How corporate social responsibility from consumer goods industries in Indonesia contributes to sustainable development

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Abstract. Corporate Social Responsibility (CSR) has been developed since the 1950s as an effort to leverage the positive impacts of industrialization on society. CSR is aimed to support sustainable development, which consists of the dimensions of economic, social, environmental, and institutional aspects, and recently to help the achievement of Sustainable Development Goals (SDGs), although the real contribution from CSR to SDGs is still much unknown till today. This research aims to bridge this knowledge gap by conducting a literature study to investigate the focuses and preferences of 51 publicly listed consumer goods industries in Indonesia on their CSR initiatives. The results suggest that there are imbalanced implementations of CSR from consumer goods industries in the term of scope and target which could be addressed by the policymakers through a better regulatory framework.

1. Introduction

Corporate Social Responsibility (CSR) has been developed since the 1950s as an effort to leverage the positive impacts of industrialization on society [1]. Initially, CSR was carried through several philanthropy acts of companies until the early 2000s [2]. Then, CSR is developed to support sustainable development as many people believe if businesses can grow and spread positive social and environmental impacts at the same time [3][4]. One of the most recognized definitions of CSR is the industry's responsibility for its impacts on the environment and society, which contribute to sustainable development [5]. However, the real contribution of CSR to sustainable development is still not much known [4].

CSR and sustainable development could be established and developed from different backgrounds and perspectives; however, those two now are interconnected and need each other for success [6]. After the United Nations announced Sustainable Development Goals (SDGs), a global agenda to drive sustainable development in the world, Schonherr et al. [4] proposed SDGs as measuring tools for CSR's contribution. Furthermore, Behringer and Szegedi [7] conclude SDGs are challenging to achieve without CSR. Therefore, CSR can be classified into the three dimensions of sustainable development: economic CSR, social CSR, and environmental CSR [8][9]. CSR also can be evaluated based on the institutional aspect which is important to achieve sustainability [10].

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Indonesia, one of the most emerging economies in the world, has addressed CSR on its national strategy. The country introduced a set of regulations in the 2000s to embrace industries for participating in CSR to help social and environmental development in its region. Industries that have large impacts on natural resources are mandated to implement social and environmental responsibility whose budget is included in the annual operational plan [11][12]. Although the regulations are not far from critics and controversies, many industries have expressed their supports in the last years by publishing CSR initiatives on their reports or websites, including for consumer goods industries. The consumer goods industries are companies that produce and/or sell daily consumed products such as foods, beverages, soaps, personal & home cleaning products [13], which contributed to 3.15% of the state income in Indonesia [14]. According to Prayogo [15], consumer goods industries are having potential conflicts with their local communities and customers, which can be reduced through CSR implementation.

There are internal and external factors that drive consumer goods industries to implement CSR [16]. CSR can help to build a reputation and customers' loyalties for long-term business benefits [17]. Besides, CSR can improve process efficiencies by recycling industrial waste and increasing employees' satisfaction by working in the companies engaged in CSR activities [18]. Besides, CSR can maintain the social legitimacy of industries in the communities to prevent any barriers to their operations [19]. Moreover, a study by Russell et al. [20] shows that customers can boycott industries who are not implementing CSR, especially when the local government mandates it. Therefore, Ahmad et al. [21] recommended consumer goods industries to consider several aspects for their sustainability such as material management, water efficiency, energy reduction, emission control, wastewater treatment, waste handling, labor, donation, education, empowerment, customer's protection, tax, profit, etc. These aspects are in line with CSR implementation according to [22].

Despite all of the explanations and enthusiasm above, many of the existing researches were inconclusive [23][24] and very limited to theoretical approach [12]. Hence, Moon [3] suggested conducting research to evaluate sustainable development aspects that most relevant for CSR to determine future CSR strategies. The authors then decided to try bridging this knowledge gap by focusing on the publicly listed consumer goods industries in Indonesia, since those companies are mandated to report CSR activities for each year on the annual reports [25].

2. Method

2.1. Case study location and period
To determine the impacts of CSR from consumer goods industries to SDGs, the authors conducted a literature study from the published reports of publicly listed consumer goods industries in Indonesia, that consist of 51 companies in 2018 [27]. These companies are required to report their CSR activities to their stakeholders according to the regulation in Indonesia [25]. Hence, CSR activities are possible to be observed and evaluated in this research.

2.2. Data collection and analysis
Variables covered in this research can be classified into four categories: economic CSR dimension, social CSR dimension, environmental CSR dimension, and institutional CSR dimension. The economic CSR dimension consists of three sub-variables: tax, labor, and profit while the social CSR dimension covered four sub-variables: improving health & safety, education & empowerment, donation & public support, and customer’s protection. The environmental CSR dimension includes material management, water efficiency, energy reduction, emission control, wastewater treatment, and waste handling whilst the institutional CSR dimension contained strategy and partnership aspects. These variables were adapted based on the previous researches conducted by Ahmad et al. [21], Uddin et al. [22], and Jesinghaus [10].

Data from published reports of the companies then were analyzed by matching it into CSR dimensions and their sub-variables to investigate which variables and sub-variables that mostly
implemented by consumer goods industries for their CSR initiatives, as efforts to drive sustainable development in Indonesia. Later, five companies were selected as samples for further analysis of CSR focuses on the 17 Sustainable Development Goals (SDGs).

3. Results and discussion

3.1. Corporate social responsibility and sustainable development dimensions

The results from this research show that in general, publicly listed consumer goods industries in Indonesia have applied CSR in economic, social, environmental, and institutional dimensions although the level of implementation is varied between each dimension. Economic CSR, that consists of tax, labor, and profit aspects, is the dimension with the highest application among the industries. These findings are in line with Carroll [1] who explained economic responsibilities are aspects that are required by the societies, thus, the companies will try to fulfill them. The summary of the economic CSR dimension is listed in Table 1.

| No | Sub-variable | Indicator | Unit     | Total            |
|----|--------------|-----------|----------|------------------|
| 1  | Tax          | Retribution to the country | Rupiah  | 19,505,663,532,367 |
| 2  | Labor        | The numbers of labor recruited | People  | 302,122           |
| 3  | Profit       | Net income on an annual basis | Rupiah  | 52,240,843,621,487 |

Friedman mentioned that the responsibility of industries is to generate profit [28]. Profit allows industries to create other positive impacts such as job creation, retribution, and social development. Therefore, industries need to be profitable to sustain their business to give long-term benefits to societies. On average, each publicly listed consumer goods company in 2018 gained a profit of 1 trillion rupiahs, employed 6,042 people, and paid 382 billion rupiahs as tax to the government. Hence, the contribution of consumer goods industries in Indonesia is huge for economic development in the country.

In the term of social, CSR is crucial to increase the public’s acceptance to industry [29]. This is probably why many consumer goods industries applied social CSR aspects in their operations, especially for the ones mandated by the government, such as occupational health and safety, and the ones related to business, such as employee training and customer protection. Besides, the industries also engaged in philanthropic activities such as humanitarian aid, scholarship, sponsorship, and public facilities support [28]. Furthermore, more than one-third of observed industries also empower cooperatives and small-medium enterprises which usually become part of companies’ value chain or specifically dedicated to local communities surrounding the company sites. Lastly, more than half of industries also mentioned the facility of customer’s protection in companies’ published reports to ensure the customers have access to connect with the companies, especially when they have questions or feedback on consumer goods products. Detailed information on the social CSR dimension is available in Table 2.

Environmental is the lowest CSR dimension that reported by consumer goods industries in published reports. Some sub-variables are categorized as mandatory aspects from the Indonesian Government such as wastewater control and hazardous waste management. The rest of the sub-variables are classified as voluntary aspects in which industries will get incentives for applying those initiatives as part of CSR. For example, suppose industries manage energy efficiently and help protect biodiversity. In that case, they can become candidates for green and gold level PROPER, an acknowledgment from the Indonesia Ministry of Environment and Forestry. Moreover, information of resources intensity, a comparison of the number of natural resources (material, energy, gas emission, and water) used to the volume of generated products, is still very limited and only available to less than 10% of publicly listed consumer goods industries.
Table 2. Social CSR dimension.

| No | Sub-Variable                  | Indicator                                      | Unit       | Total (%) | Ratio (%) N = 51 |
|----|--------------------------------|------------------------------------------------|------------|-----------|------------------|
| 1  | Improving health and safety   | Socialization on health and safety             | Company    | 41        | 80%              |
|    |                                | Occupational Health & Safety Standard          | Company    | 39        | 76%              |
| 2  | Enhancing education and       | Empowerment training                           | Company    | 38        | 75%              |
|    | empowerment                    | Scholarship                                     | Company    | 15        | 29%              |
|    |                                | Cooperative and small-medium enterprises support| Company    | 18        | 35%              |
| 3  | Donation and public           | Building public facilities                      | Company    | 27        | 53%              |
|    | support                       | Disaster and humanitarian aid                  | Company    | 33        | 65%              |
|    |                                | Events sponsorship                             | Company    | 25        | 49%              |
| 4  | Customer's protection         | Customer care service                           | Company    | 28        | 55%              |

The summary of the environmental CSR dimension that implemented by consumer goods industries is mentioned in Table 3. Based on the table, 55% of companies described wastewater control as part of environmental responsibilities. This ratio is the highest in comparison with other environmental sub-variables and potentially caused by external factors coming from the government, to meet the effluent standard [16]. Recycling, material management, and energy conservation come shortly after as one of the top global agendas which expected to be supported by industries [30][31].

Table 3. Environmental CSR dimension.

| No | Sub-Variable                  | Indicator                                      | Unit       | Total (%) | Ratio (%) N = 51 |
|----|--------------------------------|------------------------------------------------|------------|-----------|------------------|
| 1  | Material management           | Material management initiatives in the production line | Company    | 25        | 49%              |
|    |                                | Material use intensity monitoring               | Company    | 3         | 6%               |
| 2  | Energy conservation & climate change | Energy conservation initiatives            | Company    | 23        | 45%              |
|    |                                | Energy intensity monitoring                     | Company    | 3         | 6%               |
|    |                                | Carbon dioxide (CO₂) control                   | Company    | 14        | 27%              |
|    |                                | Carbon dioxide (CO₂) intensity                 | Company    | 4         | 8%               |
| 3  | Water-saving                  | Water-saving initiatives                        | Company    | 20        | 39%              |
|    |                                | Water reuse on an annual basis                 | Company    | 13        | 25%              |
|    |                                | Water intensity monitoring                      | Company    | 3         | 6%               |
| 4  | Biodiversity preservation     | Biodiversity preservation initiatives           | Company    | 3         | 6%               |
|    |                                | Land restoration                               | Company    | 14        | 27%              |
|    |                                | Conservation of protected/rare animals and plants| Company    | 3         | 6%               |
| 5  | Wastewater treatment          | Compliance with effluent standard from the Government | Company    | 28        | 55%              |
| 6  | Waste handling                | Waste reusing initiatives                      | Company    | 11        | 22%              |
|    |                                | Recycling initiatives                          | Company    | 26        | 51%              |
The last dimension discussed in this section is the institutional aspect [10][26]. 84% of researched consumer goods industries are having CSR policies but less than one-fourth of them mentioned the target of those policies, even though 35% of the companies are conducted regular monitoring and evaluation for the achievement on annual basis. 55% of these companies engaged with local partners to implement CSR and only 24% of them involved in international organizations to support CSR. More than 30% of the companies also collaborated with the governments and other private sectors who share the same goals as listed in Table 4.

Table 4. Institutional CSR dimension.

| No | Sub-Variable | Indicator                                                                 | Unit     | Total | Ratio (%) |
|----|--------------|---------------------------------------------------------------------------|----------|-------|-----------|
| 1  | Strategy     | CSR Policy                                                                | Company  | 43    | 84%       |
|    |              | CSR Target                                                                | Company  | 12    | 24%       |
|    |              | CSR monitoring & evaluation                                               | Company  | 18    | 35%       |
| 2  | Partnership  | Involvement in international organizations related to CSR activities       | Company  | 12    | 24%       |
|    |              | Participation of local partner in CSR implementation                      | Company  | 28    | 55%       |
|    |              | Cooperation with the governments for CSR initiatives                      | Company  | 17    | 33%       |
|    |              | Collaboration with other private sectors to achieve CSR target            | Company  | 16    | 31%       |

3.2. Sustainable development goals priority for the consumer goods industry

Sustainable Development Goals (SDGs) are global agenda that work as the successor of Millennium Development Goals (MDGs) which fell short in the term of interconnection and partnership [32][33]. There are 17 interlinked goals in SDGs which officially launched in 2015 [30][34]. According to United Nations Global Compact [31], globally, the biggest industrial contributions to SDGs are to support Goal 8 on decent work and economic growth while the lowest impacts from industries are on Goal 14 on life below water.

This research found that the five consumers goods industries’ focus on CSR initiatives is mainly on partnership (Goal 17), health (Goal 3), poverty eradication (Goal 1), employment and economic growth (Goal 8), as well as innovation (Goal 9) and responsible production-consumption (Goal 12) as shown in Figure 1. Although these samples do not represent the overall trend of the research population, however, they can give us a glimpse of how CSR was implemented by the companies in correlation with SDGs. These facts also mirroring what consumer goods customers’ demanded from CSR in Indonesia since one of the objectives of CSR is to increase companies’ reputations to the stakeholders, especially the customers [17][35][36][37]. On the contrary, inequalities (Goal 10), sustainable cities (Goal 11), inclusivity (Goal 16), and gender equality (Goal 5) are the ones that less received attention from consumer goods industries and their customers in the country.

3.3. The needs of a better regulatory framework for corporate social responsibility in Indonesia

The results of this research suggest that there are imbalanced implementations of CSR from consumer goods industries in the term of scope and target. Since CSR is aimed to support sustainable development [5][6][38][39], the Government should establish a stronger regulatory framework of CSR in terms of scope and target. If CSR is not managed properly then the drivers for its implementation will be more affected by profit and business goals [17][28]. There are already some regulatory frameworks that exist on CSR in Indonesia [12], however, the framework is still not very clear and left too many white spaces for individual interpretations. Therefore, the Government should be more
active to engage industries on CSR and define a better regulatory framework to make CSR more impactful on sustainable development in the country. Besides, since one of the motivations for consumer goods industries is to engage potential customers [17], it is also worth for the industries to educate the customers and communicate more intensively about CSR as industrial contributions to sustainable development [3][4], to reduce negative perceptions to the industries [15].

Figure 1. Summary of CSR initiatives from 5 consumer goods companies.

4. Conclusion
Corporate social responsibility (CSR) from publicly listed consumer goods industries in Indonesia has addressed sustainable development dimensions, that consist of economy, social, environment, and institution, and support the success of Sustainable Development Goals (SDGs). However, the depth of CSR’s contribution is imbalanced between each dimension and goal, which needs to be addressed by the policymakers by establishing a better regulatory framework, such as by defining the scopes and targets of CSR from consumer goods industries. to make its contribution better and more impactful in the future. Further research is required to measure the impacts of CSR to SDGs from other industrial sectors in Indonesia, which was not covered by this research.

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