REFEREED ARTICLE

Corporate Social Responsibility: Concepts and Practices in Indonesia

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Abstract

Indonesia is a country experiencing rapid industry growth, with inevitable social and environmental consequences. Corporate social responsibility (CSR) has therefore become an important social issue. Laws and regulations have been passed to encourage companies to address important CSR issues such as labour and consumer rights and environmental protection. Indonesia is unique in having also established laws requiring corporate participation in poverty alleviation, corporate contributions to basic public services, and corporate involvement in community development. This phenomenon is inseparable from the fact that Indonesia is still struggling to alleviate absolute poverty and provide basic public services for the fourth largest population in the world. Non-governmental organizations (NGOs) also play a major role in observing and addressing corporate malpractice in Indonesia. Unfortunately, despite government and NGO efforts, CSR practices among companies are still highly variable, and public-private collaboration initiatives related to CSR are not yet widely established. Overall, CSR's impacts and benefits for development are still lacking in Indonesia.

Keywords: corporate social responsibility, government regulations, development, Indonesia

1. Introduction

Corporate social responsibility (CSR) has become a global concept thanks to economic globalization. The phenomenon of a businessman interacting with stakeholders and contributing to the social life of the community during the course of running a business has existed since time immemorial. However, the multinational corporations (MNCs) of the modern era have much larger business operations with much larger social impacts, resulting in a stronger concept of CSR. A corporation is perceived as being like a citizen, with certain responsibilities for involvement in community development. MNCs thus face demands and expectations from stakeholders regarding how companies should behave responsibly. Social and cultural diversity among stakeholders, as well as the need to adapt operations to different forms of government and institutions around the world, has led to the continued evolution and adaptation of CSR concepts and practices.

The majority of research on CSR has focused on the emergence of CSR in developed countries, where the term was born. Few studies have examined its spreads to developing countries, and how it has been translated and applied in specific cultural and national contexts. This paper will attempt to address some of this gap in the literature with a case study of CSR in Indonesia. It will identify the critical historical factors of CSR development in both developed and developing countries and will describe their application in Indonesia.

1.1. Corporate Social Responsibility

CSR is a dynamic concept which continues to evolve due to ever-changing social expectations of business standards (Chandler & William B. Werther, 2014). Initially, CSR referred to human resource management issues, including employee working and living conditions; it was developed in response to dangerous working conditions and poorly remunerated labour (Blowfield & Murray, 2008; Carrol, 2012; Dillard & Murray, 2013). Although manpower is one of a company's most important production functions and directly influences corporate productivity, decent personnel compensation is not granted automatically; due to labour supply outstripping demand, employers have historically had greater bargaining power. Corporate awareness of a need to improve working conditions developed instead as a response to societal pressure.

Socially responsible companies are thus those which have made efforts to improve their employee working conditions. CSR has also expanded over time to address concerns over environmental pollution, deceptive advertising, and defective products. This evolving and expanding definition of CSR has led to different reactions among academics. Friedman (1970) emphasized shareholder profits as the only proper responsibility of a company. However, Caroll (1979) and Freeman (1984) urged companies to consider not only the economic but also the environmental and social impacts of their operations.

The wide variety of potential CSR practices could become a burden for companies, leading to declining competitiveness due to higher operating costs. From an academic perspective, it is rational for companies try to escape responsibility for any of their environmental and social impacts, because in a market economy those are externalities, and only cost reductions and profit maximization are important. However, companies must also worry about losing market demand resulting from negative public perceptions, as well as being responsive to stakeholder demands for CSR.

Many companies have succeeded at incorporating CSR into their normal business operations (Crane, Matten, & Spence, 2008). They collaborate with stakeholders to understand their CSR expectations and attempt to match business solutions to their needs. For instance, to gain local recognition to facilitate smooth business operations, a company might nurture relationships with local citizens to supply raw materials for the production process. The company will therefore work to build local knowledge and skills to increase local capacity to supply materials that meet the company's standards. Thus, CSR for this company benefits not only the local community, in terms of generating community income and building community skills, but also benefits the company itself by increasing raw material availability.

CSR is therefore not a stagnant concept; it is dynamic and continues to evolve. It is improvised and adapted to a variety of distinctive contexts based on local societal norms and expectations wherever the company operates.

1.2. CSR in Indonesia

The government of Indonesia takes both a regulatory and voluntary approach to CSR. On the one hand, the government imposes laws and regulations regarding the primary aspects of CSR, particularly those related to labour and consumer rights and environmental protection. On the other hand, the government also encourages voluntary corporate contributions to poverty alleviation, basic public services, and community development initiatives— although the government also attempts to guide such CSR activities through additional laws and regulations. In addition to national CSR policies, regional and local governments have also imposed their own regulations.

2. History of CSR in Developed Countries

2.1. CSR in the Era of the Industrial Revolution

The history of CSR can be drawn from the industrial revolution, when the invention of new machines increased manufacturing and mining activities. By the late eighteenth century, the industrial revolution had spread throughout Western Europe and North America. During the industrial revolution, increased demand for labour led employers to reduce production costs by hiring children and women, because their wages were cheaper. Factories were not safe, especially for children, and this was made worse by employers' ignorance of safe workplace practices coupled with a lack of concern about worker living conditions. This eventually provoked civil unrest; there were frequent protests attempting to resist industrialization and demanding improvements in worker living conditions. Information about human exploitation stimulated various reform movements, including anti-slavery societies.

In United Kingdom, the government responded by passing the Factory Acts in 1819 and laws concerning conditions in mines in 1842 (Blowfield and Murray, 2008; Dillard and Murray, 2013). In addition to government intervention, some scholars began to suggest how employers could improve conditions. Some business also began their own initiatives. For instance, Robert Owen was a popular businessman who made efforts to improve the working conditions of his factory workers and advocated for improvements to workers' rights, for child labour laws, and for free education for children. Similarly, the Cadbury company established villages around their factory in Bourneville, within which their workers could live in supportive communities with easy access to open space, shops, and schools.

The history of CSR was also influenced by changes in the structure and management of companies during the industrial revolution. Before and during the early phases of industrialization, the boundaries between individual and corporate social responsibility was indistinct because companies were often owned and managed one individual. Thus, there was a perception that social responsibility was inherent between the owner of the company and its stakeholders. However, the emergence of the legal construct of a limited liability company resulted in the separation of owners and managers, leading to debate between shareholders and hired managers about CSR. As Berle and Means (1968) stated, there may be a divergence of interest between owners and hired managers regarding responsible operation of a businesses. CSR was thus transformed into the responsibility of corporate managers to meet the expectations of the company's owners and other stakeholders. Inevitably, this requires compromise between the manager and the owner of the company about the kind of actions that CSR should reflect.

2.2. CSR in the Second Half of the Twentieth Century

Massive industrialization has resulted in new social concerns in the second half of twentieth century. Scientific discoveries regarding the environmental effects of industry have made more people aware of the connection between environmental degradation and corporate activity. Industrial pollution has thus become a political issue, and governments have taken regulatory steps to mitigate environmental impacts caused by industrialization. For instance, the United States passed the Air Pollution Control Act in 1955 and the United Kingdom passed the Clean Air Act in 1956 (Blowfield and Murray, 2008). Furthermore, non-governmental organizations (NGOs) such as Greenpeace have established roles for themselves as advocates for change outside of the political process. Industrial corporations have also responded; for example, the automobile industry, which is a significant contributor to pollution, responded by designing devices to reduce polluting emissions.

Consumer protection has also become a greater concern during the twentieth century. Before the mid-twentieth century, consumers had limited grounds on which to protect themselves against defective products or deceptive advertising methods. Hence, the consumer movement emerged, pushing for legal protections against malicious business practices. New regulations were passed in response; this led, for example, to food manufacturers beginning to list package contents and the proportions of ingredients in their products. Similarly, cigarette packages were also required to begin displaying warnings that cigarette smoking is dangerous to your health.

2.3. CSR in the Era of Economic Globalization

In the modern era, transportation and communication innovations have allowed industries to expand internationally. CSR has thus become a global phenomenon, especially since the 2000s (Carrol, 2012). However, MNC operations are difficult to regulate effectively because MNCs are able to benefit from weaknesses in different social and environmental legislation across different countries (Pedersen, 2015).

In response, a number of international organizations, including the Organisation for Economic Cooperation and Development (OECD), the International Labour Organisation (ILO), the United Nations (UN), and the European Union (EU), have created initiatives to promote CSR, notably guiding principles and standards. For example, in 1998, the ILO adopted the Declaration on Fundamental Principles and Rights at Work, which covers four areas including freedom of association and the right to collective bargaining, the elimination of forced and compulsory labour, the abolition of child labour, and the elimination of discrimination in the workplace. In 1999, the UN proposed a Global Compact to establish global norms for MNCs and their related business enterprises in the areas of human rights, labour, the environment, and anti-corruption activities. In 2000, the OECD produced the Guidelines for Multinational Enterprises to guide responsible corporate behaviour. These guidelines establish a set of recommendations for MNCs on issues such as information disclosure, employment and industrial relations, the environment, corruption, consumer interests, science and technology, competition, and taxation. In coordination with existing legislation in OECD member states, the guidelines attempt to bring business operations in harmony with government policies by promoting consensus and dialogue between corporations and the societies in which they exist. The guidelines also deal with concerns regarding responsible corporate investments in order to contribute to sustainable development.

Although these international guidelines are voluntary, these have helped national governments strengthen and legitimise their own CSR policies (Lozano et. al., 2008). However, in 2000, the EU published a Green Paper which provided a CSR framework for EU member states. Importantly, and unlike the other international initiatives described above, the Green Paper has the force of legal regulation, and it has had significant influence on the adoption of CSR principles in Europe.

3. CSR in Developing Countries

Many developing countries have developed their own, similar conceptualizations of CSR, whether based on the Islamic religious values of *zakat* and *infaq* in the Middle East, on the social welfare traditions of the Catholic Church in Latin America, or on Confucian traditions in China (Preuss et. al., 2016). These local conceptualizations thus became the basis for companies' social contributions, which are characterized by a combination of personal and religious philanthropic motivations (Jamali & Neville, 2011).

Economic globalization, in which many companies have moved their operations to developing countries to reduce labour and transportation costs, has significantly expanded local CSR practices. The practice of CSR in developing

countries has been strengthened by MNCs, whose CSR frameworks are based on international standards such as the OECD's Guidelines for Multinational Enterprises.

However, as local pressure has built in developing countries urging companies to address typical issues such as poverty, companies have faced not only increasingly complex but sometimes also competing social expectations. Often, developing countries struggle to provide basic public services and to alleviate poverty for their citizens. Local social norms in many developing countries perceive that corporations are a part of the civic community with certain responsibilities for community involvement, and local pressures have thus prompted MNCs to participate in addressing the wider social and development issues in the local area such as health, education, and low standards of living, among other issues. When MNCs locate operations in these countries, CSR needs thus extend beyond their initial conceptualization (Aaronson & Reeves, 2002; Roome, 2005). For example, Amaeshi et. al. (2006) argue that the CSR of African firms is not only culturally embedded but also provides a social buffer where public institutions are weak and unable to provide public services.

Developing countries are typically characterized by weak government systems and poor basic public services. Thus, in developing countries, societies and governments have come to expect corporations to take responsibility for wider social and development issues which in developed countries are the responsibility and function of government. These practices are usually not regulated by the government and are implemented voluntarily and independently by corporations. The inclusion of such corporate practices extends beyond the initial recognition of CSR as described by academics such as Frederick (2012) and Boulouta & Pitelis (2014). In addition, the multiple layers of problem and different stage of economic and social development may contribute to the uniqueness of CSR in developing countries.

Governments in developing countries have developed some laws and regulations regarding corporate expectations (Lozano et. al., 2008), typically in response to corporate environmental or social excesses. Through these regulations, governments attempt to protect local communities and the environment from the adverse effects of corporate activities. However, due to weak government institutions, regulation is seldom enforced as strictly as in developed countries.

Nonetheless, companies can actually benefit from adherence to regulations, because regulations may indirectly enhance the competitiveness of firms as they take steps to improve their production processes (Fox et. al., 2002; Steurer, 2009; Knudsen & Brown, 2015). For example, to increase access to markets where consumers prefer environmentally friendly products, corporate compliance with environmental regulations will improve the company's public image, leading to increased demand for its products and a more competitive market presence for the company.

One final aspect of CSR that is unique to developing countries is that the social influence of NGOs, which in developed countries can successfully pressure companies to conduct regulated CSR, is typically very small. NGOs in developing countries also do not significantly affect government policies towards CSR. Additionally, local consciousness regarding decisions to purchase a company's products based on their CSR has not yet been established in most developing countries. (Preuss et. al., 2016).

4. Comparison of CSR Between Developed and Developing Countries

From this review, it can be understood that CSR in developed and developing countries has been influenced to different extents by critical factors including regulatory measures, NGOs, social norms, and consumer pressures.

Companies are more likely to implement CSR if there is strong and well-enforced government regulation, routine self-regulation by industries, and active civil society organizations (Campbell, 2007). These critical factors are present

in developed countries. To guarantee implementation of CSR practices, labour, consumer, and environment-related corporate behaviours are mostly regulated by the government, and these aspects have thus become the main aspects of CSR in developed countries. CSR practices in developed countries can therefore be characterized as regulations through which governments impose minimum standards while encouraging multi-stakeholder initiatives. In addition, civil society and NGOs strongly advocate and promote CSR in developed countries. Consumer awareness about CSR has also been established and encourages companies to operate responsibly in order to attract consumers.

In contrast, in developing countries, CSR is primarily characterized by philanthropic or voluntary corporate activities. The dominant practices of CSR address issues such as local poverty and poor public services. In addition, governments perform less regulation and enforcement of corporate behaviours. Moreover, the role of NGOs has not been as important in promoting CSR in developing countries (Logsdon et. al., 2006), and ethical consumerism is not yet an established feature of consumer behaviour.

Overall, in developing countries, societies and governments have come to expect corporations to take responsibility for wider social and development issues which in developed countries are the responsibility and function of government. At the same time, concerns such as labour and consumer rights, which are a dominant part of CSR in developed countries, are less prominent in developing countries.

5. CSR in Indonesia

Indonesia is the world's fourth most populous country and is experiencing rapid economic growth. There are 44,276 large and medium national enterprises and MNCs with capital investments cover some 25,321 projects. Indonesia ranks 38th worldwide based on the UN's Competitive Industrial Performance Index. Social and environmental consequence of rapidly growing industry are inevitable, and CSR has therefore become an important social issue. Moreover, despite its recent growth, Indonesia is still struggling to alleviate poverty and fulfil basic public services, leaving opportunities for CSR.

5.1. History of CSR in Indonesia

Indonesia started to become economically independent in the 1960s. At that time, the Indonesian government issued a Foreign Capital Law inviting overseas investments and capital to support a national economic recovery during the early phases of independence from Dutch colonization. As a result, the significance of transnational corporations operating in the country grew; this was accelerated by economic globalization. Issues related to corporate excesses as the result of industrialization growth started to emerge. Local activist NGOs began to criticize foreign and domestic companies for creating environmental and social problems. However, because most of the big corporations were backed by the military and an authoritarian regime, the protests had little effect. Public protests were strictly controlled as all protests or criticism were considered dangerous to the state's stability.

It was not until political reform in 1998 that a social movement regarding CSR began to emerge in Indonesia. The advent of a more democratic regime opened up opportunities for local NGO activism. For example, *The Indonesian Forum for Environment* (*Wahana Lingkungan Hidup Indonesia, WALHI)* began to publicly criticize foreign and domestic companies for contributing to environmental problems such as pollution and deforestation, urging stricter regulation of their activities and attempting to influence the policymaking process. Another NGO, *The Indonesian Consumer Foundation* (*Yayasan Lembaga Konsumen Indonesia, YLKI)* advocated for protections for Indonesian consumers against product defects in the era of globalized distribution of products and services. This time period

also witnessed the growth of labour unions that fought for the rights of labours. As a result, a number of laws related to these issues have been passed, such as Law 39/1999 on human rights, Law 41/1999 on forestry, Law 8/1999 on consumer protection, Law 13/2003 on employment, Law 32/2009 on protection and management of the environment, and Law 18/2013 on prevention and combating deforestation.

In addition, in 1999 domestic and foreign companies created Indonesia Business Links (IBL) as an effort to respond to social and environmental issues. IBL was established to facilitate inter-corporate organization to promote good corporate citizenship and partnerships for development to combat the negative public perception of business operations at that time. More specifically, IBL was established to promote ethical business practices by organizing workshops and capacity building programs, to conduct advocacy, to diffuse information and knowledge about CSR, and to actively push collaboration and partnerships between the private sector, governments, and NGOs in order to achieve sustainable development. Since its creation, IBL has initiated a dialogue on collective action for anticorruption, facilitated business roundtables on corporate ethics, and provided training to small and medium enterprises (SMEs) on establishing codes of conduct.

5.2. Indonesian conceptualizations of CSR

The conceptualization of CSR in Indonesia is inseparable from Indonesia's cultural and religious values. For example, a cultural concept called *gotong royong*, which means joint/shared responsibility, shaped the understanding that social responsibility is relevant to all entities and stakeholders in a community—including companies. Moreover, religion plays an important role in the implementation of CSR among Indonesians. The Islamic practice of *zakat*, meaning "to purify or justify through alms-giving," provides a foundation for philanthropy in Indonesia. These cultural and religious values influence the Indonesian perspective that companies should participate in addressing social problems, including local poverty and living conditions in the surrounding community. Therefore, many local Indonesian companies conduct CSR by engaging in philanthropic or charitable activities related to social problems (Fauzi, 2014; Gunawan, 2016).

These perspectives extensively developed the scope and understanding of CSR in Indonesia. Laws and regulations were established to encourage companies to address primary CSR issues such as labour and consumer rights and environmental protection. However, unique to Indonesia, the country also established laws and regulations regarding broader CSR issues such as requirements for corporate participation in poverty alleviation, contributions to fulfilling basic public services, and involvement in community development projects. These laws and regulations are intended not only to increase corporate CSR activities in Indonesia, but also to coordinate the CSR activities of different companies in order to increase the impacts and benefits for development.

5.3. National CSR regulations

In 2007, Indonesia passed Law 25/2007 on Capital Investment and Law 40/2007 on Limited Liability Companies (LLCs); these are the two most significant laws do date regarding the development of CSR within Indonesia, especially in relation to community development. The legislation process included multiple stakeholders and many debates. Article 15 (b) of Law 25/2007 specifies that every investor is obliged to carry out CSR activities; specifically, each company has a responsibility to keep establish harmonious relationships with the environment and with the values, norms, and culture of the local community. Article 74 of Law 40/2007 states that LLCs that operate in Indonesia's natural resource sectors, or those which have activities related to natural resources, must implement

corporate social and environmental responsibility activities and fund the cost of these activities from their own budgets. Law 40/2007 defines corporate social and environmental responsibility as a company's commitment to take part in sustainable economic development in order to improve the quality of life and environment, which will be beneficial for the company itself as well as the local community and society in general. The implementation of this law was further described in 2012 by Law 47/2012. These laws have provided the basis for further national, provincial, and regency-level frameworks for CSR which specify in greater detail the CSR activities required.

One example of a national framework specifying CSR activities is the Ministerial Regulation of State-Owned Enterprises Per-08/MBU/2013, which is the fourth amendment of the Ministerial Regulation of State-Owned Enterprises Per-05/MBU/2007, regarding the state-owned enterprises (SOEs) partnership program with small businesses and its community development program. Although SOEs are unique in providing public goods or services, especially in areas that are not of interest to the private sector, these institutions are managed with the economic principle of pursuing profit so as to contribute to the income of the state and national economy; this means that CSR is equally burdensome for them as for private corporations. Therefore, the adoption of CSR policies by national SOEs represents an effort by the national government to be a role model. The regulation requires SOEs to allocate up to 2% of their previous year's net profit to a partnership program with small business and community development programs. In the partnership program with small business, SOEs lend money to non-bankable small businesses and facilitate capacity building to increase the small business' ability to grow through the utilization of the partnership program fund. In the community development program, funds are utilized for assistance or donations related to natural disasters, education and training, health, development of public infrastructure and religious facilities, and nature conservation.

Another example of a national CSR framework is the 2016 Ministry of Energy and Mineral Resource Regulation 41/2016, which requires mining companies to formulate community development masterplans covering health, education, infrastructure, economy, culture, and institutional building. The regulation also requires each provincial governor to formulate blueprints for a Community Development Program that can be adopted by mining companies in their province as part of their community development masterplan. Likewise, the 2016 Ministry of Social Affairs Regulation 6/2016 encourages companies to coordinate and facilitate CSR activities regarding poverty and disaster mitigation on a national level. Encouragement is provided in the form of a biennial *Padmamitra Award* to companies which contribute to social welfare through their CSR programs. The regulation also urges provincial governors and ministers of social affairs, as well as local regents and mayors, to formalize the creation of CSR Forums at the national, provincial and regency levels to strengthen the synergy of CSR programs.

5.4. Regional CSR regulations

Indonesia operates under a decentralized system of government in which regions consist of provinces and regencies/cities (political subdivisions of a province) wield significant power and autonomy; therefore, a comprehensive understanding of government regulation of CSR must also include a look at provincial and regional laws.

Some autonomous regions have attempted to synergize their promotion and implementation of CSR regulations with their region development priorities. Since the national laws and regulations described above were enacted during the 2007–2016 period, at least 60 regions have issued CSR regulation.[1]

At the provincial level, at least 11 of Indonesia's 34 provinces have issued CSR regulations. West Java, for example, as one of the most industrialized province in Indonesia (BPS, 2016), issued Provincial Regulation Number 2 of 2013

concerning Guidelines of Corporate Social and Environmental Responsibility and Partnership Program. This regulation seeks to facilitate collective action from CSR activities, specifically in order to build 1,000 new classrooms and 50 new health facilities in West Java.

Case study of Sukabumi Regency

CSR frameworks have also emerged at the regency and city level. Out of 514 regencies and cities, 34 regencies and 15 cities have issued policies concerning CSR. Sukabumi Regency is one example of a regency which has issued relatively comprehensive CSR policies. Within Sukabumi Regency, CSR activities have included poverty alleviation programs, the provision of basic public services, and community development programs, including programs targeting education, health, community income generation, infrastructure, environment, religion and culture, disaster mitigation, and charity.[2] Bigger companies tend to have specific units dedicated managing CSR, while smaller businesses tend to merge the management of CSR with human resource and general affairs departments.

Through the implementation of a number of different policies (Local Regulation of Sukabumi Regency Number 6 of 2014 About Corporate Social Responsibility, Partnership and Community Development; Regent Regulation of Sukabumi Number 2 of 2015 About Operationalization of Corporate Social Responsibility, Partnership and Community Development; and Regent Decree Number 050/Kep.72-Bappeda/2015 About Facilitation Team for The Implementation of Corporate Social Responsibility, Partnership and Community Development), the Sukabumi Regency government provides data about development priorities that can be targeted by CSR activities. A local collaboration unit called the CSR Communication Forum has been established to enhance the exchange of information and CSR best-practice sharing between businesses and local governments, and periodically, the Development Planning Agency initiates conversations between businesses and local governments to discuss local issues and recommend CSR programs to further strengthen the impact of the programs for community development. Since 2014, Sukabumi Regency government has also given appreciation awards to acknowledge corporate contributions to local development.

NGOs have also important roles as partners, catalysts, or implementers of CSR practices for poverty alleviation, basic public services, and community development in Sukabumi Regency. For example, the business association *Indonesian Association of Bottled Drinking Water Entrepreneurs (Asosiasi Perusahaan Air Minum Dalam Kemasan Indonesia, ASPADIN)* has initiated dissemination of a CSR understanding among stakeholders through seminars and workshops. This association was also intensively involved in the formulation of Sukabumi Regency's CSR framework. In addition, some NGOs have also partnered with companies in implementing CSR activities at the operational level. For example, an NGO named *Yayasan Pembangunan Citra Insan Indonesia* has facilitated the implementation of a CSR program called "Provision of Access to Clean Water and Community-Based Sanitation." The program is a collaboration of the government of Sukabumi regency, ministry of public housing, a local water supply company, and the Aqua Danone bottled water company. The NGO conducted community capacity-building to ensure the sustainability of the program.

In addition, the local university of Muhammadiyah in Sukabumi has engaged in community economic development programs such as local product development and ecotourism and has worked to promote collaboration between companies of CSR program implementation.

5.5. Challenges for CSR in Indonesia

The biggest challenge for CSR in Indonesia is the difficulty of coordinating the implementation of CSR activities

between all of the different actors. There is no single institution which is responsible for coordinating the implementation of CSR policies at the national level. Furthermore, due to the division of authority in Indonesia's decentralized system of government, there is additional confusion over who is responsible for this coordination. The laws and regulations passed at the local, provincial, and national levels are not coordinated and may even be in conflict with each other. As a result, companies seem to face competing expectations from different government institutions, as well as from local community associations, about how to prioritize and direct CSR practices for community development. Partnership-based initiatives to establish common, value-based CSR commitments between businesses and the public sector are not yet widely established. As a result of all of this, CSR practices among companies are still scattered.

6. Conclusion

As a developing country in a stage of rapid economic growth, yet with limited resources to alleviate poverty and fulfil basic public services for the fourth largest population in the world, Indonesia's conceptualization and practice of CSR has expanded the meaning of CSR well beyond its initial intent. CSR has emerged as a phenomenon which is not only relevant to the original primary issues of corporate governance related to labour and consumer rights and environmental protection, but is also understood to include a corporate responsibility to contribute to poverty alleviation, basic public services, and community development. While these factors contribute to conceptualizations of CSR in other developing countries, Indonesia is unique in that its government has regulated all of these aspects at a variety of national, provincial, and local levels.

Unlike in many other developing countries, NGOs play a major role in Indonesia in supervising business malpractices. Consumer awareness of CSR practices may also be higher in Indonesia than is typical in other developing countries, although information is limited to one study among Indonesian college students and may not be representative (Arli et al., 2014). Furthermore, business initiatives to learn about CSR are also evident from the existence of a company-sponsored NGO, the IBL. However, despite these advantages, better coordination is needed from formal and informal institutions to enhance partnership-based initiatives for the development of CSR for community development and to help shape future CSR activities that can address wider social and development issues.

Acknowledgement

Notes

[1]　Author's correspondence with Indonesian CSR scholar, Juniati Gunawan Ph.D., 26 November 2016.

[2]　Author's compilation of CSR Report of companies in Sukabumi Regency from 2014-2017.

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