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THE ENVIRONMENTAL LEGAL RESPONSIBILITY OF CIGARETTE COMPANIES IN COMMUNITY ECONOMIC EMPOWERMENT

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ABSTRACT

Legal and environmental responsibility is part of a concept in business known as corporate social responsibility, because the concept of corporate social responsibility broadly includes responsibility in the economic and environmental sectors. This study aims to examine the strategy for implementing legal responsibility in the social and environmental sectors in empowering the community's economy and the forms of implementing corporate social responsibility in the social/community sector. Through an empirical or non-doctrinal legal approach with primary and secondary data and using qualitative analysis, answers to this research question can be found. The results of the study state that the strategy for implementing social responsibility in the social/community sector is carried out through several strategies, namely identifying stakeholders, setting priorities, focusing on important issues, partnerships with external parties and companies, transparency and reporting, as well as measurement and evaluation to achieve a balance between achieving profits and social and environmental responsibilities. Several large cigarette companies in Kudus have carried out their Corporate Social Responsibility obligations through several activities such as empowering Village-Owned Enterprises, empowering MSMEs and holding training related to empowering the community's economy.

1. Introduction

One of the goals of a company being founded is to generate maximum profits,¹ Company valuation depends on the profits obtained.²³ The company carries out production activities that produce various products, both goods and services. As one of the drivers of the national economy, companies contribute greatly, including to the welfare of society,⁴⁵ namely by opening up employment opportunities for the community.

Companies with an old paradigm stated that companies were founded simply to pursue profit targets alone.⁶ If the goal is only to pursue maximum profits, the company is only carrying out corporate social responsibility in the economic or financial sector.⁷⁸⁹ In this case, apart from the company's aim of pursuing maximum profits, the company must also be sustainable for a long time.¹⁰¹¹ A company will be sustainable if the company pays attention to the interests of stakeholders, such as the surrounding community, suppliers, local government, the environment and other stakeholders where the company runs its business.¹²¹³ This attention to achieving large profits, society and the

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- 1 Archie B. Carroll., The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*, Vol.34 No.4, 1991, page.39-48
 - 2 Britt M. Shirley., Doing the Right Thing: Highlighting Social Responsibility, Corporate Ethics, and Social Values in the Classroom Through Case Studies, *Journal of Case Studies*, Vol.41 No.2, 2023, page. 9-15
 - 3 Gary J Fooks (etc)., Corporate Social Responsibility and Access to Policy Élites: An Analysis of Tobacco Industry Documents. *PLoS Medicine*, Vol.8 No.8, 2011.
 - 4 Kellogg's., *Corporate Social Responsibility Report*. Tata Institute of Social Science Masters (TISS), Mumbai, 2015, page. 1-18
 - 5 Celik, Abdul-Kareem, and Ulukapi Yilmaz., The Impact of Corporate Social Responsibility on Community Development: Evidence from Ghana. *Global Journal of Business, Economics and Management: Current Issues*, Vol.9 No.3, 2019, page. 122-133
 - 6 Edward Freeman and Ginena., Rethinking the Purpose of the Corporation: Challenges from Stakeholder Theory, *Notizie di Politeia*, Vol.31 No.117, 2015, page. 9-18
 - 7 Bradley W. Brooks and Britt M. Shirley., Doing the Right Thing: Highlighting Social Responsibility, Corporate Ethics, and Social Values in the Classroom Through Case Studies. *Journal of Case Studies; Thibodaux*, Vol.41 No.2, 2023, page. 9-15
 - 8 Archie B Carroll and Jill A Brown., Corporate Social Responsibility: A Review of Current Concepts, Research, and Issues, *Corporate Social Responsibility (Business and Society 360)*, Vol.2, 2021, page. 39-69.
 - 9 Md Jahidur Rahman and Yu Fang., The Relationship between Corporate Social Responsibility and Firm Performance in China, *Risk Governance and Control: Financial Markets and Institutions*, Vol.9 No.4, 2019, page. 41-48
 - 10 Bamel, Dipika, and Singh., Mapping the Research Landscape of Business Ethics, Corporate Governance, and Corporate Social Responsibility: A Bibliometric and Citation Analysis. *Journal of Business and Finance Librarianship*, Vol.29 No.1, 2024, page. 31-57
 - 11 Esti Dwi Rinawiyanti, Huang Xueli, Sharif N. As-Saber., Integrating Corporate Social Responsibility into Business Functions and Its Impact on Company Performance: Evidence from the Indonesian Manufacturing Industry. *Social Responsibility Journal*, Vol.19 No.7, 2022, page. 1233-1262
 - 12 David Birch and George Littlewood., Corporate Citizenship. *The Journal of Corporate Citizenship*, Vol.2004 No.16, 2004, page. 61-69,
 - 13 Monika Sady., *The Role of Stakeholders in Sustainable Development*. Organizing Sustainable Development. Routledge, 2023, Page. 203-217.

environment is known as corporate social responsibility.¹⁴¹⁵¹⁶¹⁷ Corporate social responsibility is an instrument that helps companies incorporate social and environmental commitments¹⁸ their volunteering into operations and their interactions with stakeholders.¹⁹

Corporate social responsibility is the company's responsibility to investors to seek maximum benefit (profit), the surrounding community and the environment,²⁰²¹ known as Triple P.²² The concept of the emergence of corporate social responsibility is motivated by the company's motivation in the nature of charity, namely implementing it in the form of providing charitable assistance²³ to poor communities around the company in the form of money or making transportation facilities.²⁴²⁵ This aims to ensure that companies avoid a negative reputation arising from society, for example as destroying the environment or being seen as only pursuing short-term profits without thinking about the long-term impacts in the future. This can of course affect the sustainability of a company's business.²⁶ Then the concept of corporate social

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- 14 Philip Kotler and Nancy R. Lee., *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*, John Wiley & Sons, Inc., Hoboken, New Jersey, 2011, page. 87
 - 15 Andrew W Savitz and Karl Weber., *The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success -- and How You Can Too*, Jossey-Bass, 2006, Page, 320
 - 16 Alla Mostepaniuk (etc)., Managing a Relationship between Corporate Social Responsibility and Sustainability: A Systematic Review. *Sustainability*, Vol.14 No.18, 2022, page. 1-23.
 - 17 Marc Orlitzky, Frank L. Schmidt, and Sara L. Rynes., Corporate Social and Financial Performance: A Meta-Analysis. *Organization Studies*, Vol.24 No.3, 2003, page.403-441.
 - 18 Luciana Oranges Cezarino (etc)., Corporate Social Responsibility in Emerging Markets: Opportunities and Challenges for Sustainability Integration, *Journal of Cleaner Production*, Vol.362, 2022, page.132-224
 - 19 Wasim Nasir, Arshad Hassan, and Mushtaq Hussain Khan., Corporate Social Responsibility and Firm Performance Nexus: Moderating Role of CEO Chair Duality. *PLoS ONE*, Vol.18 No.8, 2023, page.1-10
 - 20 John Elkington., *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Capstone Publishing Limited, Oxford, 1997, page.47
 - 21 Igor Varyash (etc)., Triple Bottom Line and Corporate Social Responsibility Performance Indicators for Russian Companies, *Entrepreneurship and Sustainability Issues, VsI Entrepreneurship and Sustainability Center*, Vol.8 No.1, 2020, page. 313-329
 - 22 Igor Varyash, Alexey Mikhaylov, Nikita Moiseev., Triple Bottom Line And Corporate Social Responsibility Performance Indicators For Russian Companies, *VsI Entrepreneurship and Sustainability Center*, Vol.8 No.1, 2020, page. 313-329
 - 23 Suparnyo., Social and Environmental Corporate Social Responsibility of Regional Water Companies in Indonesia, *International Journal of Economics and Business Administration*, Vol.8 No.2, 2020, page. 365-375
 - 24 Archie B Carroll., *Corporate Social Responsibility (CSR) and Corporate Social Performance (CSP)*. The Sage Encyclopedia of Business Ethics and Society, Sage Publications, Inc, 2018, page. 746-754
 - 25 Bassey Ekpenyong Anam (etc)., Assessing Corporate Social Responsibility and Poverty Reduction Programmes in the Emerging Markets. *Corporate and Business Strategy Review*, Vol.5 Issue.1, 2024, page. 127-136
 - 26 Rahmad Handoyo (etc)., Community Development Practices through Corporate Social Responsible (CSR) Program, *E-Proceeding Conference: Indonesia Social Responsibility Award*, Vol.1 No.1, 2023, page 54-58

responsibility developed by prioritizing community empowerment programs or better known as community development.²⁷²⁸

In the concept of corporate social responsibility, community development is considered successful if it is measured in accordance with the increase in the quality of life of the surrounding community.²⁹³⁰ One of the activities carried out is involving the role of local communities to work in the company.³¹³² This kind of concept raises pros and cons because companies are considered to seek profit alone or pay attention to social interests. This is due to the wide scope of corporate social responsibility, the regulation of corporate social responsibility in the form of obligations or voluntary, sources of financing for its implementation, and taxation issues for companies.

Corporate social responsibility, especially in the social and environmental sectors in Indonesia, is regulated by Law No. 25 of 2007 concerning Capital Investment (Investment Law) and Law No. 40 of 2007 concerning Limited Liability Companies (Limited Liability Company Law). Article 15 letter b of the Investment Law regulates that investors are obliged to carry out corporate social responsibility. The Limited Liability Company Law in Article 74 paragraph (1) emphasizes that Limited Liability Companies that carry out business activities in the field and/or related to natural resources are obliged to carry out Social and Environmental Responsibility. So, if you refer to legal principles *Lex Posterior Derogat Legi Priori*,³³ then the binding law is the Limited Liability Company Law, so that companies that are obliged to carry out corporate social responsibility are companies that are in the form of a Limited Liability Company and that carry out their business activities in the field of and/or related to natural resources.³⁴³⁵³⁶

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- 27 Indra Diki Dewantara., Bentuk Kemitraan Djarum Foundation dan Dinas Pendidikan Pemuda dan Olahraga Kabupaten Kudus Dalam Kerangka Corporate Social Responsibility (CSR), *Journal of Politic and Government Studies*, Vol.5 No.4, 2015, page. 121-130
 - 28 Iskandar Zainuddin Rela (etc)., Corporate Social Responsibility Practice and Its Effects on Community Wellbeing in Southeast Sulawesi, Indonesia, *International Journal of Advanced and Applied Sciences*. Vol.7 No.4, 2020, page. 54-61
 - 29 Hesham Magd and Henry Karyamsetty., Assessing the Significance of Corporate Social Responsibility Actions to Achieve Sustainable Business and Organizational Performance during the COVID-19 Pandemic in Oman. *Global Business and Management Research: An International Journal*, Vol.13 No.3, 2021, page. 10-24
 - 30 Wael El-Garaihy, Abdel-Kader Mobarak and Sami Albahussain., Measuring the Impact of Corporate Social Responsibility Practices on Competitive Advantage: A Mediation Role of Reputation and Customer Satisfaction, *International Journal of Business and Management*, Vol.9 No.5, 2014, Page. 109-124
 - 31 Leonard A Jason., Benefits and Challenges of Generating Community Participation, *Professional Psychology: Research and Practice*, Vol.37 No.2, 2006, page. 132-139
 - 32 Pascale Allotey (etc)., Cohorts and Community: A Case Study of Community Engagement in the Establishment of a Health and Demographic Surveillance Site in Malaysia. *Global Health Action*, Vol.7 No.1, 2014, page. 1-8
 - 33 Dina Rachmawati., The Authority of Government and PT Pertamina On the Pricing of 12-Kg LPG, *Hang Tuah Law Journal*, Vol.2 Issue. 2, 2018, page.191-198
 - 34 Anupama Goel and Himangshu Rathee., *CSR Policies in Different Countries: A Comparative Analysis*. IntechOpen, 2022.

Companies whose business activities are related to natural resources are cigarette companies. Cigarette companies operating in Kudus are very varied, from large, medium and small scale companies. Therefore, cigarette companies in Kudus which are in the form of Limited Liability Companies are obliged to carry out social and environmental responsibilities. One of the owners of a cigarette company in Kudus is the third richest person in Indonesia according to Forbes in February 2024

Therefore, this research will examine the strategies of cigarette companies in Kudus, especially large-scale cigarette companies, in carrying out corporate social and environmental responsibility in empowering the community's economy; and what kind of activities the Kudus cigarette company carries out in carrying out corporate social responsibility related to community economic empowerment.

Previous research such as that conducted by Ibarria et al,³⁷ examine corporate social responsibility practices implemented by travel agents and analyze corporate social responsibility practices developed by travel agents. This research concludes that travel agencies and tourist agencies are just starting to develop corporate social responsibility policies. These responsibility motives are carried out due to stakeholder pressure, gaining competitive advantage, complying with government regulations, avoiding fines, and improving image. Apart from that, managers have internal ethical values that guide them to do the right thing. Most travel agency companies and tourism agencies are committed to implementing corporate social responsibility aimed at the environment.

Fooks³⁸ states that British American Tobacco (BAT, the second largest publicly traded tobacco company in the world), had started working on a broad corporate social responsibility program more than a decade ago. Given that tobacco is responsible for an estimated 5.4 million deaths worldwide each year, the program was initially met with hostility and was seen as an attempt at image management. However, most of the investment and corporate social responsibility communities now approve of BAT's corporate social responsibility program, which has won numerous awards. Analysis of the documents shows that one of the main objectives of the corporate social responsibility program actively developed over the last decade by BAT is to help secure access to policy makers and demonstrate how BAT uses corporate social responsibility to

35 Reni Anggriani., What Responsibilities Does the Limited Liability Business Have to the Environment? *E3S Web of Conferences*, Vol.440 No.04002, 2023, page. 1-6

36 Ulya Kencana, Muhammad Sirozi and Aflatun Muchtar., Corporate Social Responsibility in Indonesia Law and Legal Validity. *Russian Law Journal*, Vol.11 Issue.3, 2023, page. 1811-1825.

37 Eneko Ibarria., Lluís Garay and Antonio Guevara. Corporate Social Responsibility (CSR) in the Travel Supply Chain: A Literature Review. *Sustainability*. Vol.12 Issue.23, 2020, page. 1-21

38 Gary J Fooks (etc)., Corporate Social Responsibility and Access to Policy Élites: An Analysis of Tobacco Industry Documents. *PLoS Medicine*, Vol.8 No.8, 2011, page. 1-12

renew and maintain dialogue with stakeholders. policy makers when contact occurs between the government and tobacco companies.

Based on the explanation above, it would be interesting to examine further how the Kudus cigarette company's strategy carries out social and environmental responsibility as part of corporate social responsibility in realizing the economic development of the Kudus community and the forms of activities it carries out. This study particularly aims to uncover the shifting of the legal politic in judicial power post-amendment of the 1945 State Constitution. The result of this study will contribute to the theoretical thinking in constitutional law and legal politics³⁹. Besides, this study will also contribute as a proposition for the restoration of constitutional law that regulates judicial power.

2. Research Methods

This study resulted from research conducted using primary data and secondary data. Secondary data was obtained through a Focus Group Discussion which was attended by the Industrial Office for Cooperative Labor and Small and Medium Enterprises of Kudus Regency, the Economic Section of the Regional Secretariat, the Kudus Cigarette Company Association (PPRK), and academics. Secondary data is in the form of primary legal materials, namely the Investment Law, Limited Liability Company Law, Law No. 11 of 2009 concerning Social Welfare, and Government Regulation Number 47 of 2012 concerning Corporate Social and Environmental Responsibility. In the Focus Group Discussion, models and strategies for implementing social and environmental responsibility in Kudus cigarette companies, especially large-scale cigarette companies, were discussed.

3. Results and Discussion

3.1 The Companies and Legal Responsibilities

The companies present in society have the main aim of making a profit. However, sometimes because companies focus on getting the maximum profit, they sometimes ignore the interests of stakeholders which should be taken into account, for example regarding the rights of company employees, payment of employee wages that do not comply with regulations, the interests of the surrounding community which are disturbed by operational impacts. company, etc.⁴⁰ By ignoring these various things, a company can indeed achieve maximum profits, in the sense of economic responsibility it can be said to be successful, but corporate responsibility is not only a responsibility in economic

39 Chuasanga A., Ong Argo Victoria., Legal Principles Under Criminal Law in Indonesia and Thailand, *Jurnal Daulat Hukum*, Vol.2 No.1, 2019;

40 Archie B Carroll., The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*. Vol.34 No.4, 1991, page. 39-48

terms, but also has a responsibility to society in the social and environmental fields.⁴¹

Based on this, all companies in Indonesia, especially companies that carry out their business activities in the field and/or related to natural resources, are obliged to carry out corporate social responsibility, especially in the social and environmental fields. According to conventional literature on Corporate Social Responsibility, there has been an increase in corporate commitment to social and environmental aspects⁴²⁴³ Apart from that, the integration of socially and environmentally responsible behavior has become a strategic priority for companies in recent years.⁴⁴

The company's obligation to carry out corporate social responsibility in the social and environmental fields is in accordance with the provisions of Article 74 of the Limited Liability Company Law. The obligation to carry out corporate social responsibility as a company's legal responsibility must be carried out effectively, structured and long term in order to provide economic benefits to the company. Apart from that, by implementing appropriate corporate social responsibility, companies can also form a positive corporate image.⁴⁵ This is important to do so that the company's economy improves and gains the trust of the public.⁴⁶

Companies in Indonesia are obliged to carry out corporate social responsibility, especially corporate social responsibility in the social and environmental fields, because the obligation to make a profit is the company's obligation to shareholders or capital owners. The obligation to carry out corporate social responsibility as a legal responsibility of the company must be carried out effectively, structured and long term in order to provide economic benefits to the company. Apart from that, by implementing appropriate corporate social responsibility, companies can also form a positive corporate image, because they help the community and local government for the benefit of the local

41 Iftekhar Hasan., Corporate Social Responsibility and Profit Shifting, *Forthcoming, European Accounting Review*, 2024.

42 Ivan Montiel and Javier Delgado Ceballos., Defining and Measuring Corporate Sustainability: Are We There yet? Organization & Environment, *Organization & Environment*, Vol.27 No.2, 2014, page. 113-139

43 Pasquale Russo Spena (etc)., Requirements for the Design of Flexible and Changeable Manufacturing and Assembly Systems: A SME-Survey. *Procedia CIRP*. Vol.41, 2016, page.207-212

44 Jesús Barrena-Martínez, Macarena López-Fernández, and Pedro Miguel Romero-Fernández., Towards a Configuration of Socially Responsible Human Resource Management Policies and Practices: Findings from an Academic Consensus. *International Journal of Human Resource Management*, Vol.30 No.17, 2019, page. 2544-2580

45 Adnan Celik, Aleem Abdul-Kareem, and Hande Ulukapi Yilmaz., The Impact of Corporate Social Responsibility on Community Development: Evidence from Ghana, *Global Journal of Business, Economics and Management: Current Issues*, Vol.9 No.3, 2019, page. 122-133.

46 Chih-Cheng Chen (etc)., The Role of Corporate Social Responsibility and Corporate Image in Times of Crisis: The Mediating Role of Customer Trust. *Int. J. Environ. Res. Public Health*, Vol.18 No.16, 2021, page.8275.

government and society. This is important to do so that the company's economy improves and gains public trust.

3.2 The Strategy for Implementing Social and Environmental Responsibility of Kudus Cigarette Company in Community Economic Empowerment

The various plans that the Regional Government has for the development of economic development of course require a large budget, especially in order to develop the community's economy, so that regional governments can collaborate with private companies and State-Owned Enterprises. Kudus Regency is known as an industrial city because in this area various companies grow, both large, medium, small and micro. Apart from that, Kudus Regency is also called Kretek City, because the kretek culture in Kudus has an important history for small economies to large industries. The Kudus Regency Middle Type Customs Supervision and Services Office recorded excise revenue in the first semester of 2023 of IDR 16.73 trillion or 42.04% of the revenue target of IDR 39.8 trillion.

In community economic development, Regional Governments should not make it difficult to implement social and environmental responsibilities, for example regarding funding, namely by complicating bureaucracy so that a conducive atmosphere does not emerge for companies carrying out social and environmental responsibilities. Collaboration between companies and Regional Governments can take any form, apart from distributing social and environmental responsibility funds to Regional Governments, speeding up business licensing matters for Micro, Small and Medium Enterprises (MSMEs) assisted by companies, and so on, so that compatibility between programs can be sought. social and environmental responsibility and programs from the Regional Government.

The form of support from the Kudus Regency Regional Government to cigarette companies is essentially a social response from the Regional Government. Cigarette companies in Kudus Regency are opening up and communicating with the community and the Regional Government. The Regional Government does not have authority over the implementation and supervision of the social and environmental responsibilities of Limited Liability Companies, however the Regional Government can monitor and evaluate the implementation of social and environmental responsibilities in the community and determine the benefits provided by the company to the community in the economic development of the community in Kudus Regency.

In practice, the implementation of social and environmental responsibility by companies is not optimal because existing laws and regulations still do not regulate social and environmental responsibility issues in detail and clearly, especially on social and environmental responsibility issues that intersect with regional interests and public. In fact, Law No. 23 of 2014 concerning Regional Government, especially Article 236, has stipulated that: "To carry out Regional Autonomy and Assistance Tasks, Regions form regional regulations." These

regional regulations were born due to orders from higher laws and regulations, regional autonomy, and assistance tasks, as well as special conditions. However, Constitutional Court Decision Number 53/PUU-VI/2008 confirms that the Regional Government cannot issue regional regulations relating to social and environmental responsibility, because based on Article 74 paragraph (4) of the Limited Liability Company Law, these policies are only regulated by Regulations. Government. Therefore, it is clear that the Regional Government cannot issue regional regulations relating to the regulation of social and environmental responsibility. Thus, the regulation of social and environmental responsibility is not the authority of the region, because the implementation of social and environmental responsibility is mandatory because it has been regulated in several regulations. center related to social and environmental responsibility without delegating to the Regional Government to regulate social and environmental responsibility.

However, because there is a provision that the position of Regional Regulations on social and environmental responsibility in statutory regulations is in conflict with higher regulations (*lex superior derogat legi inferior*) and is not within the authority of the Regional Government, the social and environmental responsibility model applied in the Regency In order to support the people's economic development in Kudus, the Regional Government simply needs to carry out monitoring by paying attention to various aspects, for example Environmental and Social Impact Analysis and assessing the extent to which Kudus cigarette companies are able to provide benefits to stakeholders, in this case apart from the Regional Government, also to the local community. through various programs implemented.

The strategy of cigarette companies in Kudus in carrying out social and environmental responsibility obligations is through the following steps below. Stakeholder Identification: The first step in designing a social and environmental responsibility strategy is to identify stakeholders affected by the company's activities, including local communities, employees, customers, suppliers and the government. In the field of community economic empowerment, the cigarette company PT Djarum identified the existence of Village-Owned Enterprises (BUM Des) which have not contributed much to the economy of village communities, collaborating with MSMEs regarding the purchase of MSME products at discounted prices for the PT Workers Union. Djarum, developing and producing young and strong entrepreneurs, as well as holding an Expo for MSME players. PT Nojorono in order to carry out social and environmental responsibilities in the field of improving the community's economy by prioritizing MSME Empowerment activities. PR Sukun has not yet identified what activities are carried out in order to carry out social and environmental responsibilities. PR Sukun's social activities are still limited to charity or providing compensation and donations.

Priority Setting: After identifying stakeholders, the company sets social and environmental responsibility priorities based on the most significant impacts and needs. This can be done through consultation with stakeholders and analysis of

social and environmental impacts. In improving the community's economy, PT Djarum prioritizes providing technical guidance to BUMDes. PT Nojorono collaborates with the Parijoto MSME Cluster. PR Sukun prioritizes improving community welfare from a religious aspect.

Focus on Important Issues: Companies should choose social and environmental responsibility issues that align with their core values and have a significant positive impact. The issues focused on implementing social and environmental responsibility in this cigarette company are poverty alleviation. PT Djarum trains and guides BUMDes managers or administrators. In Kudus Regency. PT Nojorono accompanies MSMEs to produce quality MSME products. PR Sukun still focuses on matters related to Islamic worship.

Partnerships with External Parties: Collaborations with non-profit organizations, government agencies, and local communities can strengthen a company's social and environmental responsibility impact. This partnership can help identify community needs and expand reach and resources. PT Djarum collaborates with local governments through the Department of Industry, Cooperative Labor and MSMEs. PT Nojorono collaborates with MSME groups in the context of empowering the people's economy. PR Sukun collaborates with partners such as cottages or orphanages.

Transparency and Reporting: It is important for companies to be transparent in their TJSL implementation. Availability of regular social and environmental responsibility reports that record achievements, challenges and impacts of TJSL initiatives. PT Djarum reports TJSL activities through electronic and print media. PT Nojorono's reporting is carried out through publications in online media and print media. PR Sukun has not had many activities published through electronic and print media.

Measurement and Evaluation: Companies need to develop clear metrics to measure the success of their social and environmental responsibility initiatives. Regular evaluation will help companies understand the effectiveness of their strategy and make improvements if necessary. PT Djarum carries out measurements and evaluations of the implementation of social and environmental responsibility, looking at the positive impact of each activity carried out. PT Nojorono, in carrying out social and environmental responsibility activities, always measures and evaluates in order to improve subsequent social and environmental responsibility implementation. PR Sukun has not seen any measurements and evaluations carried out on the charity activities that have been carried out.

By paying attention to the research results, it can be stated that not all cigarette companies in Kudus, especially large-scale ones, have made strategies in implementing social and environmental responsibility in the field of empowering the people's economy. In fact, if we refer to stakeholder theory, cigarette companies should not only pursue profits but must also pay attention to other stakeholders, namely the surrounding community and the environment. The company's attention to the surrounding community is not just

charity or generous behavior, but needs to empower the community at large by inviting, guiding and training the community in order to improve community welfare.

The cigarette industry is a large industry and has become the largest contributor to state finances. Cigarette excise received by the state is the largest contributor and is not only a contribution in terms of taxes received by the state from tobacco products, but also there are various kinds of social and environmental responsibility programs provided as an effort to be responsible towards society, the environment and the state which until now can felt.

Kudus Regency has grown various industrial companies, both large, medium, small and micro, including the cigarette industry. In particular, small and micro scale companies often emerge, grow and develop, whose role in the region is very large, especially in the field of employment. With the increase in the number of companies in Kudus Regency and the implementation of responsibilities, both legal responsibilities and social responsibilities, this will greatly influence the welfare of the community, because there are many opportunities to accommodate workers and empower the community.

Kudus Regency has a city identity, namely Kretek City. This is because of the kretek culture⁴⁷ in Kudus has an important history for the economic scope of Kudus residents. Marked by the development of the kretek cigarette industry, from small industries to large industries. Cigarette industry companies are recognized as contributing to driving the national economy because cigarette companies have a very broad multiplier effect, such as growing related service industries, providing business opportunities, and absorbing a workforce of up to 6.1 million people, especially in tobacco, clove-producing areas and other centers. cigarette production center, apart from that, the state revenue obtained from cigarette excise is quite large.

Meanwhile, data recorded at the end of 2022, the Kudus Industrial Cooperative and Small and Medium Enterprises Labor Service (Disnaker Perinkop UKM) recorded that the number of cigarette workers was 98 thousand workers. Head of the Kudus UKM Perinkop Manpower Office, Rini Kartika Hadi Ahmawati⁴⁸ revealed that the increase in the number of cigarette workers in Kudus was because many cigarette companies were adding human resources in the production sector. As of January 2023, there will be 89 cigarette companies registered with the Kudus Regency Customs and Excise Office. The Regional Government, including the Kudus Regency Regional Development Planning Agency (BAPPEDA), is one of the stakeholders of cigarette companies, so in creating a prosperous society it is necessary to collaborate with companies to accelerate the realization of a prosperous Kudus society.

47 Ulvia Nur Azizah., *5 Alasan Mengapa Kudus Disebut Kota Kretek, Sudah Tahu?*, <https://www.detik.com/jateng/bisnis/d-7033701/5-alasan-mengapa-kudus-disebut-kota-kretek-sudah-tahu> accessed on December 10, 2024

48 Rini Kartika Hadi Ahmawati., *Jumlah Pekerja Rokok di Kudus Naik jadi Seratus Ribu Lebih*, <https://info-muria.murianews.com/anggara-jiwandhana/350267/jumlah-pekerja-rokok-di-kudus-naik-jadi-seratus-ribu-lebih> accessed on December 10, 2024

The local government together with the community and companies need to build a common perception so that they have the right goal to implement for economic development in Kudus Regency. Cooperation between local governments and companies needs to be improved so that community welfare can be realized. This is in line with the provisions of Article 36 paragraph (1) of Law No. 11 of 2009 concerning Social Welfare which states that one source of funding for the implementation of social or community welfare is funds set aside from business entities as social and environmental obligations and responsibilities.

The policy of simplifying excise tax rate structure on tobacco products is not a new thing in Indonesia. The tobacco products encapsulated in regulation PMK 146/PMK.10/2017 is essentially flawed as a policy tailored toward controlling cigarette consumption. Categories of tobacco products and producers is one of the areas that not in line with the professed goal of controlling cigarette consumption.⁴⁹ The cigarette industry is a large industry and has contributed the most to the country. Cigarette excise tax received by the state is the largest contributor, even companies also implement various kinds of corporate social responsibility programs which are provided as an effort to be responsible for the environment, society and the state which to this day can be felt.⁵⁰ Cigarette companies' corporate social responsibilities include active participation in the form of training, development of regional facilities, community education and various other forms, increasing the movement of economic activities in a region, which in general will increase national economic growth. The corporate social responsibility program also aims to increase sales for micro business actors, such as the Kudus cigarette company by giving vouchers to company employees to buy food products from Kudus micro business. This is also done by cigarette companies in order to provide information to the public about the company's concern for existing social problems.⁵¹

For most company owners and company directors, the term corporate social responsibility is seen only as corporate charity or even personal charity.⁵² Apart from that, there is also a fairly strong view in the eyes of business people who view corporate social responsibility as a business strategy.⁵³ Corporate social responsibility is used as an instrument to achieve and improve economic goals

49 M. Nova Nuvrianto, Maria R.U.D., Tambunan, Government Challenges in Simplifying Tobacco Excise Rate Structure to Minimize Cigarette Manufacturer Excise Tax Avoidance in Indonesia, *JKAP (Jurnal Kebijakan dan Administrasi Publik)*, Vol.24 No.1, Mei 2020, page.43-60

50 Hans William Najooan and Dudi Anandya., Corporate Social Responsibility from Cigarette Industry According to Stakeholder Perspective, *IPTEK Journal of Proceedings Series*, No.1, 2020, page.1-10.

51 Shafira Hakim Dara Diparma, and Eny Kusumawati., Pengaruh Corporate Social Responsibility, Cash Holding, Profitabilitas, Kebijakan Dividen, dan Kepemilikan Institusional Terhadap Nilai Perusahaan, Vol.8 No.4, 2023, page.5623-5636

52 Archie B Carrol., Carroll's Pyramid of CSR Taking Anotherlook. *International Journal of Corporate Social Responsibility*, Vol.1 No.3, 2016, page. 1-8

53 *Ibid*

through social activities.⁵⁴ For example, in several cigarette advertisements on television which provide educational scholarships for underprivileged people, they are then published dramatically, so that cigarette advertisements are not only impressive, but also able to touch human solidarity.⁵⁵

Several large cigarette companies in Kudus Regency that have implemented social and environmental responsibility programs regularly on a fairly large scale, namely PT. Djarum, PT. Nojorono and PR. Breadfruit. PT. Djarum carries out social and environmental responsibilities in the field of community economic empowerment as follows. Providing training and assistance for the administrators of Village-Owned Enterprises (BUMDes) to strengthen institutions, execute business plans, and create financial reports that are accountable and in accordance with standards, so that with the good functioning of BUMDes they will be able to improve the people's economy and ultimately the people's welfare will be realized; Purchase of MSME products, especially micro businesses at discount prices for SP PT. Djarum already has a Membership Card and received a voucher from the company; Developing an entrepreneurial printing curriculum in the form of a Fashion or Fashion Skills Program, Animation skills, Visual Communication Design, to Software and Game Development, expertise in the field of Catering, namely having an International class Teaching Factory, one of which is Kitchen Theater, a place to train and develop soft skills student communication, etc; Organizing a UMKM Expo in the city center of Kudus City Square for 3 days until December 19 2022, which apart from preparing the event venue, also provides opportunities for micro-entrepreneurs from various culinary, crafts and fashion.

On the other hand, PT Nojorono also carries out various corporate social and environmental responsibility activities, but specifically PT Nojorono implements TJSL in the field of economic empowerment as follows. Merdeka MSME Festival, namely by continuing to be committed to empowering MSMEs as part of support for downstream industry to encourage sustainable economic growth. Bringing a number of assisted MSMEs to attend the Merdeka MSME Festival from 28 July to 1 August 2023 at Grand Indonesia, Jakarta. This year, 259 MSMEs from all over Indonesia participated in the Merdeka MSME Festival; Discuss with MSMEs and communities in related villages to overcome the problem of the massive number of water hyacinths spread across the two villages; Socialization of Home Industry Food Permits (PIRT), especially the Parijoto MSME Cluster. The socialization activity which was held on Tuesday (12/7/2022) began with business licensing consultations, business development which includes digital marketing, simple financial management, packaging design, and business feasibility by highlighting the potential of Kudus local wisdom.

54 *Ibid*

55 Lissy C. Friedman., Tobacco Industry Use of Corporate Social Responsibility Tactics as a Sword and a Shield on Secondhand Smoke Issues. *J Law Med Ethics*, Vol.37 No.4, 2009 page. 819-827.

PR Sukun carries out activities related to community economic empowerment, namely collaborating with Santri Gayeng Nusantara (SGN) to carry out assistance programs for the rehabilitation of houses and places of worship. One of them was implemented in Mekarsari Hamlet, Bojong Kawunganten Village, Cilacap. The rehabilitation program for places of worship is not only mosques and prayer rooms, but all of them, especially houses of worship. So in particular, PT Sukun has not been clearly seen carrying out community empowerment activities in the economic sector.

According to the European Commission and ISO 26000, the socially responsible enterprise should take responsibility for the impact of its decisions and activities on society and the environment through transparent and ethical behavior.⁵⁶ This novelty of writing is a unique strategy adopted by cigarette companies in Kudus in implementing social and environmental responsibility (TJSL) which not only focuses on charity activities, but also on holistic economic empowerment of the community. In this case, PT Djarum is strengthening the institutional capacity of BUMDes through training, developing a modern skills-based entrepreneurship curriculum, and facilitating MSME expos. Apart from that, PT Nojorono is committed to sustainable economic growth by supporting the Merdeka MSME Festival and providing business assistance based on local wisdom. And PR Sukun is more focused on social rehabilitation such as repairing places of worship, although it has not been seen to significantly empower the community in the economic sector. This shows a different approach in implementing TJSL, with a combination of a strategic approach based on empowerment and a traditional approach based on philanthropy, which contributes to the welfare of the Kudus community while supporting local economic development.

4. Conclusion

Corporate Social Responsibility (CSR) is a value that is the basis of a company's activities, because Corporate Social Responsibility is a comprehensive basis in the economic, social, welfare, and environmental aspects of the company. The local government as a stakeholder, simply monitors by paying attention to various aspects such as Environmental and Social Impact Analysis and assessing the extent to which cigarette companies in Kudus Regency are able to provide benefits to stakeholders, in this case in addition to the Local Government, also to the local community through various programs implemented. The findings produced that by implementing strategies such as identifying stakeholders, setting priorities, focusing on important issues, partnerships with external parties and companies, transparency and reporting as well as measurement and evaluation can achieve a balance between achieving profit and social and environmental responsibility. In addition to making a positive contribution to society and the environment, this approach can also improve the sustainability and reputation of the company in the long term in the eyes of stakeholders. The company has significant obligations in

⁵⁶ Harsman Tandilittin, Christoph Luetge., CSR activity of tobacco companies in Indonesia: Is it a Genuine Social Responsibility? *Online Journal of Health Ethics*, Vol.11 Issue.1 2015.

implementing Social and Environmental Responsibility, namely a commitment to act ethically, contribute to economic development, and improve the quality of life of employees and the surrounding community. Several large cigarette companies in Kudus have carried out their Corporate Social Responsibility obligations through several activities such as empowering BUMDes, empowering MSMEs, and holding training related to community economic empowerment.

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