

THE IMPLEMENTATION OF CSR LAW IN INDONESIA

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Abstract

Indonesia has been known as the first country having CSR mandatory regulatory approach. This paper tries to examine the perception of the companies and the local community members on the implementation of this CSR law. The paper firstly identifies what has been mandated by CSR law in Indonesia, and some circumstances that may affect the implementation of CSR law. Then, it continues to examine the companies and local community perceptions. The research finds that the implementation of CSR law is challenged by some circumstances in the local context, as a result of the decentralization that has distributed the power and authority to the local stakeholders. The dark side of decentralization such as the local corruption and bribery has impacted the way CSR implemented in the field. Therefore, the implementation of the law probably are not in line with its goal anymore, which is to improve the local people life.

Keywords: CSR, Stakeholder, Perception, Indonesia

1. Introduction

"Earth, water, and natural resources contained within the earth shall be under control of the state and shall be used for the maximum welfare of the people" [authors' translation].

Article 33 (3) (Government of Republic of Indonesia, 1945)

Article 33 of UUD 1945 (the basic constitution) has a powerful notion that Indonesia national economy is controlled by state government for the peoples' welfare. However, how this article achieved its goal are still in big question. In fact, the study conducted in the local community living in mining areas, found that the number of poverty is still high in the area where natural resources is abundance (Mumbunan, 2013). These situations encouraged government to pass regulations to mandate CSR to the companies related with natural resources. The law acknowledges as a world first regulation of CSR in 2007 (Rosser & Edwin, 2010; Wangstein, 2011). The regulation has aimed to force businesses to be actively involve and contribute addressing the local social problems such as poverty (Achda, 2006).

With this background, the main objective of this study is to understand the company and local community perception on the implementation of CSR law in the field. Thus, some specific research questions have been set to achieve the main objective of this paper.

1. What is mandated by CSR law?
2. What circumstances that influence the CSR law implementation?
3. How do the company and local community perceive on the implementation of CSR law?

2. Research Methods

The research employs qualitative study to explore the participants' expectations, perceptions, and perceived. Interpretive approach is chosen to adopt 'practical orientation' which focuses on 'how people manage their practical affairs in everyday life or how they get things done' (Neuman, 2007). However, the research would also admit the influenced of contextual background in the way research conducted. Contextual sensitivity related to the cultural sensitivity of participants in Indonesia allows researcher to employ some strategies to be involved with the research participants (Silverman, 2010).