

Supervisory synergy: Local government oversight in fostering corporate social responsibility for a green economy

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Abstract

Corporate Social Responsibility (CSR) is mandated for all companies under Article 74 of Law no. 40 of 2007 concerning Limited Liability Companies, emphasizing the dual responsibility of companies to pursue profits while also considering the welfare of the communities in which they operate. This study delves into the intricate relationship between local government oversight and CSR endeavours, particularly in fostering a green economy. With businesses increasingly acknowledging their role in sustainable development, the supervision provided by local governments becomes pivotal in ensuring the effective execution of CSR practices. The research aims to investigate the dynamic interplay between local government supervisory mechanisms and CSR initiatives within the context of promoting a green economy. As businesses increasingly recognize their role in sustainable development, the role of local government oversight becomes crucial in ensuring the effective implementation of CSR practices. In this research, the method used is normative-juridical empirical method, the study not only scrutinizes literature but also investigates real-world events through observations and interviews. Furthermore, it explores the repercussions of these initiatives on stakeholder engagement and perceptions, recognizing the intricate dynamics between businesses, communities, and government entities. Through an exhaustive analysis, regulatory frameworks, and stakeholder viewpoints, the research endeavours to shed light of local government oversight can synergistically align with corporate endeavours, fostering the seamless integration of CSR into the framework of a green economy. The anticipated findings seek to enhance comprehension of the mechanisms driving successful corporate-social-environmental collaborations and offer policy suggestions to optimize the impact of CSR initiatives on sustainable development.

Keywords

Supervisory synergy, Corporate social responsibility, Green economy

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Introduction

The global landscape is witnessing a paradigm shift towards sustainable development, with an increasing emphasis on corporate social responsibility (CSR) as a pivotal driver for a green economy. In this context, the role of local government oversight becomes crucial in fostering and ensuring the effective implementation of CSR initiatives. The synergy between supervisory bodies and corporations plays a pivotal role in shaping environmentally conscious practices within the business sector [1]. Over the past decades, corporations have recognized the importance of integrating CSR into their core business strategies as a means to not only fulfil societal expectations but also to contribute to environmental sustainability. However, the success of these initiatives often hinges on the oversight and regulatory frameworks provided by local governments. The proactive engagement of local authorities in supervising and guiding corporate actions towards responsible and sustainable practices is instrumental in achieving the overarching goals of a green economy.

The concept of "Supervisory Synergy" reflects the collaborative and harmonious relationship between local government bodies and corporations, aiming to align business activities with environmental and social responsibility objectives [2]. Such as in Klaten region have made commendable progress in establishing the regional regulation number 9 of 2014 concerning the implementation of CSR and also such a partnership, there remains a need for comprehensive exploration and analysis of the mechanisms and impact of local government oversight on fostering CSR practices for a green economy. This research seeks to delve into the dynamics of supervisory synergy, investigating how local governments can effectively collaborate with corporations to enhance CSR initiatives. By understanding the challenges, successes, and potential areas of improvement in current oversight practices, the study aims to provide valuable insights for policymakers, businesses, and communities striving for a more sustainable and socially responsible future.

In summary, the research is positioned to contribute to the ongoing discourse on corporate social responsibility and sustainable development by shedding light on the role of local government oversight in shaping a green economy through supervisory synergy.

Methods

The method used to solve the problems in this research is to use the normative juridical-empirical method. Normative juridical research is research that uses a conceptual approach, also using the collected laws and regulations related to this research. Empirical juridical research is research that examines legal events in concerto which will be adjusted to the applicable laws and regulations.

Results and Discussion

The role of Klaten local government on supervising the corporate social responsibility program from PT. Tirta Investama, Klaten

The oversight conducted by the company itself is governed by several laws and regulations, including Law No. 40 of 2007 concerning Limited Liability Companies and Law No. 25 of 2007 concerning Capital Investment. In addition to these national laws, various regions have specific regulations on company supervision, with Klaten being one such area. In the Klaten Regency, Regional Regulation Number 9 of 2014 addresses Corporate Social and Environmental Responsibility [3]. Article 20 of this regional regulation outlines that the Regent of Klaten provides guidance and supervision by establishing a team of coaches and supervisors, with defined duties and functions [4].

PT Tirta Investama - Klaten Factory, commonly known as the AQUA factory, is the companies in the Klaten area that implementing a Corporate Social Responsibility (CSR) program. According to information from the desaklaten website, PT Tirta Investama-Factory Klaten has executed various programs, including waste management and initiatives for the well-being of individuals with disabilities

In the execution of their obligations to implement social and environmental responsibility programs or Corporate Social Responsibility (CSR), companies are subject to both internal and external supervision [5]. Internally, companies with CSR programs have supervisory measures undertaken by the Board of Commissioners, as mandated by Law No. 40/2007 concerning Limited Liability Companies, specifically in Article 108 number 1. This article stipulates that the Board of Commissioners oversees management policies, the general course of management pertaining to the company and its business, and offers guidance to the board of directors [6].

In addition to internal oversight, external supervision is also present, with the government serving as an external supervisor for companies engaged in CSR activities [1]. PT Tirta Investama in Klaten City is an example of such a company implementing CSR, subject to oversight by the Regional Government of Klaten. The Klaten Regency Regional Regulation No. 9/2014 outlines guidelines for corporate social and environmental responsibility in this context.

The Klaten Regional Government's oversight involves a team known as the TJSLP team or in Bahasa we say “Lembaga Pengawas Tanggung Jawab Sosial dan Lingkungan Perusahaan” or simply Corporate Social Responsibility (CSR) supervisor and Supervisor Team, alongside the TJSLP implementation team, established through a decree issued by the Klaten Regional Regent. Activities related to CSR in Klaten involve a forum called the CSR forum. Regarding the Waste Management and Disability Care CSR Program implemented by PT Tirta Investama Klaten, supervision, as described by Mrs. Endah Kusmariah, involves the company taking charge of program implementation. The company is required to submit a report on program activities every three months, regardless of whether it is requested. These reports are then presented to the CSR

forum to provide an overview of the implemented programs. The CSR programs align with objectives and regulations, facilitated by the existence of a dedicated CSR division within PT Tirta Investama Klaten.

Supervision of CSR program implementation also extends to budget considerations [7]. In Klaten Regency, the allocation of funds for CSR programs is regulated at 2% of each company's profit. The specific amount is determined internally by the companies, considering that the profit details are internal. For PT Tirta Investama, located in Klaten, the CSR forum mandates allocating 2% of the company's profit to fund CSR programs. These funds must be accounted for in reports submitted to the local government, demonstrating accountability for the implemented CSR programs and the corresponding expenditure [8].

The Regional Government of Klaten Regency, in supervising [9] the implementation of corporate Social Responsibility (CSR) programs in the region, has established a Guidance and Implementation Oversight Team for the Implementation of Social and Environmental Responsibility Programs (TJSLP) [10]. Additionally, a CSR Forum has been formed based on the Decree [11] of the Regent of Klaten Regency, as stipulated in the Regional Regulation of Klaten Regency Number 9 of 2014. One of the companies under the scrutiny of the Regional Government of Klaten Regency is PT Tirta Investama Klaten, a company fulfilling its TJSLP obligations as mandated by legislation.

Based on facts and data obtained through interviews, PT Tirta Investama's CSR programs are reported to be in compliance with regulations. The assessment indicates that the company's CSR programs, especially waste management initiatives, are well-planned, documented, and synergize with government programs. Besides supervising the program implementation, there is also oversight regarding the amount of funds allocated by each company for CSR programs. In Klaten Regency, companies are required to allocate 2% of their profits to fulfill their obligations in implementing the TJSLP program.

The strategy and challenges of local government oversight in fostering corporate social responsibility for a green economy

Local governments play a significant role in fostering corporate social responsibility (CSR) for a green economy. They can achieve this by enacting regulations, providing incentives, and partnering with businesses. The oversight and law enforcement activities of local governments are essential in stimulating green development and ensuring that businesses operate in a socially and environmentally responsible manner. By prioritizing investment policy development, incentives, and regulation, local governments can accelerate their green economy potential [12].

Additionally, local governments can engage in policy design from the outset and be given the necessary powers and resources to ensure a coordinated, whole-of-government approach across diverse sectors [13]. Furthermore, local governments can

foster business partnerships for environmental sustainability, thereby promoting CSR and green practices.

The strategy and challenges of local government oversight in fostering Corporate Social Responsibility (CSR) for a green economy involve implementing policies and practices that encourage businesses to operate in an environmentally sustainable and socially responsible manner. Here's an explanation of the key elements and challenges:

1. Strategy

a. Policy Development:

- 1) Green Regulations: [14] Local governments can create and enforce green regulations that mandate environmentally friendly practices. This includes waste management, energy efficiency, and emissions control. Governments can implement policy interventions and financing measures to support and improve energy efficiency, tackle environmental pollution, and protect natural capital. Governments can legislate, tighten regulations, and introduce environmental standards to incentivize CSR and green practices
- 2) CSR Incentives: Provide incentives for businesses that adopt CSR initiatives. This could involve tax breaks, grants, or other financial benefits for companies engaging in sustainable practices.

b. Collaboration and Engagement:

- 1) Public-Private Partnerships: Encourage partnerships between local government, businesses, and community organizations to jointly address environmental issues and promote CSR. Governments should have oversight over the delivery of green initiatives to ensure a coordinated, whole-of-government approach across diverse sectors
- 2) Community Engagement: [15] Involve local communities in decision-making processes related to environmental policies and CSR initiatives to ensure inclusivity.

c. Monitoring and Reporting:

- 1) Regular Audits: Conduct regular audits of businesses to ensure compliance with green regulations and CSR commitments.
- 2) Transparency: Encourage businesses to be transparent about their CSR efforts by requiring them to publish sustainability reports.

d. Capacity Building:

- 1) Education and Training: Offer educational programs and training sessions for businesses to enhance their understanding of CSR and green practices.
- 2) Technical Assistance: Provide technical assistance to help businesses implement sustainable initiatives effectively.

e. Promotion of Innovation:

- 1) Research and Development Grants: [16] Offer grants to businesses for research and development of environmentally friendly technologies and practices.
- 2) Recognition Programs: Establish awards or certifications for businesses demonstrating outstanding commitment to CSR and sustainability.

2. Challenges

a. Enforcement:

Limited Resources: Local governments may face constraints in terms of human and financial resources to effectively enforce green regulations and monitor compliance.

b. Awareness and Understanding:

- 1) Lack of Awareness: Businesses, especially smaller enterprises, may lack awareness about the benefits and methods of implementing CSR practices.
- 2) Limited Expertise: Local governments may face challenges in building the necessary expertise to guide and assist businesses in adopting green practices.

c. Resistance from Businesses:

- 1) Short-Term Focus: Businesses may prioritize short-term profits over long-term sustainability goals, leading to resistance against adopting costly CSR initiatives.
- 2) Competitive Disadvantage: Companies may fear that implementing CSR practices could put them at a competitive disadvantage compared to those that do not.

d. Coordination Challenges:

Interdepartmental Coordination: Ensuring coordination between different departments within the local government to effectively implement and monitor CSR initiatives can be challenging.

e. Global Supply Chain Impact:

Globalization: For businesses with global supply chains, adhering to global CSR standards while remaining competitive can be a complex challenge.

f. Measuring Impact:

Quantifying Benefits: Measuring the tangible impact of CSR initiatives on the environment and society can be difficult, making it challenging to assess the effectiveness of implemented strategies.

To overcome these challenges, local governments need to focus on building strong partnerships with businesses, community organizations, and other stakeholders. Continuous dialogue, education, and fostering a culture of responsibility can contribute to the successful implementation of CSR strategies for a green economy [17].

In conclusion, these strategies are not without challenges. Enforcement limitations, lack of awareness and understanding, resistance from businesses, coordination challenges, and the difficulty of measuring impact pose hurdles to the effective implementation of CSR initiatives. Overcoming these challenges requires a comprehensive and collaborative approach that involves not only local governments but also businesses, communities, and other stakeholders.

To address enforcement challenges, local governments must allocate adequate resources and build expertise to monitor and regulate business practices effectively. Initiatives focused on raising awareness and providing education can bridge the knowledge gap, encouraging businesses to see the long-term benefits of CSR for both the environment and their bottom line. Engaging businesses in a collaborative effort through public-private partnerships fosters a shared responsibility for sustainable development. Additionally, recognizing and rewarding businesses for their commitment to CSR and green practices can create a positive competitive environment and inspire others to follow suit.

While challenges persist, the pursuit of a green economy through CSR is essential for addressing environmental concerns, ensuring social inclusivity, and fostering a sustainable future. Local governments, as key facilitators, need to remain proactive, adaptive, and innovative in navigating these challenges to create an enabling environment that encourages businesses to integrate CSR into their core operations, contributing to the broader goal of building a greener and more responsible economy.

Conclusion

In conclusion, PT Tirta Investama has effectively implemented CSR programs, particularly in waste management and disability care, aligning with regulations and achieving program objectives. Both Mr. Sutrisno and Mrs. Endah Kusmariah commend PT Tirta Investama for its well-organized and programmed approach to implementing the TJSLP, ensuring transparency through regular reporting on activities and allocated funds. The successful monitoring of CSR programs at PT Tirta Investama, particularly in waste management initiatives, has proven highly beneficial for the community and contributes significantly to the realization of a green economy. By implementing effective waste management strategies, PT Tirta Investama not only addresses environmental concerns but also generates positive socio-economic impacts. This success underscores the company's commitment to corporate social responsibility and sustainability, aligning with global efforts towards environmental conservation and sustainable development.

The strategy and challenges of local government oversight in fostering Corporate Social Responsibility (CSR) for a green economy are crucial elements in promoting sustainable business practices. While local governments play a crucial role in incentivizing and regulating CSR initiatives, they face several challenges such as limited resources, capacity constraints, and varying levels of commitment from businesses. Despite these

challenges, effective oversight mechanisms can be established through robust policy frameworks, stakeholder engagement, and capacity-building efforts. Collaboration between local governments, businesses, civil society, and other stakeholders is essential for overcoming these challenges and realizing the full potential of CSR in promoting environmental sustainability and fostering a green economy at the local level.

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