



## Reconstructing the Paradigm of Corporate Social Responsibility Based on Pancasila and Social Justice

Jejen Hendar<sup>\*12</sup> 

<sup>1</sup> Faculty of Law, Bandung Islamic University, Indonesia

<sup>2</sup> Student of Doctoral Program, Faculty of Law, Indonesia Islam University, Indonesia

Received : July 25, 2025

Revised : November 17, 2025

Accepted : November 25, 2025

Online : December 31, 2025

### Abstract

The implementation of Corporate Social Responsibility (CSR) in Indonesia has long been regulated through formal legal instruments, particularly Article 74 of the Company Law. However, in practice, CSR has often been reduced to a symbolic obligation that serves reputational interests rather than fulfilling its social justice function. This article analyzes the normative foundation of CSR in Indonesia from the perspective of Pancasila, particularly the fifth principle: social justice for all Indonesian people. Using a normative juridical method and a philosophical-ideological approach, the study finds that CSR must be repositioned not merely as a corporate instrument but as an ethical and legal mandate rooted in national ideology. The article argues that CSR must be reconstructed as a distributive justice mechanism that addresses structural inequalities, ensures equitable benefit distribution, and involves affected communities in planning and implementation. The findings recommend strengthening the legal framework of CSR by integrating the substantive values of Pancasila and establishing clear mechanisms for accountability, transparency, and public participation. This reconstruction is necessary to align CSR practices with Indonesia's constitutional and moral obligations to realize social justice.

**Keywords:** *Corporate Social Responsibility, Pancasila, Social Justice, Legal Reconstruction, Indonesia*

### INTRODUCTION

Despite the existence of a formal legal mandate, the current CSR framework in Indonesia lacks a coherent philosophical foundation that can effectively translate legal obligations into substantive social justice outcomes. Existing legal and policy analyses tend to focus on compliance, reporting mechanisms, or corporate governance efficiency, while largely neglecting the ideological basis that should guide CSR as a constitutional obligation. This creates a normative gap between CSR as a positive legal requirement and CSR as an instrument of distributive justice. A philosophical-ideological approach is therefore necessary to address this gap by reinterpreting CSR through Pancasila as the foundational source of legal meaning, ensuring that CSR regulation is not only legally valid but also normatively legitimate within Indonesia's constitutional order.

Corporate Social Responsibility (CSR) has been institutionalized in Indonesia through Article 74 of Law No. 40 of 2007 concerning Limited Liability Companies, which mandates companies whose business activities involve or relate to natural resources to implement social and environmental responsibilities (Donia et al., 2017). This provision places Indonesia among the few countries that legally require CSR, differing from global CSR practices that largely rely on voluntary commitments or market-driven incentives (Asaolu et al., 2023). However, despite its legal basis, CSR implementation in Indonesia often mirrors the global tendency toward what scholars call *symbolic CSR*—initiatives that serve reputational and compliance purposes rather than achieving real social transformation (Bartley & Egels-Zandén, 2016; Westphal, 2023). Many CSR programs remain procedural and temporary, failing to align with the long-term needs of local communities



or contribute to structural social change. This situation reflects the broader global debate between CSR as a voluntary ethical practice and CSR as a legally enforceable social obligation. The global debate on CSR generally revolves around two competing positions. The first views CSR as a voluntary ethical commitment rooted in corporate discretion, market incentives, and reputational considerations, emphasizing flexibility and self-regulation. The second position conceptualizes CSR as a legally enforceable social obligation, grounded in the recognition that corporate activities generate structural externalities requiring state intervention and redistribution. While the voluntary model dominates in liberal market economies, the mandatory model gains relevance in jurisdictions where social justice and collective welfare are constitutional imperatives. Indonesia's CSR regime is normatively aligned with the latter position, yet its implementation remains influenced by the former, resulting in conceptual inconsistency.

In Indonesia, this debate becomes particularly significant because CSR is not merely a corporate policy choice but a constitutional expression of *Pancasila*'s mandate for social justice. Therefore, re-examining the normative and philosophical foundations of CSR in light of both global and national perspectives is essential to ensure that CSR fulfills its ethical and constitutional role in promoting distributive justice and collective welfare.

In the Indonesian context, this global debate acquires a deeper constitutional meaning because CSR is not merely a matter of corporate discretion but an embodiment of *Pancasila*'s mandate for social justice. The principle of social justice, enshrined in the Preamble of the 1945 Constitution and the fifth principle of *Pancasila*, serves as both a moral foundation and a legal imperative guiding economic regulation and corporate behavior (Siahaan et al., 2025; Setyadi, 2024). However, as noted by Barnett, dominant CSR frameworks often prioritize managerial design and strategic outcomes while marginalizing ideological and justice-based considerations, a tendency that is also evident in Indonesia's current CSR regulatory framework (Barnett et al., 2020). There are no clear normative standards that ensure benefit distribution to the most disadvantaged groups, no legal requirements for participatory planning, and no accountability mechanisms rooted in public interest. As a result, CSR remains disconnected from the broader national goal of equitable development.

Despite being legally mandated, the implementation of CSR in Indonesia remains conceptually fragmented and normatively shallow (Siahaan et al., 2025). The legal framework does not clearly define what constitutes socially just CSR, nor does it establish enforceable criteria for accountability, participation, or benefit distribution. This raises several fundamental questions: To what extent does the current legal paradigm of CSR reflect the constitutional mandate of social justice? How can CSR be realigned to fulfill its role as a redistributive legal instrument? And what normative values should guide its reformulation to ensure alignment with *Pancasila* as the nation's ideological foundation? These questions form the core problem addressed in this article.

Contemporary CSR practices are also deeply influenced by liberal and market-based paradigms that prioritize voluntary initiatives and reputational gain. In the context of CSR, liberal and market-based paradigms refer to approaches that frame social responsibility as a voluntary, discretionary activity driven by market incentives, reputational benefits, and shareholder value. Under this paradigm, CSR initiatives are primarily evaluated based on their contribution to corporate competitiveness and public image rather than their capacity to address structural inequalities or advance distributive justice. While such approaches are compatible with corporate strategies, they fall short in addressing ethical, distributive, and structural dimensions of justice (Chen & Khuangga, 2021). CSR often becomes an extension of public relations strategies rather than a transformative tool for empowering affected communities (Lu et al., 2020). This paradigm misalignment not only weakens the redistributive potential of CSR but also contradicts the philosophical ethos of *Pancasila*, which emphasizes solidarity, humanity, and the welfare of the

collective over individual corporate gain.

This article aims to critically analyze and reconstruct the prevailing CSR paradigm by reorienting it toward the values of Pancasila and the principle of social justice. This paradigm misalignment directly contradicts the ethical foundation of Pancasila, particularly the fifth principle (Social Justice for All Indonesian People), which mandates equitable distribution of resources, participatory decision-making, and corrective measures for structural inequality. By employing a normative juridical method with a philosophical-ideological approach, this study positions CSR not merely as a corporate obligation but as a legal and ethical mandate derived from the foundational values of the Indonesian state. The goal is to offer a conceptual and regulatory reformulation of CSR that ensures fair distribution, strengthens public accountability, and aligns corporate conduct with the constitutional vision of a just and equitable society.

## LITERATURE REVIEW

Corporate Social Responsibility (CSR) has undergone a conceptual transformation from a voluntary moral initiative to a formal legal obligation in various jurisdictions, including Indonesia. In general, CSR refers to the responsibility of business entities to contribute to societal development and environmental sustainability beyond their economic and legal duties (Buhmann, 2006). In the Indonesian legal framework, this obligation is codified in Article 74 of Law No. 40 of 2007 on Limited Liability Companies, which mandates companies engaging in activities involving or related to natural resources to carry out social and environmental responsibilities (Andryanto, 2022; Siahaan et al., 2025). The provision is further elaborated through Government Regulation No. 47 of 2012, which requires CSR to be planned, budgeted, and reported in the annual report. While these regulations formally establish CSR as a legal duty, their implementation remains largely procedural. CSR is often interpreted narrowly as a corporate expense to be documented, rather than a substantive mechanism to address social disparities or fulfill ethical commitments to affected communities (Sheehy & Farneti, 2021).

Despite its formal legal foundation, the implementation of CSR in Indonesia has received considerable criticism for being procedural, symbolic, and lacking meaningful social impact. Several studies have pointed out that CSR activities are often conducted to fulfill administrative compliance or improve corporate branding rather than address structural inequalities or empower marginalized groups. The absence of clear benchmarks for social impact, coupled with the lack of independent oversight and community involvement, has resulted in CSR practices that are disconnected from local needs. Reports are commonly descriptive and focus on the quantity of programs rather than qualitative outcomes. This condition reveals a conceptual gap between CSR as a legal mandate and CSR as a social justice instrument. Without a normative value framework to guide CSR toward its ethical and distributive goals, the practice risks being reduced to a corporate formality devoid of substantive relevance for public welfare.

John Rawls, in his seminal work *A Theory of Justice*, introduces a philosophical framework that emphasizes fairness as the core of justice (Rawls, 1999). Central to his theory are two principles: first, that every individual should have equal access to basic liberties; and second, that social and economic inequalities must be arranged to benefit the least advantaged in society (*difference principle*). Rawls' notion of justice envisions a society where institutions, including legal and economic systems, are structured to reduce arbitrary disparities in wealth and opportunity. (Rawls, 1999). Applying this perspective to CSR, corporate activities should not merely aim at profit generation or superficial community engagement, but serve as tools to mitigate inequality and provide compensatory benefits to those adversely affected by business operations. When CSR fails to prioritize the needs of the most vulnerable or does not embed redistributive justice into its design, it contradicts the Rawlsian ideal of a fair society (Das, 2021). Thus, Rawls' theory

underscores the urgency for CSR to evolve beyond voluntarism and align with principles of structured social equity.

In the Indonesian context, the principle of social justice is not merely a philosophical construct but a constitutional mandate rooted in the fifth principle of Pancasila: “*Keadilan Sosial bagi Seluruh Rakyat Indonesia*” (Social Justice for All Indonesian People). Pancasila functions as both the ethical foundation of the state and the normative compass for legislation and governance (Putra et al., 2024; Setyadi, 2024). The concept of justice within Pancasila emphasizes distributive fairness, collective welfare, and the active correction of economic disparities. It rejects exploitative capitalism and prioritizes inclusive development that benefits the entire population, particularly the poor and marginalized. In relation to CSR, this principle implies that corporate obligations must go beyond legal compliance and contribute meaningfully to social equity. Pancasila provides a distinctly Indonesian framework for CSR, one that demands ethical corporate behavior grounded in cooperation (*gotong royong*), community participation, and the equitable distribution of economic benefits (Putra et al., 2024; Widiatama et al., 2020). Therefore, CSR policies and practices that ignore or sideline this value base risk violating not only the social fabric but also the ideological foundation of the nation.

Islam places a strong emphasis on social justice, accountability, and the equitable distribution of wealth, principles that are highly relevant to the concept of corporate social responsibility (Hendar, 2020; Santoso, 2016; Yusdiansyah & Hendar, 2022). In Islamic thought, property and wealth are not owned absolutely by individuals or corporations but are trusts (*amanah*) that must be used for the benefit of the wider society. The principles of *al-'adl* (justice), *al-mas'uliyah* (accountability), and *al-maslahah* (public interest) guide the moral obligations of wealth holders, including corporate entities, to contribute to societal well-being. Instruments such as *zakat*, *infaq*, and *waqf* institutionalize this responsibility, ensuring that economic power is balanced by social obligations (Hadir, 2019). CSR in an Islamic framework is not an optional or reputational initiative but a binding moral and social duty. It requires corporations to design programs that are not only lawful and efficient but also aligned with ethical and communal values. Therefore, integrating Islamic principles into CSR reinforces the argument for a value-based legal framework that supports distributive justice and promotes sustainable, inclusive development.

Together, these three perspectives share a concern for distributive justice but differ in their ontological foundations: Rawls emphasizes rational fairness and social contracts; Pancasila emphasizes moral solidarity and social equilibrium; and Islamic thought emphasizes divine accountability and communal welfare. In this study, Pancasila serves as the central theoretical benchmark, while Rawlsian and Islamic justice theories function as comparative frameworks that enrich and strengthen the philosophical foundation for reconstructing a CSR paradigm grounded in social justice within the Indonesian context.

## RESEARCH METHOD

This study employs normative legal research with a qualitative interpretive approach. In this context, “qualitative” does not refer to empirical data collection such as interviews or field observations, but to textual interpretation, doctrinal analysis, and philosophical reasoning applied to legal norms, statutes, and constitutional principles. This study employs a normative legal research method with a qualitative approach (Qamar et al., 2017). The research focuses on examining legal norms, philosophical foundations, and doctrinal interpretations related to Corporate Social Responsibility (CSR) in Indonesia. Two primary approaches are used: the statute approach and the philosophical-ideological approach. The statute approach is applied to assess the consistency and sufficiency of legal provisions regulating CSR, particularly within the framework of Law No. 40 of 2007 concerning Limited Liability Companies and its implementing regulations.

---

Meanwhile, the philosophical-ideological approach is used to interpret CSR through the lens of Pancasila as the foundational ideology of the Indonesian legal system, as well as principles of justice from Islamic jurisprudence and Rawlsian theory. This combination allows the study to critically evaluate the current CSR paradigm not only as a legal obligation but also as a reflection of the ethical and ideological commitments of the state.

The legal materials used in this study consist of primary and secondary sources (Manzilati, 2017). Primary legal sources include Law No. 40 of 2007 on Limited Liability Companies, Government Regulation No. 47 of 2012 on Corporate Social and Environmental Responsibility, and Constitutional Court Decision No. 53/PUU-VI/2008, which affirms the constitutional basis of CSR obligations. These documents serve as the main normative foundation for assessing the legal status and structure of CSR in Indonesia. Secondary legal sources comprise scholarly literature on CSR, philosophical theories of justice (particularly John Rawls' concept of distributive justice) and writings on Islamic legal thought related to social responsibility, such as the principles of *al-'adl* (justice), *al-mas'uliyah* (accountability), and *maslahah* (public good). These sources are used to construct a comprehensive analytical framework that integrates positive legal norms with ethical and ideological principles that shape the reconstruction of CSR in Indonesia.

The data analysis in this study is conducted through a normative-qualitative interpretation using a deductive reasoning model (Efendi et al., 2016). The analysis begins with examining foundational values (such as justice, public welfare, and ideological commitments) derived from Pancasila, Rawlsian theory, and Islamic jurisprudence. Pancasila functions as the primary normative benchmark for evaluating CSR regulations, serving as the constitutional and ideological standard against which legal norms are assessed. Rawlsian justice theory and Islamic jurisprudence are employed as comparative analytical frameworks to test the coherence, distributive orientation, and ethical sufficiency of CSR norms. These frameworks are not treated as competing theories but as complementary lenses that reinforce the central role of Pancasila in shaping a justice-oriented CSR paradigm.

The research applies doctrinal legal analysis and content analysis of legal texts to identify normative gaps and ethical inconsistencies in CSR regulation. The data analyzed include primary legal materials, such as laws, government regulations, and court decisions, as well as secondary legal materials, including academic books, journal articles, and expert writings on CSR, Pancasila-based justice, and Islamic legal philosophy. To ensure the credibility and interpretive validity of the findings, cross-textual doctrinal analysis and consistency assessment across statutory norms, constitutional principles, and scholarly interpretations.

The study applies deductive reasoning to derive specific legal conclusions from general principles such as justice, welfare, and social responsibility. At the same time, inductive reasoning is used to formulate broader conceptual insights from patterns found in legal texts and doctrinal debates. These combined values and principles serve as the evaluative framework to critique and reinterpret existing CSR norms.

Rather than merely describing the content of legal provisions, this research seeks to reconstruct CSR regulation so that it aligns more closely with the principles of distributive justice and constitutional morality. Ultimately, this method allows the study to propose conceptual and normative refinements for CSR governance in Indonesia, emphasizing legal certainty, social accountability, and substantive justice as the core of a value-based CSR regulatory framework.

## FINDINGS AND DISCUSSION

The current legal framework governing Corporate Social Responsibility (CSR) in Indonesia provides a formal structure for its implementation. However, the substance and orientation of that implementation remain the subject of critical concern. This section presents an analytical

discussion that integrates the normative basis of CSR with philosophical and ideological perspectives to identify the misalignment between regulation and the principles of social justice. The analysis is structured into four key dimensions. First, it explores the principle of social justice as articulated in Pancasila and its relevance to CSR. Second, it examines the operationalization of other Pancasila values (humanity, unity, and deliberation) in shaping inclusive and participatory CSR practices. Third, it offers a critique of liberal and market-oriented CSR paradigms that dominate current corporate behavior. Finally, it proposes normative reconstruction based on value-driven principles, aiming to realign CSR with Indonesia's constitutional and ethical commitments. Each of these subsections contributes to a deeper understanding of how CSR should function not only as a corporate obligation but as a vehicle for transformative justice.

### **Social Justice as the Core of Pancasila Values**

The fifth principle of Pancasila, "Social Justice for All Indonesian People," serves as the normative apex of Indonesia's national ideology (Kaelan, 2020). It embodies the culmination of the values contained in the previous four principles and establishes the direction of the state's ethical and legal development. This principle articulates the state's obligation to ensure equitable access to resources, economic opportunities, and welfare, especially for the marginalized. Beyond being a philosophical guide, it also carries binding constitutional significance, as it is reaffirmed in the Preamble to the 1945 Constitution and operationalized in Article 33, which emphasizes collective ownership of strategic resources and prioritization of national welfare. The value of social justice within Pancasila is inherently distributive and corrective—it recognizes existing social and economic disparities and requires active measures to rebalance those inequalities (Asshiddiqie, 2011). Therefore, the fifth principle functions as a constitutional mandate to structure all legal norms and policy mechanisms, including corporate regulation, to achieve collective fairness, sustainability, and inclusive prosperity (Asaolu et al., 2023). In this context, justice is not interpreted as formal equality alone, but as substantive justice that accounts for historical, structural, and systemic disadvantages experienced by parts of society.

Article 74 of the Company Law and Government Regulation No. 47 of 2012 regulate CSR primarily in terms of budgeting and reporting obligations, without stipulating mandatory participatory mechanisms or criteria for equitable benefit distribution, thereby confirming the absence of substantive justice standards within the current framework. They must be interpreted in alignment with the principle of social justice embodied in the fifth sila of Pancasila (Andryanto, 2022; Siahaan et al., 2025). When CSR is implemented merely as a formal requirement—focused on reporting, branding, or token donations—it fails to fulfill its deeper constitutional purpose. The absence of clear mandates for equitable benefit distribution, meaningful community involvement, or targeted support for disadvantaged groups indicates a disconnect between CSR practice and the ethical vision of Pancasila. A Pancasila-oriented interpretation of CSR requires that programs be participatory, empowering, and designed to address structural imbalances caused or exacerbated by corporate activities. This includes ensuring that communities affected by environmental degradation, resource extraction, or labor exploitation receive proportionate redress and are involved in decision-making. The implementation of CSR that neglects these dimensions undermines the very idea of justice as understood in the national ideology and transforms a constitutional mandate into a perfunctory business function.

A paradigm of CSR grounded in the fifth principle of Pancasila necessitates a fundamental normative reconstruction of how CSR is regulated and practiced (Putra et al., 2024). Legal norms concerning CSR must evolve from prescribing procedural obligations toward establishing substantive justice standards. These standards should include criteria for equitable benefit allocation, participatory planning involving local communities, and transparent accountability

mechanisms. The state, as the guardian of constitutional values, must not be passive in merely mandating CSR, but must actively ensure that corporate conduct contributes to the broader goal of inclusive welfare. This includes enacting derivative regulations that clarify what constitutes fair and effective CSR, introducing mechanisms for community grievances, and linking CSR performance with licensing, taxation, or incentives. When viewed as an ethical and constitutional instrument, CSR becomes not just an extension of corporate goodwill, but a strategic policy tool for achieving the national vision of social justice. In this regard, the fifth sila of Pancasila should not only guide the moral content of CSR but serve as the evaluative benchmark for its legal sufficiency and practical effectiveness.

### **The Relevance of Pancasila Values to CSR Governance**

The foundational values of Pancasila serve not only as a philosophical basis of the Indonesian state but also as guiding principles for ethical governance, including in corporate conduct (Setyadi, 2024). These values, humanity, solidarity, deliberation, and social justice, are inherently compatible with the concept of Corporate Social Responsibility (CSR). In this light, CSR must be governed not solely by corporate interests or legal formalism, but by a value-based framework that reflects Indonesia's constitutional morality (Westphal, 2023). The principles of participation, equity, and accountability, which are embedded in Pancasila, should inform the structure and implementation of CSR at every level. A CSR model rooted in Pancasila requires corporations to view themselves as moral agents with obligations to contribute to collective welfare, rather than merely as economic actors bound by administrative compliance. Therefore, CSR governance should be reoriented to function as a national ethical instrument, rather than remaining a procedural obligation lacking substantive direction (Gunawan et al., 2023).

Each principle of Pancasila offers a specific ethical contribution to the governance of CSR. The second principle, humanity that is just and civilized, calls for the recognition and protection of human dignity (Adha & Susanto, 2020). CSR, therefore, must be designed to respect the rights and livelihoods of communities affected by corporate activities, ensuring that their welfare is not sacrificed for profit. The third principle, national unity, requires CSR to foster social cohesion and avoid policies that exacerbate inequality or social fragmentation. This means CSR should not concentrate on elite beneficiaries or urban areas alone but must equitably reach marginalized and remote communities. The fourth principle, deliberation and representation, emphasizes participatory decision-making. CSR programs must be formulated through inclusive dialogue with stakeholders, particularly the communities directly impacted. The absence of these participatory mechanisms reduces CSR to a top-down process and undermines its legitimacy. Integrating these Pancasila values ensures that CSR practices are not only lawful but also ethical, inclusive, and responsive to the public interest.

The internalization of Pancasila values into CSR governance entails ethical consequences not only for corporations but also for the state (Lu et al., 2020). For companies, this means embedding national values into their corporate vision, operational policies, and social investment strategies. CSR should be viewed not as a peripheral public relations initiative, but as a core expression of the company's commitment to contribute to nation-building through socially just practices. Integrating the principles of Pancasila demands that companies recognize affected communities not merely as beneficiaries, but as stakeholders with agency and rights. Meanwhile, the state bears an institutional responsibility to ensure that the legal framework governing CSR reflects these normative values. This includes formulating derivative regulations that operate ethical principles such as justice, solidarity, and participation into enforceable standards. Without such legal embodiment, Pancasila risks being reduced to rhetorical affirmation rather than functioning as a substantive guide for corporate conduct. Embedding Pancasila into CSR strengthens the legitimacy

---

of corporate activities, enhances trust between companies and communities, and aligns private enterprise with the national mission of inclusive, equitable, and sustainable development.

The absence of value orientation in many CSR practices reflects a deeper normative gap in the current regulatory regime (Supada, 2020). When CSR is implemented without reference to the ethical framework of Pancasila, it risks being reduced to a compliance ritual—legally valid yet socially disconnected. This disconnect undermines the potential of CSR to serve as a transformative tool for justice and inclusion. A critical analysis reveals that the procedural and reputational logic dominating CSR today stands in contrast to the participatory, distributive, and ethical mandates of Pancasila. To bridge this gap, both corporate governance and state regulation must be reconstructed to explicitly incorporate Pancasila values. This means reinterpreting CSR as a constitutional function of business, grounded in the national philosophy, and enforced through laws that prioritize social impact over formal compliance. In conclusion, embedding Pancasila into the governance of CSR is not merely a normative ideal but a strategic necessity to align corporate behavior with the broader mission of national development rooted in justice, humanity, unity, and deliberative democracy.

### **Critique of Market-Based CSR Paradigms**

The analysis further reveals a paradigmatic inconsistency between Indonesia's formally mandatory CSR regime and the liberal, market-based CSR paradigm that continues to shape its implementation. Contemporary CSR practices largely reflect voluntary, reputational, and managerial logics, prioritizing corporate image and competitiveness over structural redistribution. This orientation contradicts the ethical foundation of Pancasila, particularly the fifth principle—*Social Justice for All Indonesian People*—which requires corrective measures to address inequality and ensure collective welfare. By prioritizing voluntarism and reputational incentives, current CSR practices dilute the redistributive function inherent in Pancasila's conception of social justice, thereby weakening CSR's constitutional relevance and transformative potential.

The liberal paradigm of Corporate Social Responsibility (CSR) predominantly frames social engagement as a voluntary, market-driven activity aimed at enhancing corporate reputation and competitiveness (Elkington, 1997). Under this model, CSR is treated as a strategic tool for improving brand value, investor relations, or consumer loyalty, rather than as a structural obligation to address social inequalities or environmental degradation. This paradigm is characterized by its emphasis on discretion, minimal state intervention, and the autonomy of corporations to determine the scope, content, and beneficiaries of their CSR programs (Maulanda et al., 2023). As a result, CSR initiatives are often limited to symbolic actions—such as philanthropic donations or short-term campaigns—rather than systemic interventions rooted in justice and sustainability. This voluntarist and profit-oriented approach tends to marginalize the voices of affected communities and fails to respond to the deeper socio-economic challenges that result from business operations. Consequently, the liberal CSR model risks legitimizing corporate activity without requiring meaningful accountability or transformative social impact.

The liberal CSR paradigm is fundamentally misaligned with the philosophical and constitutional values enshrined in Pancasila, particularly the principle of social justice and the spirit of gotong royong (mutual cooperation) (Putra et al., 2024). Whereas liberalism prioritizes individual autonomy and corporate discretion, Pancasila mandates collective responsibility and equitable development. A CSR model driven solely by market incentives fails to acknowledge the moral and legal obligation of corporations to contribute to public welfare, especially in contexts where their operations directly impact the livelihoods, health, and environment of local communities. This misalignment is further exacerbated by the absence of enforceable standards or redistributive mandates, which allows corporations to implement CSR selectively, often favoring

regions or sectors that yield reputational returns rather than social necessity. In this way, the liberal model can reproduce or even intensify socio-economic exclusion by privileging visibility over justice and image over equity. Such practices stand in direct contradiction to Pancasila's call for ethical governance and social responsibility that is grounded in solidarity, equality, and national unity.

The limitations of the liberal CSR paradigm highlight the urgent need for a normative shift toward a value-based model grounded in justice, participation, and constitutional ethics (Das, 2021). This paradigm shift requires repositioning CSR not as a discretionary act of goodwill but as a binding obligation anchored in the ideological and legal foundations of the Indonesian state. CSR must be reconceptualized as part of the national development strategy that serves to correct structural inequalities, foster community empowerment, and uphold environmental sustainability. This requires integrating CSR into a broader framework of governance that includes transparent regulation, mandatory reporting with social impact indicators, and inclusive decision-making processes involving affected stakeholders. Embedding values such as justice (*keadilan*), solidarity (*gotong royong*), and accountability (*pertanggungjawaban sosial*) into CSR practices will ensure that corporate initiatives are not only effective but also legitimate in the eyes of the public. Ultimately, the reconstruction of the CSR paradigm demands collaboration between the state, corporations, and civil society to ensure that CSR evolves into a transformative instrument for realizing social justice in accordance with Pancasila.

### **Normative Implications for CSR Law Reform**

The integration of Rawlsian justice theory and Islamic jurisprudence further exposes the normative deficiencies of Indonesia's CSR framework. From a Rawlsian perspective, CSR regulation fails to satisfy the *difference principle*, as it does not ensure that CSR benefits are directed toward the least advantaged communities affected by corporate activities. Similarly, from the standpoint of Islamic legal principles—particularly *al-'adl* (justice) and *al-maslahah* (public welfare)—CSR should function as a moral and legal obligation to redistribute resources for the benefit of society. The absence of explicit redistributive and participatory mandates within positive CSR law indicates a structural disconnect between ethical-justice frameworks and legal implementation. This disconnect substantiates the need for a normative reconstruction of CSR grounded in Pancasila, with Rawlsian and Islamic principles serving as complementary evaluative lenses rather than competing normative foundations.

Despite the formal legal foundation of Corporate Social Responsibility (CSR) in Indonesia (most notably Article 74 of the Company Law and its implementing regulation, Government Regulation No. 47 of 2012) the normative structure of CSR remains inadequate in achieving the constitutional mandate of social justice (Siahaan et al., 2025). The current regulatory framework primarily focuses on administrative aspects such as budgeting, reporting, and compliance documentation, without establishing clear standards for substantive impact, community participation, or equitable distribution of benefits. As a result, CSR is often reduced to legal formality rather than a transformative social obligation. From a legal theory perspective, this reflects a positivist bias in Indonesian regulatory practice, where compliance with procedures is prioritized over the realization of justice as a normative goal. In Pancasila-based legal reasoning, this disconnect is problematic because the legal system is not merely an instrument of control but a means to embody national values, especially justice (*keadilan*). The absence of explicit redistributive norms, participatory requirements, and enforceable accountability mechanisms signals a normative vacuum that must be addressed. Therefore, a critical normative analysis reveals that while CSR is legally mandated, its current legal structure fails to operationalize the ethical and ideological commitments of the state toward building a just and inclusive society.

The evident limitations in the current legal framework necessitate a substantive reconstruction of CSR norms to align legal obligations with ethical imperatives and social realities (Setyadi, 2024). Such reconstruction must begin by developing detailed implementation regulations that define what constitutes meaningful CSR. This includes setting measurable indicators for social impact, specifying minimum allocations for disadvantaged communities, and requiring participatory planning processes involving affected stakeholders. Without such standards, CSR remains vulnerable to corporate manipulation, relegated to promotional campaigns that serve private interests rather than the public good. From the standpoint of constitutional morality, a legal norm that imposes obligations without mechanisms for substantive fulfillment or enforcement contravenes the principle of *rechtstaat* (rule of law) rooted in Pancasila (Arief et al., 2024). The law must not merely prescribe duties but also ensure justice is achieved in practice. Moreover, the lack of public participation in CSR design and oversight weakens its democratic legitimacy. In a Pancasila-based legal culture, which emphasizes musyawarah and collective responsibility, excluding communities from CSR decisions constitutes not only a legal oversight but also a violation of the nation's foundational values. Therefore, CSR norms must be reconstructed to include enforceable mechanisms for participation, redistribution, and accountability, ensuring their role as instruments of social justice rather than instruments of corporate discretion.

From a philosophical standpoint, the *Pancasila*-based justice paradigm provides a corrective to the limitations of the liberal CSR model. The fifth principle—*Social Justice for All Indonesian People*—requires that CSR should not merely satisfy legal formality but function as a redistributive mechanism for correcting structural inequalities. This principle aligns with Rawls's *difference principle*, which advocates for social arrangements that benefit the least advantaged (Rawls, 2017) and with the Islamic doctrine of *al-maslahah*, which emphasizes communal welfare over individual gain (Hadir, 2019; Hendar, 2020). In practice, however, many Indonesian companies implement CSR selectively, prioritizing sectors that improve brand image rather than addressing deep-rooted social issues such as poverty, environmental degradation, and inequality (Lu et al., 2020; Supada, 2020). This selective orientation reflects a disconnection between CSR practice and its ethical foundation in *Pancasila*.

A forward-looking legal reform of CSR must be rooted in both constitutional principles and the ethical values that underpin the Indonesian legal system, particularly Pancasila (Arief et al., 2024). This reform should reconceptualize CSR as an integral component of national development law, one that is structurally aligned with the needs of the most marginalized populations and accountable to the public. Concretely, this requires the establishment of a dedicated CSR oversight body with the authority to monitor, evaluate, and enforce compliance with redistributive and participatory principles. The incorporation of independent social audits and public grievance mechanisms would strengthen transparency and foster trust between corporations and communities. Such institutional arrangements reflect not only the legal obligation of companies but also the moral imperative of solidarity and *maslahah* (public benefit) derived from Islamic legal ethics. In doing so, the CSR framework would shift from a minimalist compliance model toward a transformative justice-based regime that reinforces the state's role in correcting structural inequalities. Ultimately, the legal reconstruction of CSR must serve as an expression of Pancasila's social justice vision, ensuring that corporate power is harmonized with the common good and economic growth is directed toward equitable and sustainable outcomes.

Acknowledging these contradictions, the study argues for a normative reconstruction of CSR that integrates legal obligation, moral responsibility, and participatory governance. Such reconstruction should establish clear justice-based criteria for CSR impact assessment, introduce mandatory community consultation, and link CSR performance to corporate licensing and taxation incentives. In this model, CSR is repositioned from a symbolic activity to a substantive

constitutional instrument that embodies *Pancasila*'s vision of social justice. Hence, the role of the state becomes crucial not only as a regulator but as a guardian of constitutional morality ensuring that corporate power operates in harmony with the collective welfare of the nation.

## CONCLUSIONS

This study concludes that although Corporate Social Responsibility (CSR) is formally mandated under Article 74 of the Indonesian Company Law, its practical implementation has yet to achieve substantive alignment with the principle of social justice as articulated in *Pancasila*. Existing regulations remain predominantly administrative in nature, emphasizing compliance and reporting obligations without establishing adequate normative standards for equitable benefit distribution or meaningful community participation. As a result, CSR has not effectively functioned as a constitutional instrument to advance social justice within Indonesia's socio-legal framework.

The findings further underscore the necessity of a normative reconstruction to ensure that CSR operates not merely as a formal legal requirement, but as a substantive mechanism for achieving social justice. Such reconstruction requires the development of justice-oriented social impact indicators, the institutionalization of meaningful public consultation processes, and the strengthening of enforcement mechanisms capable of ensuring corporate accountability. Through these reforms, CSR can transition from symbolic corporate practices into a redistributive governance instrument capable of addressing structural socio-economic disparities.

The theoretical synthesis affirms that *Pancasila* must serve as the primary normative foundation for reconstructing CSR in Indonesia, while Rawlsian justice theory and Islamic principles of justice provide complementary analytical support. The fifth principle of *Pancasila* offers the most philosophically, morally, and constitutionally coherent basis for shaping a CSR paradigm that reflects Indonesia's national identity and legal ideals. Within this configuration, *Pancasila* provides a robust and contextually grounded framework to realign the role of CSR, enabling it to contribute meaningfully to the realization of equitable, inclusive, and socially transformative development in Indonesia.

## LIMITATION & FURTHER RESEARCH

This study is conceptual and normative in nature, relying primarily on legal texts, philosophical frameworks, and doctrinal interpretations. As such, it does not include empirical testing or case studies that would demonstrate how the proposed reconstruction of CSR is applied in practice across different sectors or regions in Indonesia. The absence of primary data from corporate actors, regulatory institutions, or affected communities may limit the generalizability of the findings beyond the normative scope.

Further research is needed to empirically examine how CSR initiatives function within the context of *Pancasila*-based legal reasoning and to what extent current practices align with the principles of distributive justice and social inclusion. Future studies could also explore the effectiveness of specific regulatory models—such as independent CSR audit bodies, participatory planning mechanisms, or incentive-based compliance—in translating normative ideals into enforceable governance frameworks. Additionally, comparative legal research involving CSR models from other jurisdictions with strong value-based systems could offer valuable insights for strengthening Indonesia's CSR architecture.

## REFERENCES

Adha, M. M., & Susanto, E. (2020). Kekuatan nilai-nilai *Pancasila* dalam membangun kepribadian masyarakat Indonesia. *Al-Adabiya: Jurnal Kebudayaan dan Keagamaan*, 15(1), 121–138.

Andryanto, D. S. (2022). *Regulasi pelaksanaan CSR bagi perusahaan, apa sanksi jika tak*

---

melaksanakan? Tempo. <https://www.tempo.co>

Arief, S., Hasibuan, F. Y., & Mulyadi, L. (2024). Reflecting Pancasila in environmental crimes enforcement: Diffusing values to Indonesia's laws. *Pancasila and Law Review*, 5(1), 19–30. <https://doi.org/10.25041/plr.v5i1.3457>

Asaolu, T. O., Olowookere, J. K., Adebayo, A. O., & Kareem, T. (2023). Corporate sustainable growth among listed non-financial firms in Nigeria during financial crisis: Does board characteristics matter? *International Journal of Entrepreneurship and Sustainability Studies*, 3(1), 1–17. <https://doi.org/10.31098/ijeass.v3i1.1135>

Asshiddiqie, J. (2011). *Membudayakan nilai-nilai Pancasila dan kaidah-kaidah Undang-Undang Dasar Negara RI Tahun 1945*. Kongres Pancasila III.

Barnett, M. L., Henriques, I., & Husted, B. W. (2020). Beyond good intentions: Designing CSR initiatives for greater social impact. *Journal of Management*, 46(6), 937–964. <https://doi.org/10.1177/0149206319900539>

Bartley, T., & Egels-Zandén, N. (2016). Beyond decoupling: Unions and the leveraging of corporate social responsibility in Indonesia. *Socio-Economic Review*, 14(2), 231–255. <https://doi.org/10.1093/ser/mwv023>

Buhmann, K. (2006). Corporate social responsibility: What role for law? Some aspects of law and CSR. *Corporate Governance: The International Journal of Business in Society*, 6(2), 188–202. <https://doi.org/10.1108/14720700610655187>

Chen, L., & Khuangga, D. L. (2021). Configurational paths of employee reactions to corporate social responsibility: An organizational justice perspective. *Corporate Social Responsibility and Environmental Management*, 28(1), 389–403. <https://doi.org/10.1002/csr.2056>

Das, K. (2021). *The paradigm of justice*. Routledge. <https://doi.org/10.4324/9781003206002>

Donia, M. B. L., Tetrault Sirsly, C.-A., & Ronen, S. (2017). Employee attributions of corporate social responsibility as substantive or symbolic: Validation of a measure. *Applied Psychology*, 66(1), 103–142. <https://doi.org/10.1111/apps.12081>

Efendi, J., Ibrahim, J., & Rijadi, P. (2016). *Metode penelitian hukum: Normatif dan empiris*. Kencana.

Elkington, J. (1997). *Cannibals with forks: The triple bottom line of twenty-first century business*. Capstone.

Gunawan, J., Gunawan, I., & Liu, Y. C. (2023). Environmental, social, and governance (ESG) performance evaluation to reduce potential greenwashing based on Sustainable Fitch Index. *International Journal of Entrepreneurship and Sustainability Studies*, 3(2), 29–39. <https://doi.org/10.31098/ijeass.v3i2.1773>

Haidir, M. S. (2019). Revitalisasi pendistribusian zakat produktif sebagai upaya pengentasan kemiskinan di era modern. *Muqtasid: Jurnal Ekonomi dan Perbankan Syariah*, 10(1), 57–68.

Hasan, N. (2024). Mengelola konflik dalam implementasi corporate social responsibility dan dampaknya terhadap lingkungan. *Environment Conflict*, 1(2), 97–106. <https://doi.org/10.61511/environc.v1i2.2024.1203>

Hendar, J. (2020). Filantropi Islam sebagai bentuk Islamic corporate social responsibility (ICSR). *Anterior Jurnal*, 19(2), 7–11.

Kaelan. (2020). *Filsafat hukum Pancasila dan semiotika hukum Pancasila*. Paradigma.

Siahaan, L., Siregar, H., & Nababan, R. (2025). Legal responsibility of companies in implementing corporate social responsibility (CSR) in Indonesia. *Journal of Legal and Cultural Analytics*, 4(1), 437–448. <https://doi.org/10.55927/jlca.v4i1.13892>

Lu, J., Ren, L., Zhang, C., Wang, C., Ahmed, R. R., & Streimikis, J. (2020). Corporate social responsibility and employee behavior: Evidence from mediation and moderation analysis. *Corporate Social Responsibility and Environmental Management*, 27(4), 1719–1728. <https://doi.org/10.1002/csr.1919>

Manzilati, A. (2017). *Metodologi penelitian kualitatif: Paradigma, metode, dan aplikasi*. Universitas Brawijaya Press.

Maulanda, F. D., Yudoko, G., & Rudito, B. (2023). Social responsibility in SMEs: A bibliometric analysis. *International Journal of Entrepreneurship and Sustainability Studies*, 3(1), 115–128. <https://doi.org/10.31098/ijeass.v3i1.1579>

Qamar, N., Syarif, M., Busthami, D. S., Hidjaz, M. K., Aswari, A., Djanggih, H., & Rezah, F. S. (2017). *Metode penelitian hukum (legal research methods)*. CV. Social Politic Genius (SIGn).

Putra, D. F., Fahmi, A., Prasetyo, A., Firmansyah, F., & Ghozali, I. (2024). Pancasila sebagai dasar hukum dalam mewujudkan keadilan sosial. *Aliansi: Jurnal Hukum, Pendidikan dan Sosial Humaniora*, 1(5), 233–237. <https://doi.org/10.62383/aliansi.v1i5.412>

Rawls, J. (1999). *A theory of justice* (Rev. ed.). Belknap Press of Harvard University Press.

Rawls, J. (2017). A theory of justice. In *Applied ethics* (pp. 21–29). Routledge.

Santoso, S. (2016). *Konsep corporate social responsibility dalam perspektif konvensional dan fiqh sosial*. IAIN Tulungagung.

Setyadi, A. (2024). Corporate social responsibility in mining companies: Regulation and business role in Indonesia. *KnE Social Sciences*. <https://doi.org/10.18502/kss.v9i11.15755>

Sheehy, B., & Farneti, F. (2021). Corporate social responsibility, sustainability, sustainable development and corporate sustainability: What is the difference, and does it matter? *Sustainability*, 13(11), Article 5965. <https://doi.org/10.3390/su13115965>

Supada, W. (2020). Efektivitas CSR (corporate social responsibility) dalam praktik public relations. *Danapati: Jurnal Ilmu Komunikasi*, 1(1), 35–46.

Westphal, J. D. (2023). Systemic symbolic management, corporate social responsibility, and corporate purpose: A cautionary tale. *Strategy Science*, 8(2), 221–232. <https://doi.org/10.1287/stsc.2023.0188>

Widiatama, Mahmud, H., & Suparwi. (2020). Ideologi Pancasila sebagai dasar membangun negara hukum Indonesia. *Jurnal USM Law Review*, 3(2), 310–327.

Yusdiansyah, E., & Hendar, J. (2022). Islamic corporate social responsibility in sharia companies in Indonesia with the implementation of maqashid sharia. *Advances in Social Science, Education and Humanities Research*. <https://doi.org/10.2991/assehr.k.220407.069>