

Corporate Social Responsibility Programs In the Principles of Sharia Economic Law

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Abstract: *Limited Liability Companies a role in economic development and must be responsible for the surrounding environment in its business activities, known as CSR. Thus, it is necessary to know the arrangements regarding the CSR program. Reviewing the CSR program from the point of view of sharia economic law is also necessary. Therefore, researchers conducted research related to the CSR program to examine the program based on the principles of Islamic economic law. This research is qualitative research using secondary data. Data was collected through a documentation study. Data analysis technique was carried out in qualitative descriptive. This study found that arrangements regarding CSR programs must pay attention to ethical, moral, and mandatory principles for Limited Liability Companies. This principle is compatible with the principles of sharia economic law, such as the principle of permissibility, the principle of freedom of contract, the principle of agreement, the principle of binding promises, the principle of balance, the principle of benefit, and the principle of justice. CSR in the perspective of Sharia Economic Law, is a consequence of Islamic teachings. It means that a company must not be concerned with itself but must also pay attention to the surrounding environment.*

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Introduction

In particular the economic sector, the establishment of a limited liability corporation is essential for Indonesia's development (Sukirman, 2010). Economic democracy is used to structure the country's economy, adhering to the values of cooperation, effectiveness, justice, sustainability, environmental consciousness, independence, and maintaining a balance between development and preservation of the country's economic unity (Budiono, 2012).

The existence of a limited liability company not only has a positive impact on economic development but also harms the surrounding environment. For example, the remains of disposal or waste produced by a

company will be rotten for the community and the surrounding environment (Fitriyanti, 2016; Rasu et al., 2017). Therefore, the company must be responsible for this (Nurlaily & Supriyo, 2022).

Limited liability companies and other companies must pay attention to environmental sustainability and social welfare. Thus, a good company is not only concerned with economic profit but must also be responsible for the environment around it (Nayenggita et al., 2019).

Limited liability companies' social responsibility aims to protect and contribute to the surrounding environment. This responsibility is an obligation for the company. This responsibility includes the business actors, the natural environment, and social welfare (Siregar, 2016).

A form of limited liability firm social duty to the community is corporate social responsibility (Yusuf, 2017). Corporate social responsibility (CSR) refers to activities or ideas undertaken by an organization as a kind of obligation towards the society and the environment (Ranchman et al., 2011).

The Law of the Republic of Indonesia of 2007 Number 40 concerning Limited Liability Companies contains provisions for corporate social responsibility (CSR) based on Article 74 (1), which reads: "limited liability companies with rights in the field of business natural resources are obliged to carry out social and environmental responsibilities." By exploiting the surroundings, values, traditions, and culture of the neighborhood, this provision seeks to create lasting, balanced, and amicable interactions between limited liability organizations (Nadapdap, 2014).

Corporate Social Responsibility (CSR) initiatives are required by legislation to benefit residents. This dedication is demonstrated in the nation's online economy through democratic, economic involvement that abides by the values of cooperation, effectiveness, fairness, sustainability, awareness, and environmental independence while keeping a healthy balance. A sound economic system is necessary to support the development and cohesion of the country's economy for the good of its people. Corporate Social Responsibility (CSR) would be able to conduct commercial operations by focusing on and assisting the welfare of Indonesian citizens.

Business activities like this are also regulated in sharia economic law. Muslims are allowed to carry out business activities in the context of human survival worldwide. These business activities vary, including taking advantage of nature. However, humans must pay attention to legal or ethical norms determined by the Shari'a (Kadir, 2014). Economic or business activities in Islam must be based on Islamic values (K, 2017).

According to Islamic law, corporate social responsibility is divided into three categories: social responsibility for business people, social responsibility for the environment (nature), and social responsibility for the welfare of society in general (Arfiansyah, 2020).

The Islamic economic system has differences from other economic systems, such as the existence of a life paradigm in all economic activities. Islamic principles are applied to every activity in business activities to create equitable prosperity. This welfare is for business actors, the community, and the surrounding environment (Mursal, 2017).

Considering the aforementioned description, it is clear that the researcher is interested in learning more about the CSR program that is governed by Law of the Republic of Indonesia of 2007 Number 40. How to study Islamic economic law on the CSR program is the main concern of this study. Based on the rules of Islamic economic law, this study was done to assess the CSR program as set forth in Law Number 40 of 2007.

Research Method

This research is a particular kind of qualitative library research. The information is secondary and comes in the forms of primary, secondary, and tertiary legal materials. Documentation and gathering pertinent data on the Corporate Social Responsibility (CSR) initiative were used as data collection strategies. The Koran, Law Number 40 of 2007, which deals with limited liability companies, and those resulting from earlier studies are the sources of both. Data reduction will be done after the data have been gathered, which entails combining the data to make it simpler for researchers to draw conclusions. The deductive qualitative descriptive method of data analysis was used. The deductive approach is a way of drawing conclusions from general statements about specifics.

Discussion and Results

Corporate Social Responsibility (CSR) According to Law no. 40 of 2007

Law No. 40 of 2007 which was passed on August 16, 2007, contains the legislative provisions governing limited liability companies. This clause replaces Law No. 1 of 1995. Due to the rapid development of the economy and the breakthroughs in science, technology and information, especially in the era of globalization, the provisions in Law Number 1 of 1995 are considered no longer in accordance with changes in law and the needs of society. Apart from that, Law Number 40 of 2007 needs to be perfected due to the increasing demands of society for fast service, legal clarity, and expansion of the business world which adheres to the principles of good corporate governance (Indrapradja, 2019).

The Company's commitment to participate in sustainable economic development in order to improve the environment and quality of life of the Company, the surrounding environment and the community is a social and environmental responsibility (Pemerintah Republik Indonesia, 2007).

It is required of Limited Liability Companies operating in the natural resource sector or in industries closely related to it to act responsibly toward both the environment and society. The social and environmental responsibilities of a Limited Liability Company are planned for and projected as costs of the Limited Liability Company. This provision seeks to promote goodwill between the Limited Liability Company and the community, particularly with the residents thereof (Utama, 2018).

A Limited Liability Company's commitment to the environment is known as CSR. The efforts made by the limited liability company to reduce environmental harm and social inequity as a result of its operational activities constitute are their responsibility. Limited Liability Company's

reputation in the community will rise in direct proportion to how much social responsibility it exercises toward its environment. The practice of CSR is no longer optional. However, Limited Liability Companies that do not carry out CSR have not been subject to strict sanctions (Taufiq, 2018).

A Limited Liability Company's CSR is its obligation to address social and environmental issues while maintaining the LLC's capabilities. Additionally, corporate social responsibility refers to the idea that a limited liability firm has a responsibility to the environment, communities, shareholders, customers, and employees in all facets of its activities. A Limited Liability Company commits to improving the welfare of the LLC and its environment through CSR. CSR and a Limited Liability Company's external environment, such as society, work together in a mutually beneficial way. The Limited Liability Company will win the confidence of the public, which will have a favorable influence (Untung, 2014).

Depending on how the company vision and goal are adjusted to the requirements, wants, and interests of the community, the notion of CSR can take many different forms. However, CSR is fundamentally a way for businesses to give back to the community. It can achieve this by conducting business and creating revenue with the true goal of positively impacting the community (stakeholders) as much as possible (Reza, 2009).

Limited Liability Companies must carry out social responsibility because this is right and must be done, compensation considerations, and to avoid interference by groups in the work environment in making managerial decisions (Reza, 2009).

Because a Limited Liability Company's financial health alone cannot ensure that its value will increase in a sustainable manner, its duty must be founded on social and environmental concerns. Only if a Limited Liability Company considers the social and environmental aspects can the sustainability of the Limited Liability Company be assured. Limited Liability Companies are specifically encouraged by the Indonesian government to participate in CSR initiatives.

Law No. 25 of 2007's Articles 15(b) and 16(d), which deal with investments, also include rules for corporate social responsibility. In carrying out CSR operations, Islamic financial institution firms, in this case Islamic corporations, are subject to the same rules. The ability of a corporation to thrive in community empowerment programs also plays a part in determining its overall success because corporate concern for the environment can result in strong business performance (Nasir & Qurani, 2011).

Corporate Social Responsibility (CSR) according to Sharia Economic Law

The Limited Liability Companies Act of 2007 must continue to be applied to the implementation of CSR. Limited Liability Companies in Indonesia do not consistently implement CSR programs. The programs have many different titles, such as Partnership, Community Development Program (PKBL), Social Care, Community Empowerment, and Sustainability Development. One of the programs managed by a limited liability company, known as an LLC., is CSR, which is being applied to

sharia enterprises (CSR). The social component of a sharia Limited Liability Company comprises CSR (Darmawati, 2014).

From the standpoint of Sharia Economic Law, CSR is a result of Islamic teachings. It implies that business owners care about their own well-being, that of their community, and the environment. Islamic law seeks to establish *maslahah*, thus businesses work to establish *maslahah* rather than just make money. Islam places great value on business because it is not only permitted but also commanded by Allah, as stated in Qur'an surah al-Jumu'ah verse 10: *"When the prayer is over, spread out over the country and seek Allah's bounty while keeping Him in mind frequently for success."*

CSR is in line with the Islamic understanding of how people should care for their communities and the environment. On the basis of sharia economic law, the principles of agreement in Islamic law that must be used in carrying out CSR initiatives must be taken into consideration once more. According to the sharia economic law, there are several principles that apply to CSR programs, including the principles of permissibility (*mabda' al-ibahah*), freedom of contract (*mabda' hurriyyah atta'aqud*), consensual/agreement (*mabda' ar-radha 'iyyah*), binding promises (*mabda' at-tawazun fi al mu'awadhah*).

The principle of permissibility (*mabda' al-ibahah*) is a general principle of Islamic law in the field of *muamalat*, formulated in the sentence, "basically everything is permissible until there is an argument against it." Contrary to the prevailing principle in worship, there is no worship except what has been exemplified by the Prophet Muhammad. If it is connected with legal actions and agreements, any agreement can be made as long as there is no specific prohibition regarding the agreement. Companies are permitted to carry out the CSR program in compliance with Islamic sharia and Law No. 40 of 2007.

Islam recognizes the freedom for parties to agree through the concept of contract freedom (*mabda' hurriyyah atta'aqud*). The engagement's structure and scope are decided by the parties. According to the legal principle known as "freedom of contract," anyone may enter into any type of agreement as long as it does not contravene Islamic law. The CSR program will be implemented through the contract. Accordingly, the organization implementing the CSR program is free to select any of the individuals or organizations eligible to receive the CSR assistance program in accordance with Shari'ah Islamic law and Law No. 40 of 2007 about limited liability firms (Yulianti, 2008).

The concept of consensual/agreement, or *mabda' ar-radha'iyyah*, refers to an agreement between persons whose pledges influence the legal ramifications of their actions. Both parties must mutually agree on what has been agreed upon in accordance with Law No. 40 Years Concerning Limited Liability Companies in order to conduct this CSR program.

The Qur'an injunctions to keep pledges provide the foundation for the idea of a legally enforceable promise. Balance in agreements is stressed by Islamic contract law. The CSR Company and the Parties Involved in It Must Bind Each Other Following Existing Regulations Intended To Develop

Economic Activities When Implementing This Binding Principle In The CSR Program

Islamic contract law still emphasizes the necessity for the Al-Quran, as well as balance between what is given and what is received as well as balance in accepting risks, despite the fact that there is rarely a balance between the parties in a transaction.

The principle of benefit (not burdensome) is a principle that places general considerations as a theoretical basis in the formation of law, especially on issues for which there is no firm legal argument, such as muamalah affairs in economic activities. Maslahah is forming Islamic law, namely obtaining happiness in the world and the hereafter by taking benefits and rejecting harm. This CSR program is oriented toward economic development based on the principles of sharia economic law so that communities and companies implementing CSR programs can experience increased economic welfare for companies based on sharia principles (Hamid, 2007).

Finally, the principle of justice. Justice is a form of action that is widely mentioned in the Qur'an. A fair attitude is needed in the act of economic activity. With a fair attitude, everyone involved in economic activities will get their rights properly. As in carrying out the CSR program, each company has implemented the principle of justice to all related parties following existing regulations.

CSR activities in sharia companies are inherently inherent due to the reliance of sharia Limited Liability Companies on Islamic teachings. In contrast to established limited liability companies, they cannot be separated between their business and social orientation in a dichotomous manner. Business orientation should also carry a social orientation or at least not contradict social orientation (Muslihati et al., 2018). It has consequences for the solid social character of sharia companies in carrying out their social activities relative to established limited liability companies.

Implementing CSR in Sharia Economic Law only occurs with certain constraints. The annual reports of each Limited Liability Company in this study show that there still needs to be more CSR programs related to environmental preservation. It is caused by the business orientation of Limited Liability Companies, which are not directly related to issues-environmental conservation issues. Not all information related to CSR disclosed by a Limited Liability Company follows the concept, criteria, and points of CSR given Sharia Economic Law.

Several criteria in CSR have yet to be implemented optimally by Limited Liability Companies, such as avoiding profits obtained illegally on sharia compliance criteria. We know that in a Limited Liability Company (PT), the term non-halal income is derived from transactions with conventional banks. These funds are used by several Limited Liability Companies in CSR activities of Limited Liability Companies. Another obstacle is the uneven distribution of Corporate Social Responsibility (CSR) activities. Large-scale CSR activities are still more concentrated in a few big cities, where many bank branches are established, so areas with limited Limited Liability Company branches are still small. There are not even

fewer Limited Liability Companies, and they are not touched by the CSR program of the Limited Liability Company.

Other obstacles that are still commonly found in the field in the implementation of CSR) are the problem of costs, distribution of activities and setting targets, lack of partnerships, socialization of activities and understanding of implementation and evaluation in the field and the importance for Limited Liability Companies to evaluate the implementation of its CSR so that it is more adapted to the principles of Islamic economics.

In addition, the sustainability of these CSR activities is also an important concern so that the long-term effects of these CSR activities can be felt. Departing from the existing constraints, one solution that can be carried out by a Limited Liability Company is to evaluate as a whole the implementation of the CSR activities of the Limited Liability Company by reflecting on several existing approaches including by considering formulation of criteria for CSR in Limited Liability Companies as indicators in implementing CSR.

Conclusion

According to Law Number 40 of 2007 regulating Limited Liability Companies, CSR, specifically its execution, must pay attention to ethical, moral, and mandatory standards for Limited Liability Companies. CSR implementation calls for regulatory clarity so that it may be utilized as a helpful reference and does not elicit a lot of debate. On the other hand, a Limited Liability Company's commitment to practice CSR cannot be construed solely as giving back a percentage of its riches to the community. From the standpoint of Sharia Economic Law, CSR is a result of Islamic teachings. CSR is in accordance with Islamic law, specifically the principles of permissibility, freedom of contract, agreement, and binding pledges, as well as the principles of balance, benefit, and fairness.

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