



# Functions of the State in the Implementation of Social Responsibility by State-Owned Enterprises

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**Abstract.** State-owned enterprises are required to implement corporate social responsibility in accordance with economic democracy, which is founded on the principles of unity, efficiency, justice, sustainability, independence, and maintaining a balance between progress and national economic unity. This necessitates the state function of structuring a social responsibility program system that is beneficial to the community. The author of this study looks at two issues: First, the role played by the state in setting up the State-Owned Enterprises social responsibility program system. Second, the business's contribution to enhancing community welfare through State-Owned Enterprises' social responsibility. The research method used is a qualitative research method with a literature study approach taken from journals, books and the internet as references and then analyzed by the author. The findings demonstrated that the state's role in the economy, specifically its roles as a provider, regulator, entrepreneur, or operator of certain industries through State-Owned Enterprises, and its role as an empire in setting fair standards for the operation of the economy, including state-owned enterprises, are inextricably linked to the structure of the system for organizing corporate social responsibility. State-Owned Enterprises assist the community through business development and coaching as part of their social responsibility.

**Keywords:** Corporate social Responsibility, State Functions, State-Owned Enterprises.

## 1 Introduction

The existence of State-Owned Enterprises in national economic development must always be placed on the constitutional framework. Where in its business activities must always describe and implement the nature of the national economy contained in

Pancasila and the 1945 Constitution of the Republic of Indonesia. One concept that is very popular today in maintaining the existence and concern for the community is Corporate Social Responsibility (CSR) developed by State companies that are synchronized with applicable laws. CSR has become an important topic because of its connection with social and environmental responsibility as a concept of caring, preserving, maintaining and restoring environmental functions for the future. The Pancasila values—particularly the fifth principle, "social justice for all Indonesian people"—are referenced in SOES's CSR. These values are further expounded upon in Article 33 of the Republic of Indonesia's 1945 Constitution, which serves as the framework for laws governing the country's economic policy and social welfare implementation. The economy is set up as a team effort and is predicated on kinship. The principle of kinship is a regulating principle or principle. Juridically, the spirit of kinship can be categorized as a legal ideal that serves as a guide for the achievement of the ideals of Indonesian society in organizing the country's economic structure, which in essence explicitly gives the state the right to regulate the country's economy.

Article 33 of the 1945 Constitution of the Republic of Indonesia is a moral message in the field of economic life, not only providing guidelines on the structure of the economy and the authority of the state to regulate economic activities, but also expressing ideas, beliefs that are held firmly and consistently by government leaders. The target of the Constitution is unmistakably an economic system built on the values of unity and kinship. The Republic of Indonesia's 1945 Constitution acknowledges the existence of organizations whose spirit is unity rather than individuality, also referred to as the spirit of kinship. The principle of kinship contains the value of shared responsibility. joint efforts, sharing of joint results, shared property based on a strong sense of kinship. The principle of kinship contains the value of shared responsibility, joint efforts, sharing of joint results, shared property based on a strong sense of solidarity, mutual care, love and foster care and sympathy as a binder of social unity of love and affection (Ruslina, 2020)

Based on the spirit of kinship, State-Owned Enterprises, which are state companies, have the main function in addition to seeking profits, they also have a duty to pay attention to social issues. State-owned companies are institutions authorized to manage economic potentials owned by the state. The natural resources and social potentials that these economic potentials can take the form of can be utilized by State Companies to fulfill their social responsibility obligations as stipulated in Law No. 19 of 2003 concerning State-Owned Enterprises and PER-6/ MBU 09/2022, which is also regulated in Article 74 of Law No. 40 of 2007 for State Companies. 40 of 2007 for state-owned businesses managing natural resources or anything connected to them, and in PP No. 47 of 2012 regarding Social and Environmental.

Article 1 of Limited Liability Companies' Responsibility states that every company, as a legal subject, has social and environmental responsibility. This is a clarification and follow-up to Company Law No. 40 of 2007. In 2017 Sitindaon et al.

According to the description given above, it is evident that the state's role is crucial in helping State-Owned Enterprises fulfill their corporate social responsibility. In

addition, the company's social contribution is crucial in order to maximize benefits and ensure that people's prosperity is realized in a fair and equitable manner.

## 2 Methods

Using journals, books, and the internet as references, the author conducted a literature analysis as part of a qualitative research methodology before analyzing the results.

## 3 Results and Discussion

### 3.1 State Functions in the implementation of Corporate Social Responsibility State-Owned Enterprises (SOEs) are business entities owned by the state and

managed by the government. The existence of SOES is a consequence of the welfare state ideology adopted by Indonesia. The characteristic of a welfare state is the government's involvement in all sectors of community life, including the community's economic sector (Sumiyati, 2013).

Corporate social responsibility is not the same as the law because it was initially thought to fall under the category of voluntarism or morality. Social responsibility morality is more focused on external behaviors that are wholly determined by internal attitudes. This mindset—that is, truly selfless attitudes and deeds—is referred to as "morality". Legal responsibility, on the other hand, places more emphasis on how external attitudes align with the laws that are in place and the societal norms that are based on them. The presence of the State as the organizer of the Government uses organs to carry out its functions, specifically for the implementation of CSR which has become a legal obligation, the meaning of the transition from voluntary to mandatory as a manifestation of the governments commitment to protect citizens and socially interacting companies that are subject to regulation and supervision of applicable laws and regulations. (Sitindaon et al., 2017) State-Owned Enterprises' implementation of CSR aims to strike a balance between the interests of all parties. Only a specific regulatory mechanism put in place by the authorities—in this case, the government—based on relevant legal provisions can accomplish this balance of interests. Through the use of a regulatory mechanism, these interests must be balanced or pursued proportionately: If corporate social responsibility is unregulated, all stakeholders will have conflicting interests. Every individual party will make an effort to uphold their own interests. Furthermore, every individual party will endeavor to secure a more advantageous position for themselves or their group, making it challenging to achieve the balance of interests. In this section, the state presents itself as a regulator by producing a number of lawful goods that serve to balance the interests of all parties. In light of the aforementioned guidelines, the law must operate within this framework to

achieve harmony and balance among the many interests at play in order to bring about social harmony (Sitindaon et al., 2017).

According to Friedman, the state function put forward by Friedman divided into 4 (four) functions, namely: (Aminuddin Ilmar, 2012

- a. The state as the organizer
- b. The state as regulator
- c. The state as entrepreneur
- d. The state as referee

In order to implement Corporate Social Responsibility, the system of organizing social responsibility programs must be restructured to benefit those who can benefit from the SOEs themselves as well as the community. The way the partnership program is structured is inextricably linked to the role that the state plays in the economy. Friedman proposes four roles that the state plays in the economy, including; (1) the role of the government as a supplier, (2) the role of government in regulating, (3) the state's role as an entrepreneur or in managing specific industries through State-Owned Enterprises, (4) the role of the state as an empire—a supervisor and a referee—in creating equitable guidelines for the operation of the economy, which includes state corporations. The idea of a welfare state is closely related to the four roles that the state plays in the economy. (Abrar Saleng, 2004)

According to the welfare state concept, the state must take on greater responsibility for the socioeconomic issues that many people face. This development gives the state the authority to intervene in a variety of social and economic issues in order to guarantee the development of shared prosperity in society. A democratic form of government known as the "welfare state" places a strong emphasis on the government's responsibility for the welfare of the populace, the regulation of the distribution of state resources to ensure that no one goes hungry, and the creation of business opportunities for MSME actors to help them grow into resilient and independent entities. (AB. Kusuma, 2016)

From what has been said thus far, the author believes that there is a clear relationship between the theory of the welfare state in the context of the Pancasila legal state and the goals that the state seeks to accomplish through its functions. This relationship serves as the foundation for the state's involvement in the implementation of SOEs' social responsibility through the partnership program. This partnership program requires a state function as a provider of public welfare, entrepreneurs, and as a fair and impartial referee in the implementation of SOEs social responsibility in order to be implemented. It can only be implemented if it is supported by the element of power within it.

Businesses and society play an equally important role to the government's role as a provider, regulator, entrepreneur, and empire. The company's involvement in implementing social responsibility is through supporting and collaborating with. The company as an endorsing means that the company is able to encourage the realization of economic growth by being directly involved in regional development activities, the company has an important role, namely being responsible for social and environmental activities, especially around the company area. The company's operations and activities are focused on aligning with the community in addition to maximizing profit. The company's ability to work professionally and form partnerships with the government and the community is reflected in its status as a partner. This strategy aims to

promote harmonious, balanced business relationships that are in line with the environment, local community values, norms, and culture. As a result, the company must incorporate its social responsibility into its operations in addition to heavily exploiting natural resources for financial gain. The application of social responsibility requires a strong, comprehensive concept that encompasses the rights and obligations shared by stakeholders, rather than relying solely on a brief, static, and passive commitment in the form of capital assistance.

The community plays a critical role in the implementation of corporate social responsibility and is a driving force behind the creation of sustainable social responsibility initiatives. In order to integrate development activities into the community, the community plays a crucial role in promoting them. In the end, the application of social responsibility that is focused on sustainable community economic empowerment will raise the community's purchasing power, which is essentially the company's customers. Social responsibility implemented by the Company in a sustainable manner provides maximum benefits both from the company itself and for the community. Business sustainability also builds two-way communication between SOEs and the community. The value of the benefits received by SOEs from this CSR program is to enhance their reputation and contribute to their continued existence in order to run sustainably, with the community receiving a portion of the benefits that the company receives. This is consistent with the Partnership Concept, which puts the ideas of mutual benefit, mutual enlargement, and mutual strengthening into practice.

### **3.2 Contribution of state-owned companies in improving the welfare of society**

Social and environmental responsibility, or CSR, is the term for the corporate social responsibility of state-owned enterprises. However, these enterprises also continue to support CSR initiatives, particularly those involved in natural resource management. One such example is PT PLN (Persero), which carries out social and environmental responsibility in accordance with the guidelines set forth in the Minister of BUMN's Regulation No. Per-1/MBU / 2023 concerning Special Assignments and Social and Environmental Responsibility Programs. In accordance with the Limited Liability Company Law (PT), SOEs also engage in CSR.

The Law on State-Owned Enterprises No. 19 of 2003 places an obligation on SOEs to address social issues through the Corporate Social Responsibility Program, while the Company Law Number 40 of 2007 also directs companies in the form of Limited Liability Companies to undertake social responsibility. At the same time, the two programs are almost identical, thus placing a double burden on the implementation of SOEs. Both programs are implemented in the same format, providing social support and efforts to improve the economic welfare of the community.

Based on the description above, the author concludes that the difference between SOEs Corporate Social Responsibility and Corporate Social Responsibility regulated in Article 74 of the 2007 Company Law is different, namely:

1. Goals and objects

- Social and Environmental Responsibility under the SOE

a. to provide benefits for economic development, social development, environmental development, legal development, and corporate governance.

b. Contribute added value to the company

c. encouraging more independence and responsibility in micro, small, and medium-sized businesses as well as the surrounding community.

-Social and Environmental Responsibility under the Limited Liability Company Law:

a. Aims to create corporate relationships that are harmonious, fair and in accordance with the environment, values, customs and culture of the local community.

b. The target is the surrounding community

c. The aim is to create friendly and fair relations between the Company and the community in accordance with the environment, customs and culture of the local community.

2. Funding Source;

-Social and Environmental Responsibility under the SOE

a. Activity budgets that are accounted for as costs to the SOE in the current fiscal year.

b. Provision for part of SOE profit

c. Other sources in accordance with laws and regulations.

-Social and Environmental Responsibility under the Limited Liability Company Law

a. is Budgeted and calculated as company expenses. b. Not taken from the company's profits.

3. Company Subject

- Social and Environmental Responsibility under the SOE Law

a. Special Assignments and Implementation of Social and Environmental Responsibility

-Social and Environmental Responsibility under the Limited Liability Company Law

a . The subject company responsible for the implementation of CSR is a company conducting business activities in the field of natural resources and related to natural resources.

4. Implementation

-Social and Environmental Responsibility based on SOE law.

a. Implementation of Corporate Sosial Responsibility of the SOE concerned in the form of loans to finance working capital or purchase of fixed assets owned by small businesses and special loans to meet the funding needs of fostered partners.

-Social and Environmental Responsibility under the Limited Liability Company Law:

a. CSR implementation is carried out by companies that have business activities and or are related to natural resources.

The distinction between the social and environmental responsibility requirements set forth in Article 74 of the Limited Liability Company Law and those set forth in the State-Owned Enterprises Law of 2003 and Permen BUMN No. Per-01/MBU/03/2023 regarding Special Assignments and Social and Environmental Responsibility Programs of State-Owned Enterprises is evident based on the above explanation. According to 01/MBU/03/2023 regarding Special Assignments and State-Owned Enterprises' Social and Environmental Responsibility Programs, Social and Environmental Responsibility is governed by the Limited Liability Company law is a *lex generalis* that, provided the company engages in activities pertaining to or in the field of natural resources, applies to all companies in general. Meanwhile, the Environmental and Social The Law on State-Owned Enterprises specifically applies responsibility as a *lex specialis* to SOEs. As a result, if an SOE engages in business activities pertaining to or in the field of natural resources, it bears the dual burden of implementing social responsibility in accordance with both the Law on Limited Liability Companies and the provisions of the SOEs. Aside from the aforementioned distinctions, Partnership and CSR share certain commonalities, such as

1. Both are a form of the company's participation in fostering community independence.

2. The purpose of implementation is for the benefit of stakeholders, which includes the weak economy with the intention of fostering the independence of the community in general

3. The goal is to build the company's image and foster better relationships with stakeholders.

4. The scope of activities includes social and environmental aspects

5. In the implementation of its activities, it involves the community or other related parties.

6. Their community empowerment activities cover social, economic and environmental fields, law and good corporate governance.

Contributions made by companies to society in relation to social responsibility in Indonesia can be classified three forms, namely: (Arifudin, 2008)

- a. Community Relations. In this category, programs are more likely to lead to forms of corporate generosity. need

- b. Community Service. The essence of this category is to provide a that exists in the community and problem solving is done by the community itself

- c. Community empowering are programs that are concerned with providing wider access to the community to support its independence, such as the establishment of other small industrial businesses where community members already have existing social institutions that can continue. In this category, the main target is business coaching and development so that community self-reliance can be realized.

This corporate social responsibility program certainly also provides benefits for the company and the community. The benefits obtained by small business actors (the community) are getting capital loans, training, mentoring and expanding market ac-

cess so that small businesses can become independent and resilient. As for the company, it provides many benefits, namely: (Religia & Religia, 2019)

a. Increased competitiveness (sustainable competitiveness), as social programs can strengthen the company's reputation and brand.

b. Open and productive two-way communication between the company and stakeholders. In this way, social programs not only improve the company's reputation, but can also create new business opportunities. Additionally, it can keep the business from facing a crisis brought on by social malpractice. This is because if a business engages in socially irresponsible behavior, it could negatively impact its profitability and harm its reputation in the community, which would make it harder for the business to continue operating sustainably and prevent disputes with stakeholders.

c. The company gets the opportunity to show its advantages over other companies.

d. The realization of good corporate governance

## 4 Conclusion

Based on the discussion that has been described previously, it can be concluded as follows:

1. By using its tools as rules in the implementation of corporate social responsibility that benefits the community through the role of the company and the government through SOEs, the State can fulfill its function in implementing social responsibility by using rules as a fulfillment of laws and regulations related to the basis of implementation. This will ensure that there is a balance of interests for all parties.

2. The involvement of state-owned enterprises in streamlining the execution of guidance and support initiatives for economically disadvantaged groups, enabling them to experience the advantages and worth of the enterprise

### 4.1 Recommendation

cooperation and cooperation among stakeholders in implementing SOEs' CSR, in order to enhance the company's quality and the community's quality of life as an expression of the state's role in ensuring the welfare of its citizens.

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