

## Effectiveness of Implementing Corporate Social Responsibility (CSR) towards the Community (Case Study at CV Mekar Abadi Wonosobo)

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**Abstract.** *This research aims to investigate the implementation of Corporate Social Responsibility (CSR) at CV Mekar Abadi using an approach of three main theories: legal effectiveness, management and Islamic business ethics. The main objective is to gain an in-depth understanding of the company's CSR practices and identify relevant barriers and solutions in the context of the wood industry. The research method used involved a field study approach with interviews and observations at CV Mekar Abadi. In addition, literature studies are used to support the identification of a conceptual framework in analyzing the company's CSR implementation. This triangulation approach allows researchers to gain a holistic and in-depth understanding of a company's CSR practices. The research results show that CV Mekar Abadi faces a number of challenges, including price fluctuations and market instability in the wood industry. Even though companies have managed to survive the COVID-19 pandemic, the impact of policy changes related to the pandemic has become an additional obstacle in implementing broader CSR programs. In overcoming these challenges, the proposed solutions include increasing transparency, developing inclusive CSR programs, and in-depth understanding of Islamic business ethics. The research conclusions emphasize the importance of adapting CSR according to the business context and provide useful recommendations for similar companies facing similar challenges.*

**Keywords:** *Community; Effectiveness; Responsibility; Social.*

### 1. Introduction

Legislation in Indonesia is applied very completely in various aspects of life, starting from laws relating to human rights, education, social assistance, business and even laws relating to the environment. However, in reality there is still a gap for someone to be able to escape from statutory regulations in order to run their business, for example in this case it relates to Law Number 40 of 2007 concerning Limited Liability Companies which regulates in a very complete way with regard to the establishment of a PT as well as regarding Social Responsibility. Company (Corporate Social

Responsibility). The implementation of this law was further emphasized by the enactment of Government Regulation Number 47 of 2012 concerning the Social and Environmental Responsibility of Limited Liability Companies.

Corporate Social Responsibility (CSR) or corporate social responsibility can be interpreted as a form of corporate moral responsibility to society for the achievements it has achieved in order to gain a good image/impression that reflects the company's social role, which is not solely seeking personal gain (the shareholders shares) but also prosperity. Society/community as a form of concern for the company in developing the economy or the condition of the community environment.<sup>1</sup>

According to ISO 26000, Corporate Social Responsibility (CSR) is an organization's obligation to the consequences of its decisions and activities on society and the environment. This is reflected through transparent and ethical practices, in line with the principles of sustainable development and community welfare. Organizations are expected to consider stakeholder expectations, comply with international laws and norms of behavior, and thoroughly integrate CSR in their operations.<sup>2</sup>

The principles of social responsibility put forward by Bowen are widely accepted and recognized by society, so he is recognized as the father of CSR and is widely supported. In the early 1960s, Bowen's ideas about social responsibility influenced several other economic sociologists. For example, Keith Davis is considered to be the first person to introduce the concept of the Iron Law of Social Responsibility. Keith explained that a company's social responsibility is identical to the social status/position it holds (an entrepreneur's social responsibility must be commensurate with his social power). Entrepreneurs who do not use their power responsibly and in accordance with society's views and assumptions will lose the power they currently have.<sup>3</sup>

Implementing Corporate Social Responsibility (CSR) is a responsibility that must be fulfilled by a company as a result of the social and environmental impacts caused by its business operational activities. CSR programs should be carried out seriously by companies, not only as an act of compliance with applicable regulations, but as a

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<sup>1</sup>Wawan Dwanto, et. al, 2013, Innovation and Social Entrepreneurship, Alfabeta, Bandung, p, 168.

<sup>2</sup>Edi Suharto, 2009, Social Work in the Industrial World Strengthens CSR (Corporate Social Responsibility), Alfabeta, Bandung, p. 105.

<sup>3</sup>Ismail Solihin, 2008, Corporate Social Responsibility from Charity to Sustainability, Salemba Empat, Jakarta, p. 16.

real effort to improve social welfare and maintain environmental sustainability.<sup>4</sup>

It is very important to implement Corporate Social Responsibility or CSR in order to achieve the main goal, namely realizing sustainable economic development in order to improve the quality of life and the environment which is beneficial for local communities and society in general so as to achieve the main goal of the 5th Pancasila Principle, namely social justice for all Indonesian people. Likewise, the philosophy of corporate social responsibility in Indonesia refers to the 1945 Constitution of the Republic of Indonesia. In the Preamble to the 1945 Constitution

the 4th paragraph which reads "...protect the entire Indonesian nation and all of Indonesia's blood and to promote general welfare, educate the life of the nation, and participate in implementing world order...". So, realizing general welfare is the responsibility of the state, one form of which is implementing CSR for companies in Indonesia. So that not only entrepreneurs get big profits but the surrounding community also feels the welfare.

Article 74 of Law Number 40 of 2007 concerning Limited Liability Companies states that "Companies that carry out business activities in the field and/or related to natural resources are obliged to carry out Social and Environmental Responsibility". From this article it is explained that PTs whose business fields are related to natural resources must carry out CSR. However, there are actually many other companies that are not PT that operate in the natural resources sector.

So that the obligations of corporate social responsibility (CSR) that companies have towards the community should not only be carried out by corporations in the sense of companies that are legal entities and large scale. It does not rule out the possibility that individual companies that have not yet been incorporated may also have significant social and environmental impacts on the surrounding community. If we use the term corporate social responsibility, it means corporate social responsibility regardless of the size of the company. In Indonesia, corporate social responsibility has become a legal obligation (legal mandatory) so that it cannot create loopholes for large entrepreneurs who are worried that if their business takes the form of a PT, they will have to issue CSR so that the status is changed to CV so that it cannot be subject to law. so that the benefits are full.

Wonosobo Regency, Central Java currently has many companies in the form of Commanditaire Vennootschap (CV) which are still running like CV. Chang Da

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<sup>4</sup>Adityo Wicaksono, et al, 2021, "Study of the Effectiveness of Corporate Social Responsibility (CSR) Programs: Case Study of Energy Generating Company "Y", P2KMI, Jakarta, p. 19.

Industry, CV. Daya Cipta Mandiri, CV Putri Permata Sakti, CV Wilis Investama, CV. Student Partners, CV Berkah Agung, CV. Bestari, CV. Tama Light, CV. Honggoderpo, and CV. Eternal Bloom. All CVs operate in their respective business fields, but one of the CVs that operates in the field and uses natural resources in the form of wood is CV. Mekar Abadi is located in Kalikajar District, Wonosobo.

CV. Mekar Abadi is one of the large companies in Wonosobo Regency which carries out its business in the field of wholesale trade in wood and other building materials, wholesaler of durable goods, wholesale trade in wood, plywood and sawn wood. CV Mekar Abadi in running its industry of course uses the main material of natural resources in the form of wood and also in the process produces production waste. CV Mekar Abadi has several branches in several sub-districts in Wonosobo Regency and employs almost thousands of employees in total.

On this basis, researchers will conduct research on the regulations governing CSR obligations that must be applied to CV Mekar Abadi and how so far CV. Mekar Abadi carries out social responsibility towards society, society and the environment because according to researchers, not only PTs have social responsibility but all companies that carry out business activities in the field and/or related to natural resources are obliged to carry out Social and Environmental Responsibility.

## **2. Research Methods**

This research uses a qualitative approach with sociological juridical methods to understand Corporate Social Responsibility (CSR) practices at CV Mekar Abadi. This approach involves a study of secondary data, followed by field research on primary data. The research specifications are analytical descriptive, providing a detailed and systematic picture to understand the problem. Types of data include primary data from interviews and secondary data from literature studies.

Primary data was obtained through free guided interviews with stakeholders, while secondary data came from literature, books, journals and related legal regulations. Data collection methods include field studies with interviews and observations, as well as literature studies. Data analysis was carried out using qualitative methods, using legal principles, legal theory, expert views and relevant statutory provisions.

Field studies provide an in-depth understanding of CSR implementation, involving company management and stakeholders. Literature study involves reviewing literature, searching for laws and regulations, and relevant sources to support the identification of a conceptual framework. Non-statistical qualitative data analysis

was carried out by detailing legal principles, theories and statutory provisions to prepare research reports. The aim is to gain a thorough understanding of the legal context relevant to CSR at CV Mekar Abadi.

### **3. Results and Discussion**

#### **3.1. CV Profile and History. Eternal Bloom**

CV. Mekar Abadi is a company operating in the sustainable wood processing industry, founded on November 10 1993. With more than 20 years of experience, CV. Mekar Abadi continues to try and increase the fulfillment of demand for goods ready for export in the form of Bare Core and Block Board, with international market destinations including: China, Malaysia, Singapore, Taiwan, Korea, Hong Kong, Egypt, Saudi Arabia and Jordan.

The location of the head office and main factory is located on Jalan Purworejo KM. 17 Sapuran, Wonosobo with 900 employees in February 2024. This is very different from the heyday when there were 9,000 employees in its three branches. The main factory structure consists of several building units adapted to each process unit, creating a layout that suits hilly ground conditions.

The wavy topography of the land with an altitude of 760 m above sea level and the regosol soil type supports the company's activities. The environment around CV Mekar Abadi has an average rainfall of 94 mm/month and air temperatures ranging from 14.3 – 26.5 °C.

CV. Mekar Abadi, is a business entity based in Indonesia. Initially, the company emphasized the production of hand-sawn lumber, growing into a preeminent provider of building lumber in East Java. Through this long journey, CV Mekar Abadi has succeeded in gaining a strategic position as a major player in the industry.

The company initially served the needs of large companies and focused on Albasian wood, with most of the raw materials coming from local communities. CV Mekar Abadi avoids illegal logging, and its main products such as albasia barecore, blockboard and plywood attract market attention. The company develops CSR by managing rejected goods and opening branches in Boyolali and Banjarnegara, with a focus on environmental activities such as donating seeds.

Then, the company's history began by serving the needs of large companies, such as PT. Nusantara in Gresik, with a focus on Albasia wood. Around 60% of the raw

materials come from local communities, with the main products such as Albasia barecore, blockboard and plywood, better known as plywood, attracting market attention. Of course, the wood material does not or does not come from illegal logging or deforestation known as illegal logging.<sup>5</sup>

Despite being faced with economic challenges and the global crisis, CV Mekar Abadi has managed to survive for the last ten years, even experiencing an increase in wood prices during the COVID-19 pandemic. This study aims to better understand the implementation of corporate CSR and its impact on society, the environment and business sustainability.

### **3.2. Implementation of CSR on CV. Eternal Bloom**

Implementation of Corporate Social Responsibility (CSR) at CV. Mekar Abadi reflects the company's commitment to social and environmental responsibility. Recent CSR efforts include positive contributions, such as donating seeds to the Sikembang Valley tourist attraction, Kertek. The company's employees are also actively involved in CSR initiatives, such as organizing futsal tournaments organized by them.

Even though the company has implemented CSR, there are still efforts to adapt to new local regulations, including Wonosobo Regency Regional Regulation Number 2 of 2023 concerning Social and Environmental Responsibility of Business Entities. Apart from that, the company also complies with relevant national regulations, such as applicable laws.

CV Mekar Abadi views CSR as a form of zakat in Islam and has plans and goals to continue developing CSR programs as a form of its commitment to social and environmental responsibility. The direct impact of CSR implementation can be seen in the provision of seeds, which will provide a sustainable wood supply in the future. Even though it is faced with financial challenges and changing business trends, CV Mekar Abadi continues to survive with the support of the owner and responsibility towards employees. A company that not only exists in the business world, but also plays an active role in providing a positive impact on the environment and surrounding communities.

To provide further context regarding the company's commitment to social responsibility in Islam, CV Mekar Abadi admitted that it referred to the hadith of the Prophet Muhammad SAW which explained the importance of zakat. In this hadith,

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<sup>5</sup>Dwi Agus Istiyono, 2020, Illegal Logging Criminal Investigation Process, Law Development Journal, Volume 2 Issue 3, Unissula, p. 1.

Rasulullah SAW encouraged his people to give zakat as a form of obligation and as a means of cleansing their assets from harmful qualities. The concept of zakat in Islam is very relevant to a company's CSR approach, showing concern for society and sustainability.

### **3.3. Regulations Related to CSR in Indonesia**

#### **3.3.1. Law Number 40 of 2007 concerning Limited Liability Companies**

Law no. 40 of 2007 concerning Limited Liability Companies is a very important legal basis for regulating the establishment and operations of limited liability companies in Indonesia. Several key articles in Law no. 40 of 2007 concerning Limited Liability Companies provides specific directions and provisions regarding various aspects related to limited liability companies. In this thesis, an explanation of several key articles of Law no. 40 of 2007 concerning Limited Liability Companies can help provide a deeper understanding.

Regarding the implementation of CSR in business entities in Indonesia, it is regulated in Article 74 which reads as follows:

Paragraph (1) reads: "Companies that carry out business activities in the field and/or related to natural resources are obliged to carry out Social and Environmental Responsibility."

Paragraph (2) reads; "Social and Environmental Responsibility as referred to in paragraph (1) is the Company's obligations which are budgeted and calculated as Company costs, the implementation of which is carried out by taking into account propriety and fairness.

Paragraph (3) reads: "Companies that do not carry out the obligations as intended in paragraph (1) will be subject to sanctions in accordance with the provisions of statutory regulations.

Paragraph (4) Reads: "Further provisions regarding Social and Environmental Responsibility are regulated by Government Regulations.

Article 74 of Law no. 40 of 2007 concerning Limited Liability Companies is an important aspect that regulates the rights and obligations of shareholders in limited liability companies in Indonesia. This article provides a clear framework regarding the role of shareholders in managing and supervising the company.

### **3.3.2. 2. Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies**

Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies directs Corporate Social Responsibility (CSR) practices in Indonesia. This regulation provides comprehensive guidance for the obligations and responsibilities of limited companies regarding social and environmental aspects. Several important articles in this regulation discuss the implementation of CSR in companies, including CV. Eternal Bloom.

The definition of CSR is confirmed in Article 2 PP No. 47/2012 as a limited company responsibility to contribute to sustainable development, considering the social and environmental impacts of business activities. This article forms a conceptual framework for sustainable CSR implementation.

Article 4 PP No. 47/2012 regulates the obligations of limited companies to carry out CSR activities in accordance with the principles of prudence and sustainability. This obligation includes the company's efforts to reduce negative impacts and increase positive impacts on society and the environment.

The preparation of programs and reporting on CSR activities is regulated in Article 5 and Article 6 of PP No. 47/2012. Limited companies are required to develop CSR programs and report on their implementation, creating control and transparency mechanisms.

Administrative sanctions for companies that do not fulfill CSR obligations are regulated in Article 7 PP No. 47/2012. These sanctions include warnings, freezing NPWP, and revoking business permits. This confirms the sustainability of CSR implementation as an integral part of the company's operational sustainability.

### **3.3.3 Wonosobo Regency Regional Regulation Number 2 of 2023 Social and Environmental Responsibility of Business Entities**

Wonosobo Regency Regional Regulation Number 2 of 2023 presents a comprehensive legal framework in terms of Social and Environmental Responsibility of Business Entities. In detailing the planning aspects, Article 3 emphasizes the need for a participatory approach, partnership and agreement in designing and implementing Business Entity Social and Environmental Responsibility Programs. This indicates awareness of the importance of involving various related parties, including local governments, companies and communities, to achieve sustainable



development goals.

Articles 4 and 5 provide further insight regarding this program. References to the company's Regional Development Plan and Annual Work Plan illustrate the integration of the Corporate Social and Environmental Responsibility program into a broader development context. Recognition of aspects such as social welfare, education, health, arts and culture, religion, entrepreneurship, infrastructure and the environment shows a deep understanding of the various dimensions of sustainability.<sup>6</sup>

Meanwhile, Article 14 outlines the main role of the Regent and related regional officials in coaching and supervision. This approach includes counseling, consultation, guidance, as well as verification and evaluation of program implementation. This process is not only a monitoring tool, but also a means of coaching and assistance to overcome challenges or obstacles that may be faced by business entities.

The provisions in Article 15 stipulate the obligation for every business entity to regularly submit reports on the implementation of the Corporate Social and Environmental Responsibility to the Regent. This report is a transparency instrument that allows the government, society and other related parties to understand the real impact of the programs implemented and the extent to which the company fulfills its responsibilities.

### **3.4. Analysis of CSR Practices in the Context of Regulations on CSR**

#### **3.4.1. Law Number 40 of 2007 concerning Limited Liability Companies**

Even though Law no. 40 of 2007 concerning Limited Liability Companies explicitly regulates Social and Environmental Responsibility for companies, including companies operating in the natural resources sector. It is important to remember that CV Mekar Abadi, as a business entity in the form of a Commanditaire Vennootschap (CV), has characteristics and obligations different laws compared to Limited Liability Companies (PT).

Although CV Mekar Abadi is not directly bound by Law no. 40 of 2007 concerning Limited Liability Companies, companies' decisions to implement CSR show their readiness to adopt practices beyond the legal minimum. The principle of legal

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<sup>6</sup>Wonosobo Regency Regional Regulation Number 2 of 2023 Social and Environmental Responsibility of Business Entities

effectiveness not only highlights the importance of compliance with the law, but also emphasizes community support and law enforcement. In this context, the protection and sanctions contained in government regulations are a driving force for CV Mekar Abadi to continue to improve their CSR programs, creating a greater positive impact and being more in line with legal standards.

### **3.4.2 Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies**

In the context of managing social and environmental responsibility at CV Mekar Abadi, the principles contained in Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies can be linked to the wood processing activities carried out by this company. Although this regulation specifically refers to limited liability companies, the principles contained in it can be relevant guidance for other business entities, including CVs, in adopting Corporate Social Responsibility (CSR) practices.

One of the principles that can be linked to implementing CSR on CV. Mekar Abadi from Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies is the obligation of limited liability companies to carry out CSR activities in accordance with the principles of prudence and sustainability. In the context of CV Mekar Abadi which is involved in the wood processing industry, the precautionary principle can be applied to minimize negative impacts on the surrounding environment, such as deforestation or ecosystem damage. On the other hand, sustainability principles can guide companies in developing initiatives that support the sustainability of natural resources and the surrounding environment.

The principle of legal compliance investigation can also provide a basis for CV Mekar Abadi to evaluate the extent of their compliance with regulations and legal standards related to CSR. Applying the principle of legal effectiveness, which focuses on elements such as laws, law enforcement, supporting facilities, society and culture, can help companies assess and improve their compliance.

### **3.4.3 Wonosobo Regency Regional Regulation Number 2 of 2023 Social and Environmental Responsibility of Business Entities**

Even though CV Mekar Abadi is not a Limited Liability Company, the implementation of CSR practices can refer to the principles of social and environmental responsibility which are generally recognized in law and business ethics. CV Mekar Abadi, which

operates in the wood processing industry with an emphasis on Albasia products, has a long history and experience in supplying large companies in East Java.

In relation to the implementation of Wonosobo Regency Regional Regulations, CV Mekar Abadi is expected to be active in implementing social responsibility programs, especially those related to the environment and surrounding communities. The CSR programs that have been implemented, such as seed assistance and donations for activities in the surrounding environment, reflect the company's commitment to sustainable development.

It is important to note that CSR reporting is still limited and environmentally focused, with the owners having a policy of not reporting CSR programs related to the lodge, given its association with worship. However, reporting to local governments and other stakeholders is still being carried out.

Many business challenges hit CV Mekar Abadi, including declining trends in the wood industry, CV Mekar Abadi remained resilient and was even able to grow during the Covid-19 period. CSR efforts such as planting seeds and supporting various community activities demonstrate the company's involvement in facing this challenge.

It should be noted that even though it has implemented CSR, CV Mekar Abadi still considers obstacles related to the company's financial condition. However, there are plans to develop and expand the CSR program in the future, which could include new and more sustainable initiatives.

While Law Number 40 of 2007 concerning Limited Liability Companies does not directly apply to CV Mekar Abadi, its principles, such as transparency and accountability, remain relevant as a guide to business ethics. Basically, even though it is in the form of a CV, CSR principles can help companies build positive relationships with society and achieve long-term sustainability in their operations.

CSR implementation is based on Wonosobo Regency Regional Regulation Number 2 of 2023, legal effectiveness theory views that CV Mekar Abadi must ensure that their CSR practices are in line with generally recognized legal principles. Regardless of its status as a CV, this company is expected to actively involve itself in social responsibility programs, especially regarding the environment and surrounding communities. Within this framework, ensuring compliance with regional regulations becomes essential, with companies expected to prepare more comprehensive CSR reports, covering aspects such as contributions to society and support for

environmental programs.

### **3.5. Challenges and Solutions in Implementing CSR CV Mekar Abadi**

#### **3.5.1 Financial Limitations**

CV Mekar Abadi is experiencing financial constraints which could affect the overall implementation of the CSR program. Even though they have implemented a number of CSR activities, companies still consider their unstable financial conditions, which can be an obstacle to engaging in larger and more sustainable CSR initiatives.

Despite facing financial limitations, CV Mekar Abadi is still committed to carrying out a number of CSR activities. Companies may choose to focus on programs that fit their current financial capabilities, such as local assistance, planting seeds, or support for local community activities. This may be a strategy adopted by the company to continue to contribute positively despite limited resources.

To overcome financial limitations, CV Mekar Abadi can implement a sustainable and gradual approach in implementing CSR programs. By paying attention to financial constraints, companies can identify projects that can be undertaken with available funds and gradually increase their involvement as financial conditions improve.

By wisely managing its financial resources, CV Mekar Abadi can still have a positive impact on the surrounding environment and society, while progressively increasing their involvement in larger CSR initiatives in line with improvements in the company's financial condition.

#### **3.5.1.2 Non-Reporting Policy Regarding Cottages**

The non-reporting policy regarding Islamic boarding schools implemented by CV Mekar Abadi, due to its connection with worship, can be an obstacle that affects the company's ability to provide a comprehensive overview of all Corporate Social Responsibility (CSR) activities they carry out. This decision limits the company's level of transparency and accountability towards relevant stakeholders.

The decision not to report CSR programs related to Islamic boarding schools may result in unclear aspects of the company's CSR activities, especially those related to the religious dimension. Although this policy may be based on considerations of diversity and sensitivity to religious aspects, this can create misunderstanding among stakeholders, including local communities, consumers and government

institutions.

The impact of this non-reporting policy is that there is limited information that can be accessed by the public regarding the CSR efforts of companies related to the lodge. Thus, stakeholders may find it difficult to evaluate the extent of a company's involvement in social and environmental activities, especially those related to religious and religious dimensions.

Transparency and accountability are key elements in effective CSR practices. With a non-reporting policy regarding cottages, companies miss the opportunity to build trust and demonstrate their commitment to social responsibility. Stakeholders may feel less involved and less aware of the company's specific contribution to supporting the religious and cultural aspects of local communities.

To overcome this obstacle, CV Mekar Abadi could consider detailing more generally or briefly explaining CSR programs related to the Islamic boarding school without involving too detailed or religiously sensitive details. This can be done by continuing to respect religious and cultural values, while providing adequate understanding to stakeholders regarding the CSR efforts carried out by the company. In this way, companies can increase their level of transparency and accountability without ignoring the diversity and religious values they uphold.

### **3.5.1.3 Challenges of the Wood Industry**

CV Mekar Abadi faces challenges from the declining trend in the wood industry. Price fluctuations and unstable market conditions in this industry can be an obstacle to allocating additional resources to CSR programs or the development of new initiatives.

Unstable market conditions can also make it difficult for companies to plan for the long term, including developing sustainable CSR initiatives. Investment decisions in CSR programs require sufficient visibility and certainty regarding market and economic conditions. Uncertainty in the timber industry can hinder a company's ability to make long-term commitments to socially responsible practices.

In addition, a downward trend in the wood industry can also create greater external pressure on companies to remain competitive. Efforts to maintain competitiveness in difficult market conditions may lead companies to focus more on fundamental operational aspects and reduce resource allocation to CSR activities.

In facing this challenge, CV Mekar Abadi needs to adopt a careful risk management strategy. They must be able to identify and evaluate risks associated with price fluctuations and market conditions in the timber industry. Additionally, operational diversification or seeking innovation in products or services can be a strategic step to reduce dependence on one volatile industry sector.

#### **3.5.1.4 Global and National Economic Conditions**

Global and national economic conditions have a significant role in shaping challenges for CV Mekar Abadi. As a company operating in the wood industry, global economic fluctuations can affect purchasing power and demand for wood products, which in turn affects the resources that can be allocated to CSR programs. The COVID-19 pandemic and related policy changes have had a significant impact on various economic sectors, including the wood processing industry. This may create additional barriers for companies to undertake broader CSR programs or allocate additional resources to new initiatives.

The limitations of CSR reporting experienced by CV Mekar Abadi basically include a limited focus on environmental aspects and a lack of complete information in their CSR reports. Although this company has implemented several CSR programs, the information presented in the report tends to be limited to environmental efforts, such as planting seeds and supporting environmental activities.

To overcome limitations in CSR reporting, CV Mekar Abadi can take several strategic steps. First, companies can expand the scope of CSR programs by diversifying initiatives that include social aspects, such as education and public health. This will create a more holistic CSR report and reflect the company's positive contribution in various areas of social responsibility. Furthermore, CV Mekar Abadi needs to adopt more comprehensive CSR performance measurement metrics, involving economic, social and environmental indicators.

#### **4. Conclusion**

The results of this research are that CV Mekar Abadi shows that even though it is not a Limited Liability Company, this company can voluntarily implement CSR practices as a form of commitment to sustainability and a positive impact on the community and surrounding environment. These efforts reflect a commitment to responsible business principles, creating a positive image in the eyes of stakeholders.

However, CSR implementation cannot be separated from obstacles, such as

fluctuations in the timber industry and the impact of global economic conditions. The proposed solution involves adaptive management, increased CSR reporting, and community empowerment through sustainable programs. The link to legal effectiveness theory is reflected in implementation based on government regulations, while the challenges of the timber industry and global economic conditions reflect management aspects. The application of Islamic business ethics values is reflected in efforts for transparency, accountability and community empowerment.

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