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Corporate Law on Corporate Social Responsibility in the Perspective of John Rawls' Theory of Justice

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Abstract: In the era of globalization and complex business environments, justice in Corporate Social Responsibility (CSR) is becoming increasingly important. CSR has become a central topic in the relationship between companies and society, focusing on social, environmental, and economic impacts. However, the main challenge lies in how to measure and apply the principles of justice in the implementation of CSR. This research will explore the application of John Rawls' Theory of Justice in the context of corporate social responsibility and its implementation in Indonesian regulations. Rawls' Theory of Justice, which emphasizes the fair distribution of resources and opportunities, is integrated into CSR regulations to create business practices oriented toward justice and sustainability. The research employs a normative juridical method using legal materials and a conceptual approach based on John Rawls' Theory of Justice. This study finds that while this theory provides a strong moral framework for companies in carrying out their social responsibilities, challenges arise in applying the principles of justice amid the complexities of the modern business world. This research offers concrete recommendations for companies and policymakers, including strengthening CSR regulations and enhancing transparency and stakeholder participation in corporate decision-making. The hope is that this research will contribute to shaping a more just and sustainable business environment in Indonesia.

Keyword: Corporate Social Responsibility, John Rawls' Theory of Justice, CSR Regulation, Corporate Law, Distributive Justice

INTRODUCTION

In the era of globalization and increasingly complex business environments, justice in corporate social responsibility has become a matter of growing importance. Corporate Social Responsibility (CSR) is a central topic in discussions about the interaction between companies and society, focusing on the social, environmental, and economic impacts of

business activities (Perrini, 2006). CSR is also at the forefront of discussions about how businesses interact with society, emphasizing the social, environmental, and economic impacts of their activities (Chen et al., 2014). The availability of healthcare services is closely linked to the concepts of social justice, equal opportunity, and the enhancement of quality of life for patients, communities, and the country as a whole (Riley, 2012). However, the distribution of healthcare resources is often uneven between urban and rural areas, creating disparities in access to medical services (Chen et al., 2014). This inequity contradicts ethical standards and can negatively affect disadvantaged or marginalized communities.

From the perspective of John Rawls' Theory of Justice, which emphasizes fairness and equal opportunity, companies have a responsibility to play a role in addressing these injustices (Singer, 2015). Rawls' theory highlights the need for a fair distribution of resources and opportunities, advocating for a society where the least advantaged groups benefit (Said & Nurhayati, 2021). John Rawls' Theory of Justice provides a strong foundation for conceptual analysis in the business world. In his seminal work, "A Theory of Justice," Rawls formulates principles of justice that prioritize the equitable distribution of resources and opportunities within society, with particular attention to vulnerable or disadvantaged individuals (Rawls, 2019). Applying this theory in the context of corporate social responsibility offers a deeper insight into how companies can operate ethically and responsibly towards various stakeholders, including employees, consumers, and the broader community.

The legal framework in Indonesia recognizes the importance of corporate responsibility in ensuring fair access to healthcare services. Additionally, Indonesian regulations affirm the obligation of companies to engage in socially responsible practices and contribute to the welfare of society. When examining corporate responsibility in ensuring justice, particularly in healthcare services, it is important to consider the challenges faced by different community groups in Indonesia. For instance, rural communities often encounter difficulties in accessing healthcare facilities and resources due to geographical barriers and infrastructure disparities. Moreover, indigenous communities and low-income individuals may experience systemic discrimination and limited access to healthcare options.

To effectively address these issues, companies need to engage in comprehensive initiatives, not only to ensure fair access to healthcare services but also to address the underlying social determinants of health. This may involve collaboration with local governments, investment in infrastructure development, and the implementation of educational programs related to preventive healthcare. Integrating ethical principles and legal guidelines, such as John Rawls' Theory of Justice and Indonesian Corporate Law, into corporate policies and practices can provide a framework for promoting justice in healthcare services. By aligning business strategies with the goal of creating fair access to healthcare and social welfare, companies can play a pivotal role in creating a more inclusive and equitable healthcare system in Indonesia.

The legal issue that arises from this discussion is how the law can facilitate the application of justice principles in corporate social responsibility. The research problem addressed in this study is how the concept of justice in John Rawls' theory can be integrated into corporate social responsibility practices and how the law can effectively support this implementation. This study will explore the application of John Rawls' Theory of Justice in the context of corporate social responsibility and its implementation in Indonesian regulations. Rawls' Theory of Justice, which emphasizes the fair distribution of resources and opportunities, is integrated into CSR regulations to create business practices oriented toward justice and sustainability.

This research is also expected to be useful in exploring the potential and limitations of applying John Rawls' theory of justice in corporate social responsibility, as well as providing concrete recommendations for companies and policymakers to strengthen the relationship between justice, corporate responsibility, and law.

METHOD

The method used is a normative juridical research method, utilizing legal materials and a conceptual approach based on John Rawls' Theory of Justice.

RESULTS AND DISCUSSION

Corporate Law and Sources of Corporate Law

Corporate law governs all matters related to companies and their business activities. The specific regulations that serve as sources of corporate law include chapters from the Indonesian Civil Code (KUHPer) and the Indonesian Commercial Code (KUHD), complemented by other legislation that regulates companies. Additional sources from other legislation may include laws outside the Civil and Commercial Codes that haven't been codified. The primary source of corporate law is the Commercial Code (KUHD) as specialized law. The laws regarding companies that serve as sources of corporate law include (Rastuti, 2015):

- a. Law No. 3 of 1982 on Mandatory Company Registration.
- b. Law No. 25 of 2007 on Investment.
- c. Law No. 8 of 1995 on the Capital Market, along with Government Regulation No. 45 of 1995 on the Implementation of Activities in the Capital Market Sector, and Government Regulation No. 46 of 1995 on Procedures for Examination in the Capital Market Sector.
- d. Law No. 10 of 1998 on Banking.
- e. Law No. 5 of 1999 on Anti-Monopoly and Unfair Business Competition.
- f. Law No. 8 of 1999 on Consumer Protection.
- g. Law No. 40 of 2007 on Limited Liability Companies, along with Government Regulation No. 27 of 1998 on Mergers, Consolidations, and Share Acquisitions.
- h. Law No. 19 of 2003 on State-Owned Enterprises.
- i. Law No. 16 of 2001 on Foundations.
- j. Law No. 21 of 2011 on the Financial Services Authority.

Terminologically, a company refers to a business or commercial activity aimed at generating profit. Based on the definition of a company according to the Dutch government in the reading of the Memorandum of Explanation of the Draft Commercial Code before Parliament, it refers to all acts carried out continuously, openly, in a specific position, and for the purpose of seeking profit for oneself (Zainal & Suhartana, 2016).

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a concept where organizations, particularly (but not exclusively) companies, have various forms of responsibility toward all their stakeholders, including consumers, employees, shareholders, communities, and the environment, in all aspects of the company's operations that encompass economic, social, and environmental aspects. Therefore, CSR is closely related to "Sustainable Development," where a company in carrying out its activities should base its decisions not solely on economic impacts, such as profit levels, but also consider the social and environmental impacts of those decisions, both in the short and long term (Pohan, 2023).

Corporate social responsibility is an effort by companies to ensure the sustainability of their business by taking into account the surrounding environment. John Elkington, an author and entrepreneur, developed the concept of the triple bottom line (TBL) to shift the business system that previously focused solely on financial profit. This concept emphasizes the importance of companies considering not only profit but also economic, environmental, and social aspects to operate optimally and sustainably. This concept marks a shift in the mindset of some companies, which have begun to recognize the relationship between environmental health, social welfare, and the financial success of the organization (Multazam

et al., 2023). According to Brodshaw and Vogel, there are three dimensions that must be considered in the study of CSR scope, namely (Amalia, 2019):

- a. Corporate Philanthropy refers to charitable efforts undertaken by a company, where these charitable efforts are not directly related to the company's normal activities. These charitable efforts may include the establishment of a specific body, such as a foundation to manage the charitable activities.
- b. Corporate Responsibility is an effort as a manifestation of a company's social responsibility when pursuing profitability as the company's objective.
- c. Corporate Policy is closely related to how the company interacts with the government, particularly concerning the bargaining position of a company in light of various government policies that affect both the company and society as a whole.

As a sovereign nation, Indonesia has the right to enact laws deemed necessary, including those related to corporate social responsibility. Unlike practices in other countries where CSR is often voluntary, in Indonesia, there are several rules and regulations governing this topic, meaning that CSR is not a matter of choice but a requirement under Indonesian law. However, these regulations do not specify sanctions. This could potentially have legal implications for companies operating in Indonesia. The legislation containing provisions on corporate social responsibility includes: Law No. 19 of 2003 on State-Owned Enterprises, Law No. 25 of 2007 on Investment, Law No. 40 of 2007 on Limited Liability Companies, and Law No. 4 of 2009 on Mineral and Coal Mining. In addition to laws, CSR is also regulated in Government Regulations, such as Government Regulation No. 23 of 2010 on the Implementation of Mineral and Coal Mining Business Activities, and Government Regulation No. 47 of 2012 on Corporate Social and Environmental Responsibility. It is also regulated in several Ministerial Regulations, including Ministerial Regulation of SOEs No. PER-05/MBU/2007 on the Partnership Program of State-Owned Enterprises with Small Businesses and the Community Development Program, and Ministerial Regulation of Social Affairs No. 13 of 2012 on the Forum of Corporate Social Responsibility in Social Welfare Implementation. Moreover, the obligation for corporate social responsibility is not only dominated by limited liability companies but also by any type of company conducting business in Indonesia. As mentioned in Article 15 of Law No. 25 of 2007 on Investment, it is mandatory for every investor to fulfill corporate social responsibility. While Article 5 of the law mentions that investors can be non-legal business entities.

Limitations and Recommendations

The potential of applying John Rawls' theory of justice to corporate social responsibility (CSR) lies in providing a strong moral framework for companies in fulfilling their responsibilities toward society. This theory emphasizes the importance of equality, distributive justice, and special attention to the needs of the least advantaged individuals in society. By adopting these principles, companies can ensure that their business activities not only generate economic profit but also provide fair benefits to all parties involved. There are some limitations to the application of Rawls' theory of justice in the context of CSR. First, this theory may be difficult to apply directly in complex and diverse business practices, especially when considering the needs of multiple stakeholders. Additionally, the absolute equality advocated by Rawls may not always be practical or feasible in the real-world business context, where considerations such as efficiency and sustainability also need to be taken into account.

To strengthen the relationship between justice, corporate responsibility, and law, several concrete recommendations can be considered. First, companies can adopt justice-oriented business practices, particularly those in the healthcare sector, by implementing inclusive health access programs, such as partnerships with the Social Security Administration (BPJS) or subsidy programs for the community. Second, policymakers can

strengthen CSR regulations by integrating Rawls' principles of justice into the existing legal framework and including clear sanctions to protect the interests of society and the environment.

Additionally, it is important for companies to enhance transparency and accountability in carrying out their social responsibilities, as well as involve all relevant stakeholders in the decision-making process. Policymakers can also promote education and awareness of justice principles in business, both through training for corporate leaders and by integrating this topic into educational curricula. By taking concrete steps like these, companies and policymakers can strengthen the relationship between justice, corporate responsibility, and law, and ensure that business practices provide fair benefits to all parties involved while contributing to the development of a more just and sustainable society as a whole.

CONCLUSION

The concept of corporate social responsibility (CSR) in the context of John Rawls' theory of justice and its implementation in Indonesian legislation has been discussed in this paper. By integrating Rawls' theory of justice into CSR regulations, we can identify both the potential and limitations of corporate social responsibility. This theory provides a strong philosophical foundation for understanding the importance of equality, distributive justice, and attention to the least advantaged individuals in society within business practices. The implications of Rawls' principles of justice in providing equitable and affordable healthcare services for all individuals, as well as in forming fair and inclusive corporate policies, are important considerations.

However, it must be acknowledged that applying Rawls' theory of justice in corporate law and business practices may face challenges due to the complexity and diversity of existing business situations. The debate over the integration of Rawls' theory of justice into CSR regulations in Indonesia reveals both the potential and limitations of applying this theory within the context of corporate law. While this theory provides a strong moral framework for companies in fulfilling their social responsibilities, there are challenges in applying absolute principles of justice in complex business practices.

To address these challenges, concrete recommendations are proposed for companies and policymakers, including the adoption of justice-oriented business practices, strengthening CSR regulations by considering Rawls' principles of justice, and enhancing transparency as well as stakeholder participation in corporate decision-making.

The complexity of the relationship between justice, corporate responsibility, and law, along with efforts to integrate Rawls' theory of justice into CSR practices in Indonesia, has been elaborated. It is hoped that this research can contribute to strengthening corporate law and fostering sustainable and socially responsible business practices, while also promoting the development of a more just and sustainable society overall.

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