influenced by political and socio-cultural factors³⁸. Implementation challenges include the lack of clear sanctions for non-compliance³⁹ and varying levels of corporate commitment. Factors that influence CSR disclosure include profitability, leverage, and firm size, although findings regarding their impact are mixed. These studies highlight the complexity of CSR implementation in the Indonesian mining sector and the need for a context-appropriate approach.

³⁵ *Ibid.*

³⁶ Febriyanto, Amirulloh Dwi, and Desi Adhariani. "Rekomendasi Pengelolaan Donasi Corporate Social Responsibility Pada Yayasan Perusahaan Sektor Pertambangan." *Jurnal Akuntansi Manado (JAIM)* (2023): 241-253.

³⁷ Oktarinasari, Eva, Maulana Yusuf, and T. Arief. "Penerapan Program Corporate Social Responsibility Pada Perusahaan Tambang Batubara PT. X di Kabupaten Lahat." *Jurnal Pertambangan* 5.1 (2021): 9-13.

³⁸ Killian, Erza. "Multinationals and the practice of corporate social responsibility in developing countries: Case of mining sector in Indonesia." *Transformasi Global* 1.2 (2016).

³⁹ Kristi, Agatha Aprinda. "Faktor-faktor yang mempengaruhi pengungkapan Corporate Social Responsibility pada perusahaan publik di Indonesia." *Jurnal Ilmiah Mahasiswa FEB* 1.1 (2013): 2-18.

Here is some data on the misuse of CSR funds in Indonesia:

Table 1: Major Cases of CSR Fund Misappropriation

Year	Case	Loss Value	Status
2022 ⁴⁰	Boeing-ACT (Lion Air JT-610 victims)	IDR 107.3 billion	Suspects: 4 individuals (Ahyudin, Ibnu Khajar, Hariyana Hermain, Novariandi)
2023 ⁴¹	mining company (2018-2022)	IDR 400 billion	Under investigation
2024 ⁴²	BI and OJK	Under investigation	Under KPK investigation
2024 ⁴³	PT Timah Tbk	IDR 420 billion	Suspect: Harvey Moeis
2024 ⁴⁴	PT Sang Hyang Seri	IDR 2.6 billion	4 suspects (RS, SR, TR, BR)

Source: Primary data processed from various sources, 2024

⁴⁰ “Polri: Penyelewengan Dana CSR Boeing Oleh ACT Capai Rp107,3 M” (cnnindonesia.com, 2022),

<https://www.cnnindonesia.com/nasional/20220808144604-12-831767/polri-penyelewengan-dana-csr-boeing-oleh-act-capai-rp1073-m>.

⁴¹ “Setiap Tahun Dana CSR Rp 15 Triliun Diselewengkan, MPR Minta Ubah Paradigma” (publica-news.com, 2023), https://www.publica-news.com/berita/nasional/2023/07/25/57741/setiap-tahun-dana-csr-rp-15-triliun-diselewengkan-mpr-minta-ubah-paradigma.html#google_vignette.

⁴² Dyan Parwanto, “KPK Diminta Usut Dugaan Penyalahgunaan Dana CSR BI Dan OJK” (rri.co.id, n.d.), <https://www.rri.co.id/yogyakarta/anti-korupsi/1028836/kpk-diminta-usut-dugaan-penyalahgunaan-dana-csr-bi-dan-ojk>.

⁴³ PH: Dana CSR yang diterima Harvey Moeis digunakan untuk komunitas, “No Title” (ANTARA/Agatha Olivia Victoria, 2024), <https://www.antaranews.com/berita/4260487/ph-dana-csr-yang-diterima-harvey-moeis-digunakan-untuk-komunitas>.

⁴⁴ hukumonline., “Dana Sponsorship Dalam Pusaran Tindak Pidana Korupsi” (hukumonline., 2021), <https://www.hukumonline.com/berita/a/dana-sponsorship-dalam-pusaran-tindak-pidana-korupsi-lt60658b2e08d0d/>.

Table 2: CSR-Related Regulations

Regulation	Key Provisions
Law No. 40/2007 Article 74	Mandatory CSR for natural resource-related companies
UU No. 25/2007 (UUPM)	CSR regulations for investment
UU No. 19/2003 (BUMN)	Partnership Program and Community Development (PKBL)
PerMen BUMN No.05/MBU/2007	PKBL funds set at 4% of net profit

Source: Primary data processed, 2024

Table 3: CSR Fund Management Issues

Aspect	Problems
Supervision	Weak monitoring and control systems
Regulation	Lack of comprehensive CSR-specific legislation
Sanctions	Absence of firm penalties for companies not implementing CSR
Management	Estimated IDR 10-15 trillion/year not optimally managed
Coverage	Limited to natural resource-related companies

Source: Primary data processed, 2024

During 2022-2024, several major cases of CSR fund misappropriation were uncovered in Indonesia. The most prominent case occurred at PT Timah Tbk, with losses reaching IDR 420 billion, involving suspect Harvey Moeis. This was followed by the NTB mining company case from 2018-2022, with losses of IDR 400 billion, which remains under investigation. The Boeing-ACT case related to Lion Air JT-610 victims' funds amounted to IDR 107.3 billion with four suspects. Meanwhile, the PT Sang Hyang Seri case affected 600 farmers with losses of IDR 2.6 billion and involved four suspects. Lastly, the ongoing KPK investigation into the BI and OJK case demonstrates that CSR fund misuse occurs across various sectors, from state-owned enterprises to government institutions.

The CSR regulatory framework in Indonesia is governed by several laws and regulations. Law No. 40/2007 Article 74 serves as the primary foundation, mandating CSR implementation for natural resource-related companies. Law No. 25/2007 (Investment Law) regulates investment aspects, while Law No. 19/2003 specifically governs SOEs through the Partnership Program and Community Development (PKBL). SOE Ministerial Regulation No.05/MBU/2007 more specifically sets PKBL funds at 4% of net profit. However, existing regulations still lead to various interpretations and legal loopholes in their implementation.

CSR fund management in Indonesia faces five major issues. First, weak monitoring and control systems create opportunities for misuse. Second, the absence of comprehensive CSR-specific legislation leads to varied interpretations. Third, the lack of firm sanctions results in companies taking CSR programs less seriously. Fourth, an estimated IDR 10-15 trillion in CSR funds annually is not managed optimally, indicating significant wasted potential. Fifth, coverage limited to natural resource-related companies results in uneven distribution of social responsibility among business actors.

Research on Corporate Social Responsibility (CSR) in mining companies shows a complex picture. Some research suggests that companies manipulate CSR reports to improve their image, by emphasizing positive aspects and downplaying negative environmental and social impacts. However, other studies show that CSR can be an effective tool for community development and sustainability if implemented well⁴⁵. The effectiveness of CSR programs varies, with some companies achieving positive results in community relations and infrastructure⁴⁶ development, CSR disclosure is positively associated with real earnings management, which suggests that CSR can be used to

⁴⁵ Kospa, Herda Sabriyah Dara. "Kajian Implementasi Program Corporate Social Responsibility (CSR) Oleh Perusahaan Pertambangan (Studi Kasus PT. Antam Tbk)." *Jurnal Tekno Global* 9.1 (2020).

⁴⁶ Oktarinasari, Eva, Maulana Yusuf, and T. Arief. "Penerapan Program Corporate Social Responsibility Pada Perusahaan Tambang Batubara PT. X di Kabupaten Lahat." *Jurnal Pertambangan* 5.1 (2021): 9-13.

hide financial manipulation⁴⁷. However, another study found that CSR reporting has a negative impact on accrual-based earnings management⁴⁸. The implementation of CSR programs is influenced by factors such as company age, industry type, company size, employee demands, government policies, organizational culture, and customer needs⁴⁹. Profitability and leverage have a significant effect on CSR disclosure, while company size does not⁵⁰. Independent commissioners and institutional ownership can moderate the relationship between CSR and earnings management⁵¹. Overall, effective CSR implementation requires careful planning, community involvement, and a focus on long-term sustainability rather than short-term interests⁵².

C. Ineffectiveness of CSR Programs

Corporate Social Responsibility (CSR) has become an integral part of modern business strategy, but its implementation still faces various challenges. Factors that hinder the effectiveness of CSR include unclear regulations, lack of synchronization between government and companies, and misinterpretation of CSR concepts⁵³. Organizational

⁴⁷ Rill, Manajemen Laba. "Pengungkapan Tanggung Jawab Sosial Perusahaan dan Manajemen Laba Rill dengan Komisaris Independen sebagai Variabel Pemoderasi."

⁴⁸ Alexander, Nico, and Agustin Palupi. "Pengaruh corporate social responsibility reporting terhadap manajemen laba." *Jurnal Bisnis Dan Akuntansi* 22.1 (2020): 105-112.

⁴⁹ Zetta, Zagita Zilvana, Santoso Tri Raharjo, and Risna Resnawaty. "Faktor-faktor yang mempengaruhi penerapan corporate social responsibility (CSR) di perusahaan." *Jurnal Penelitian dan Pengabdian Kepada Masyarakat (JPPM)* 2.3 (2021): 539-549.

⁵⁰ Aulia, Azwani, and Mitha Fauziyyah Heryanto. "Pengaruh Profitabilitas, Ukuran Perusahaan Dan Leverage Terhadap Pengungkapan Corporate Social Responsibility Pada Sustainability Report Perusahaan Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia." *Search* 21.01 (2022): 66-80.

⁵¹ Kurniawati, Debby. "Pengaruh pengungkapan corporate social responsibility terhadap manajemen laba riil dengan mekanisme corporate governance sebagai pemoderasi." *Jurnal Buana Akuntansi* 6.2 (2021): 1-29.

⁵² Kospa, Herda Sabriyah Dara. "Kajian Implementasi Program Corporate Social Responsibility (CSR) Oleh Perusahaan Pertambangan (Studi Kasus PT. Antam Tbk)." *Jurnal Tekno Global* 9.1 (2020).

⁵³ Zetta, Zagita Zilvana, Santoso Tri Raharjo, and Risna Resnawaty. "Faktor-faktor yang mempengaruhi penerapan corporate social responsibility (CSR) di

effectiveness is positively correlated with successful CSR implementation⁵⁴. Proper planning, implementation, and evaluation are essential for CSR programs. Companies should integrate CSR into their operations and measure its impact to improve future initiatives. Factors that influence CSR implementation include company age, industry type, company size, employee demands, government policies, organizational culture, and customer needs. Effective CSR programs can contribute to community empowerment which highlights the importance of a well-designed and executed CSR strategy.

Research indicates that ineffective Corporate Social Responsibility (CSR) programs often result from top-down approaches that fail to involve beneficiary communities in planning⁵⁵. This can lead to programs misaligned with community needs⁵⁶. To address this, companies are increasingly recognizing the importance of community participation in CSR processes⁵⁷. The Asset-Based Community Development approach is suggested as a method to leverage community strengths in CSR planning⁵⁸. Studies show that effective CSR implementation can positively impact community empowerment and welfare⁵⁹. However, challenges remain, including lack of clear measurement and reporting

perusahaan.” *Jurnal Penelitian dan Pengabdian Kepada Masyarakat (JPPM)* 2.3 (2021): 539-549.

⁵⁴ Rahmawati, Annisa. “Efektivitas Organisasi dan Implementasi Program Corporate Social Responsibility PT Indocement Tunggul Prakarsa Tbk.” *Skripsi* 7.1 (2012).

⁵⁵ Riyanti, Chika, and Santoso Tri Raharjo. “Asset based community development dalam program corporate social responsibility (CSR).” *Jurnal Kolaborasi Resolusi Konflik* 3.1 (2021): 112-126.

⁵⁶ Kospa, Herda Sabriyah Dara. “Kajian Implementasi Program Corporate Social Responsibility (CSR) Oleh Perusahaan Pertambangan (Studi Kasus PT. Antam Tbk).” *Jurnal Tekno Global* 9.1 (2020).

⁵⁷ Riyanti, Chika, and Santoso Tri Raharjo. “Asset based community development dalam program corporate social responsibility (CSR).” *Jurnal Kolaborasi Resolusi Konflik* 3.1 (2021): 112-126.

⁵⁸ *Ibid.*

⁵⁹ Loany, Huky Arvi. “HUBUNGAN EFEKTIVITAS PROGRAM CORPORATE SOCIAL RESPONSIBILITY DENGAN TINGKAT KEBERDAYAAN MASYARAKAT.” *Jurnal Sains Komunikasi dan Pengembangan Masyarakat [JSKPM]* 5.3 (2021): 373-389.

systems⁶⁰, and varying perceptions of CSR effectiveness between company employees and non-employees. Improved community understanding of CSR activities is needed to align expectations with outcomes⁶¹. Corporate Social Responsibility (CSR) programs face challenges in sustainability and effectiveness. Many companies implement CSR as temporary charity activities rather than long-term empowerment initiatives. Short-term programs like direct cash assistance provide immediate impact but fail to build economic independence⁶². To address this, companies should focus on sustainable development and community empowerment⁶³. Effective CSR requires proper planning, implementation, and evaluation⁶⁴. Collaboration between businesses, communities, and government is crucial for successful sustainable development programs. Companies should view CSR as an investment strategy rather than mere cost, aiming for long-term growth and sustainability. By adopting a sustainable development approach, businesses can integrate CSR into their overall strategy, promoting both company growth and community welfare⁶⁵.

Research on Corporate Social Responsibility (CSR) programs in Indonesia reveals mixed results regarding their effectiveness in improving community welfare and empowerment. While some studies found positive correlations between CSR success and community well-

⁶⁰ Supriadinata, Wahyu, and Imanuel Goestaman. "Analisis efektivitas corporate social responsibility (CSR) dalam menyelesaikan masalah sosial lingkungan perusahaan." *Calyptra* 2.1 (2013): 1-13.

⁶¹ Wardie, John, and Eka Nur Taufik. "Kajian implementasi program CSR perusahaan perkebunan kelapa sawit kepada masyarakat di Kabupaten Kotawaringin Barat." *Agrisocionomics: Jurnal Sosial Ekonomi Pertanian* 1.1 (2017): 18-25.

⁶² Sulfati, Andi, and Patta Rapanna. "Kemandirian Program Keluarga Harapan Sebagai Basis Penguatan Ekonomi Masyarakat Kota Makassar." *Jurnal Ekonomi Efektif* 5.3, (2023): 506-15

⁶³ Aditya, Rahadiyand. "Analisis Penta Helix dalam Melihat Keberlanjutan Program CSR Patratra pada Tahun 2017." *Empower: Jurnal Pengembangan Masyarakat Islam* 4.2 (2019): 149-164.

⁶⁴ Santoso, Arfindi Yunanda. "Strategi Keterkaitan Antar Program CSR Perusahaan dalam Upaya Pemberdayaan Masyarakat." *Jurnal Penelitian Inovatif* 3.1 (2023): 19-26.

⁶⁵ Kurnia, Afdal, et al. "Sustainable development dan CSR." *Prosiding Penelitian Dan Pengabdian Kepada Masyarakat* 6.3 (2020): 231.

being⁶⁶, others highlighted challenges in implementation and evaluation. Key issues include unclear success indicators, focusing on administrative aspects rather than quality-of-life changes⁶⁸, and ineffective communication of programs to communities⁶⁹. Some companies still view CSR as charity rather than sustainable community development⁷⁰. Recommendations include developing clear measurement indicators⁷¹, improving communication strategies⁷², and focusing more on community development approaches⁷³.

Poor coordination between companies and stakeholders contributes to ineffective CSR programs. CSR initiatives often overlap between companies in the same region, leading to wasted resources and uneven distribution of benefits⁷⁴. Lack of coordination with local

⁶⁶ Sakti, Arief Alvianto, and Caecilia Tri Wahyanti. "Program Corporate Social Responsibility (CSR) untuk Peningkatan Kesejahteraan dan Pemberdayaan Masyarakat." *Jurnal Penelitian Dan Pengembangan Sains Dan Humaniora* 5.1 (2021): 108-114.

⁶⁷ *Ibid.*

⁶⁸ Supriadinata, Wahyu, and Imanuel Goestaman. "Analisis efektivitas corporate social responsibility (CSR) dalam menyelesaikan masalah sosial lingkungan perusahaan." *Calyptra* 2.1 (2013): 1-13.

⁶⁹ Muljono, Pudji. "Hubungan Antara Efektivitas Komunikasi Pendamping Program dengan Keberhasilan Program CSR dalam Pemberdayaan Masyarakat." *Jurnal Sains Komunikasi dan Pengembangan Masyarakat [JSKPM]* 6.2 (2022): 172-186.

⁷⁰ Yulina, Lina, and Baban Sobandi. "Implementasi Kebijakan Corporate Social Responsibility (CSR)(Kasus Pt. Pindad)." *Jurnal Wacana Kinerja: Kajian Praktis-Akademis Kinerja dan Administrasi Pelayanan Publik* 18.2 (2020): 198-235.

⁷¹ Supriadinata, Wahyu, and Imanuel Goestaman. "Analisis efektivitas corporate social responsibility (CSR) dalam menyelesaikan masalah sosial lingkungan perusahaan." *Calyptra* 2.1 (2013): 1-13.

⁷² Muljono, Pudji. "Hubungan Antara Efektivitas Komunikasi Pendamping Program dengan Keberhasilan Program CSR dalam Pemberdayaan Masyarakat." *Jurnal Sains Komunikasi dan Pengembangan Masyarakat [JSKPM]* 6.2 (2022): 172-186.

⁷³ Yulina, Lina, and Baban Sobandi. "Implementasi Kebijakan Corporate Social Responsibility (CSR)(Kasus Pt. Pindad)." *Jurnal Wacana Kinerja: Kajian Praktis-Akademis Kinerja dan Administrasi Pelayanan Publik* 18.2 (2020): 198-235.

⁷⁴ Santoso, Arfindi Yunanda. "Strategi Keterkaitan Antar Program CSR Perusahaan dalam Upaya Pemberdayaan Masyarakat." *Jurnal Penelitian Inovatif* 3.1 (2023): 19-26.

governments can cause CSR programs to be misaligned with local development plans⁷⁵. Studies show that companies often implement CSR programs without coordinating with local governments, hindering optimal participation and coordination⁷⁶. To address this issue, researchers propose integrating CSR programs with local government development plans⁷⁷ and improving communication between companies and local governments⁷⁸. Some regions have implemented regulations to improve CSR coordination⁷⁹, while others have established collaborative frameworks to align CSR initiatives with regional development goals⁸⁰.

Corporate Social Responsibility (CSR) programs aim to empower communities and improve their quality of life, but often face challenges in⁸¹. A common issue is excessive community dependence on CSR initiatives, which can be counterproductive to the goal of

⁷⁵ Hidayat, Moh Taufik, and Moh Sutarjo. "Participation and coordination between companies and the Cirebon city government in poverty alleviation through corporate social responsibility programs." *International Journal of Science and Society* 3.1 (2021): 154-172.

⁷⁶ Trisnawati, Liza, et al. "Koordinasi pemerintah dan swasta dalam program corporate social responsibility (csr) school improvement di Kabupaten Pelalawan." *Journal of Governance and Local Politics (JGLP)* 3.2 (2021): 115-123.

⁷⁷ Darwis, Rudi Saprudin, et al. "Peran Pemerintah dalam Kolaborasi Stakeholders pada Pelaksanaan Program Corporate Social Responsibility (CSR)." *Prosiding Penelitian Dan Pengabdian Kepada Masyarakat* 6.1 (2019): 1-9.

⁷⁸ Hidayat, Moh Taufik, and Moh Sutarjo. "Participation and coordination between companies and the Cirebon city government in poverty alleviation through corporate social responsibility programs." *International Journal of Science and Society* 3.1 (2021): 154-172.

⁷⁹ Kadarisman, Kadarisman, and Budi Suryadi. "SINERGITAS PEMERINTAH DAERAH KABUPATEN TABALONG DAN PT ADARO INDONESIA DALAM PELAKSANAAN PROGRAM CSR." *Jurnal Administrasi Publik dan Pembangunan* 4.1 (2022): 10-18.

⁸⁰ Nasfi, Nasfi, et al. "Analisis Efektivitas Program Corporate Social Responsibility (Csr) Dalam Mendorong Pembangunan Ekonomi Wilayah Kota Padang Panjang Provinsi Sumatera Barat." *Journal Of Human And Education (JAHE)* 4.1 (2024): 10-18.

⁸¹ Octaviani, Fachria, Santoso Tri Raharjo, and Risna Resnawaty. "Strategi komunikasi dalam corporate social responsibility perusahaan sebagai upaya pemberdayaan masyarakat." *Jurnal Ilmu Kesejahteraan Sosial HUMANITAS* 4.1 (2022): 21-33.

empowerment⁸². To address this, companies should focus on developing strategies that promote community independence and self-reliance⁸³. Effective CSR programs should involve active community participation, clear exit strategies, and interconnected initiatives that create sustainable impact⁸⁴. Additionally, companies need to prioritize communication strategies to ensure successful implementation and community engagement⁸⁵. By adopting a holistic approach that considers economic, social, and environmental factors, CSR programs can contribute to long-term community development and poverty alleviation⁸⁶.

D.Challenges of CSR Implementation

1. Regulatory Aspects

Complex and overlapping regulations create confusion for companies in interpreting and implementing CSR programs⁸⁷. The lack of clear operational guidelines and ambiguity in budgeting and monitoring frameworks further complicate CSR implementation⁸⁸.

⁸² Kristianto, Andaru Sheera, et al. "Pengaruh Program Koperasi Amal Srikandi di Kampung Badran dalam Rangka Exit Program CSR PT. Sarihusada." *Jambura Journal of Community Empowerment* (2023): 299-316.

⁸³ Nurwulan, Riany Laila. "PEMBERDAYAAN MASYARAKAT PROGRAM CORPORATE SOCIAL RESPONSIBILITY (CSR) BIDANG LINGKUNGAN: PROGRAM CORPORATE SOCIAL RESPONSIBILITY (CSR) BIDANG LINGKUNGAN." *Jurnal Ilmu Kesejahteraan Sosial HUMANITAS* 4.1 (2022): 1-20.

⁸⁴ Santoso, Arfindi Yunanda. "Strategi Keterkaitan Antar Program CSR Perusahaan dalam Upaya Pemberdayaan Masyarakat." *Jurnal Penelitian Inovatif* 3.1 (2023): 19-26.

⁸⁵ Octaviani, Fachria, Santoso Tri Raharjo, and Risna Resnawaty. "Strategi komunikasi dalam corporate social responsibility perusahaan sebagai upaya pemberdayaan masyarakat." *Jurnal Ilmu Kesejahteraan Sosial HUMANITAS* 4.1 (2022): 21-33.

⁸⁶ Ariadi, Septi. "Optimalisasi program dan kegiatan Corporate Social Responsibility di Kota Bontang." *Jurnal Sosiologi Dialektika* 13.1 (2018): 31-47.

⁸⁷ Zetta, Zagita Zilvana, Santoso Tri Raharjo, and Risna Resnawaty. "Faktor-faktor yang mempengaruhi penerapan corporate social responsibility (CSR) di perusahaan." *Jurnal Penelitian dan Pengabdian Kepada Masyarakat (JPPM)* 2.3 (2021): 539-549.

⁸⁸ Amalia, Erna. "Regulasi Tanggung Jawab Sosial Perusahaan di Indonesia." *ADIL: Jurnal Hukum* 10.2 (2019).

While some companies have successfully implemented CSR programs in education, infrastructure, and community development⁸⁹, others still struggle with ineffective implementation and lack of awareness⁹⁰. The absence of strict sanctions for non-compliance and dependence on corporate commitment and awareness hinder effective CSR implementation⁹¹.

2. Practical Aspects

Many CSR programs lack effective monitoring and evaluation systems, making it difficult to accurately measure their impact⁹². Limited capacity in program management is another important issue, with many companies lacking sufficient human resources to effectively manage CSR initiatives⁹³. Studies have also highlighted the importance of stakeholder engagement and resource efficiency in successful CSR implementation⁹⁴. Despite these challenges, some companies have effectively implemented CSR programs, especially in the field of education. However, the need for better coordination between companies, government, and communities is emphasized⁹⁵. Overall,

⁸⁹ Ardani, Ni Ketut Sri, and Luh Putu Mahyuni. "Penerapan corporate social responsibility (CSR) dan manfaatnya bagi perusahaan." *Jurnal Manajemen Bisnis* 17.1 (2020): 12-23.

⁹⁰ Nayenggita, Gina Bunga, Santoso Tri Raharjo, and Risna Resnawaty. "Praktik corporate social responsibility (csr) di Indonesia." *Focus: Jurnal Pekerjaan Sosial* 2.1 (2019): 61-66.

⁹¹ Religia, Ashar Maulana. "Permasalahan Hukum Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility) di Indonesia." *University of Bengkulu Law Journal* 4.2 (2019): 183-197.

⁹² Sjoen, Alya Elita, et al. "Bisnis Berkelanjutan dan Tanggung Jawab Sosial Perusahaan: Studi tentang Dampak dan Strategi Implementasi." *Jurnal Bisnis Dan Manajemen West Science* 2.03 (2023): 239-248.

⁹³ *Ibid.*

⁹⁴ *Ibid.*

⁹⁵ Pradina, Puput, and Sarpin Sarpin. "Politik Pengelolaan CSR PT. Bangka Asindo Agri di Kelurahan Kenanga Kabupaten Bangka: Desain dan Tantangan Implementasi: The Politics of CSR Management of PT Bangka Asindo Agri in Kenanga Village, Bangka Regency: Design and Implementation Challenges." *Journal of Politics and Democracy* 2.2 (2023): 79-92.

there are calls for a more democratic and transformative approach to CSR implementation⁹⁶.

Conclusion

This research shows that CSR practices in the Indonesian mining sector are still dominated by an image approach rather than real impact, as evidenced by various cases of misuse of CSR funds worth billions of rupiah during 2022-2024. Weak regulations and supervision, especially the absence of strict criminal sanctions and overlapping regulations between the PT Law, BUMN Law, and mining sectoral regulations, are the main factors for irregularities. To overcome this, regulatory reform is needed, including the application of strict criminal sanctions, the development of an integrated monitoring and evaluation system, and strengthening coordination between central and local governments in supervising CSR implementation. These findings can be applied in the formulation of more effective CSR policies and regulations, with an emphasis on sustainable community empowerment approaches rather than charity or image building activities. The results of this study can also serve as a reference for stakeholders in developing CSR programs that are oriented towards real impact for communities and encourage more responsible mining practices in Indonesia.

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⁹⁶ Edi, Ashari Cahyo. "Can CSR be politically transformative? Discussing its prospects and challenges." *POLITIKA* 11.1 (2020): 77.

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