

# Beyond the Bag of Cement: A Critical Analysis of CSR Practices in the Indonesian Cement Industry

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**Abstract:** *This study investigates the relationship between financial performance and Corporate Social Responsibility (CSR) investment among Indonesian cement companies. Findings reveal a positive correlation between stronger financial metrics and increased CSR expenditures, with companies like PT Semen Padang and PT Semen Gresik demonstrating this trend. Broader and diversified CSR programs are linked to enhanced financial outcomes, indicating that comprehensive CSR efforts can boost financial performance. Challenges such as financial constraints, lack of managerial support, regulatory pressures, and technological limitations impede CSR implementation, especially for smaller firms. The effectiveness of CSR initiatives in addressing local needs is evident, particularly in education, health, and infrastructure. Recommendations include strategic integration of CSR into business operations, securing managerial support, and exploring alternative funding sources for smaller firms. Future research should explore longitudinal impacts, sector-specific strategies, and technological advancements in CSR.*

**Keywords:** *Financial performance, Corporate Social Responsibility (CSR), Indonesian cement industry, CSR investment, financial metrics, CSR effectiveness.*

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## Background of the Study

In the contemporary business environment, the focus on Corporate Social Responsibility (CSR) has become increasingly significant as awareness of the social and environmental impacts of business activities grows. CSR is no longer merely a moral obligation but has evolved into a crucial business strategy, particularly within the context of sustainability. The interest in CSR has expanded rapidly over recent decades, making it a significant topic of research across various industry sectors (Burton & Goldsby, 2009).

In Indonesia, CSR issues are becoming more relevant, particularly in light of recent environmental and social crises caused by industrial activities. A notable example is the negative impact of air pollution from cement factories in various regions of Indonesia, which has become a major point of concern in recent years. Additionally, social issues such as the displacement of communities due to the construction of factories or other industrial projects highlight the need for more serious and systematic CSR implementation. These impacts demonstrate that without responsible management, economic growth driven by industry can lead to significant negative effects on both society and the environment (Holme & Watts, 2000).

CSR can be defined as a sustained commitment by business organizations to actively participate in the economic development of communities, improve the quality of life for their workforce and

their families, and broadly contribute to society (Holme & Watts, 2000). In this context, the importance of CSR cannot be overstated. Brammer and Pavellin (2006) argue that CSR is a crucial resource for sustainable development and an inevitable requirement for companies, particularly those in high-impact industries such as cement manufacturing.

Edwards (2005) further emphasizes that achieving broader business objectives requires organizations to consider the social and environmental impacts of their business processes and products. Simply addressing the interests of direct stakeholders such as employees and investors is not sufficient; businesses must also consider indirect stakeholders, including local communities and the environment, to ensure their long-term sustainability.

In the context of Indonesia's cement industry, CSR plays a pivotal role. This industry is often criticized for its environmental impacts, such as air pollution and land degradation. Additionally, social impacts, such as the displacement of local populations due to factory construction, present significant social issues that require serious attention. Therefore, effective CSR implementation in the Indonesian cement industry will not only help address these environmental and social problems but also contribute to a more holistic approach to sustainable development in the country.

To support this discussion, relevant research on CSR in Indonesia is crucial as a reference. This will ensure that CSR approaches are

more aligned with local needs and consider long-term impacts on both society and the environment. This study aims to fill this knowledge gap by providing a critical analysis of CSR practices within the Indonesian cement industry. This analysis will include an assessment of the current conditions, identification of key challenges and opportunities, and recommendations for sustainable and responsible improvements.

CSR is an integral part of business strategy encompassing various management aspects, including human resources, marketing, production, and finance. It does not solely focus on creating economic value for shareholders but also addresses increasingly important social and environmental issues within the contemporary business context (Shaw & Barry, 2001; Unerman, Bebbington & Dwyer, 2007). CSR is defined as actions that consider not only business interests but also prioritize social good beyond what is legally required (Usunier, Jean, Olivier, & Amandine, 2011). In this regard, CSR is viewed as a specific strategy adopted by organizations to serve the interests of their stakeholders (Blowfield & Frynas, 2005).

### Research Questions on CSR Implementation in the Indonesian Cement Industry

The implementation of Corporate Social Responsibility (CSR) in the Indonesian cement industry faces numerous challenges impacting its effectiveness and impact. Utilizing the Triple Bottom Line (TBL) framework (Elkington, 1997), which emphasizes the importance of balancing economic profit, environmental stewardship, and social responsibility, provides a deeper understanding of the issues within CSR practices in this sector.

**Economic Profit:** Cement companies in Indonesia operate within a highly competitive environment where production efficiency and cost control are top priorities. The pressure to maintain high profitability often limits the allocation of resources to CSR initiatives. Investments in environmentally friendly technologies or community empowerment programs are frequently seen as additional expenses that do not provide immediate benefits, thus diminishing the companies' commitment to comprehensive and sustainable CSR implementation.

**Environmental Stewardship:** The cement industry is one of the largest contributors to greenhouse gas emissions and air pollution. Efforts to mitigate environmental impact through more efficient technologies and waste management programs have been undertaken by some companies. However, consistent implementation remains challenging. High costs and technological limitations are significant barriers, compounded by regulations that do not fully support sustainable practices. This situation raises concerns that, without adequate support, companies may not be fully committed to broader environmental agendas.

**Social Responsibility:** Cement companies often operate in rural areas with limited access to infrastructure and basic services. Although many companies have launched CSR programs aimed at supporting local community development—such as providing educational facilities, healthcare services, and infrastructure development—the gap between community needs and what is provided still frequently exists. A lack of deep engagement with local communities and inadequate understanding of specific local needs often result in ineffective CSR programs.

A critical issue in CSR implementation in the Indonesian cement sector is the lack of strong integration between CSR initiatives and the core business strategy. CSR is often viewed as an additional activity separate from the company's core operations, rather than an integral part of a long-term strategy that can support sustainable growth. Consequently, while there are several commendable initiatives, their impact is often limited and unsustainable, reducing the long-term effectiveness of CSR.

### Research Questions:

- 1) How does CSR implementation in Indonesian cement companies affect the balance between economic profit, environmental stewardship, and social responsibility?
- 2) What are the main challenges faced by cement companies in Indonesia in integrating CSR into their core business strategies?
- 3) How effective are the CSR programs implemented by Indonesian cement companies in meeting local needs and contributing to sustainable development?
- 4) What role do regulations and technology play in supporting or hindering more sustainable CSR implementation in the Indonesian cement industry?

These questions aim to address the complex interplay between CSR practices and business operations, seeking to uncover insights into how cement companies can better align their CSR efforts with both business goals and community needs, and to identify the regulatory and technological factors influencing CSR effectiveness.

### Research Objectives:

- 1) **Assessing the Balance between Profit, Environmental Stewardship, and Social Responsibility:** To evaluate how the implementation of CSR in Indonesian cement companies impacts the balance between economic profit, environmental stewardship, and social responsibility. This objective aims to understand whether and how CSR initiatives contribute to or conflict with the economic and environmental goals of these companies, and how they address social responsibilities.
- 2) **Identifying Challenges in Integrating CSR into Business Strategies:** To identify the primary challenges faced by cement companies in Indonesia in integrating CSR into their core business strategies. This objective seeks to uncover the barriers to effectively aligning CSR initiatives with overall business goals and strategies, including financial constraints, regulatory hurdles, and organizational resistance.
- 3) **Evaluating the Effectiveness of CSR Programs:** To evaluate the effectiveness of CSR programs implemented by Indonesian cement companies in addressing local community needs and contributing to sustainable development. This objective focuses on assessing how well these programs meet the expectations and needs of local stakeholders and contribute to broader sustainability goals.
- 4) **Analyzing the Role of Regulations and Technology:** To analyze the role of regulations and technology in supporting or hindering more sustainable CSR implementation in the Indonesian cement industry. This objective aims to understand how regulatory frameworks and technological advancements

impact the ability of cement companies to implement and enhance their CSR practices.

#### Benefits of the Research:

- 1) **Enhanced Understanding of CSR Impact:** By assessing the balance between profit, environmental stewardship, and social responsibility, the research will provide a comprehensive understanding of how CSR initiatives influence these critical areas. This insight can help companies better align their CSR strategies with their overall business objectives and sustainability goals.
- 2) **Identification of Integration Challenges:** Identifying the main challenges in integrating CSR into core business strategies will provide valuable information for overcoming these barriers. This can lead to more effective CSR practices and improved alignment with business strategies, ultimately enhancing the overall impact of CSR initiatives.
- 3) **Improved Effectiveness of CSR Programs:** Evaluating the effectiveness of CSR programs will help companies assess the real-world impact of their initiatives on local communities and sustainable development. The findings can guide companies in refining their CSR approaches to better meet community needs and contribute to long-term sustainability.
- 4) **Insight into Regulatory and Technological Influences:** Analyzing the role of regulations and technology will offer insights into how external factors influence CSR implementation. This can help policymakers and industry leaders develop more supportive regulatory environments and adopt technologies that facilitate more effective and sustainable CSR practices.

Overall, this research will provide actionable insights for cement companies, policymakers, and other stakeholders, facilitating more effective and sustainable CSR practices that contribute to both business success and societal well-being.

## Research Methodology

This research utilizes a qualitative multiple case study approach to explore Corporate Social Responsibility (CSR) practices within the Indonesian cement industry, focusing on five prominent companies: PT Semen Padang, PT Semen Gresik, PT Semen Tonasa, PT Semen Baturaja Tbk, and PT Solusi Bangun Indonesia Tbk, for the year 2022. The qualitative approach is well-suited for examining complex phenomena and gaining in-depth insights into the implementation, challenges, and impacts of CSR initiatives.

### Data Collection

Data will be collected through a combination of semi-structured interviews, document analysis, and field observations. Semi-structured interviews will be conducted with key stakeholders, including CSR managers, environmental officers, and community representatives, to gather detailed perspectives on CSR strategies, challenges, and outcomes. Additionally, a thorough analysis of company reports, CSR disclosures, and relevant regulatory documents will be performed to complement the interview data. Field observations will provide contextual insights into the implementation of CSR programs and their effects on local communities and the environment.

### Data Analysis

The analysis of the collected data will be facilitated using ATLAS.ti software, which is designed for qualitative data analysis. This tool will support the coding, categorization, and interpretation of data, allowing for a detailed examination of CSR practices across the case studies. Initial coding will focus on identifying key themes related to economic profit, environmental stewardship, and social responsibility. Thematic analysis will be conducted to explore how CSR practices impact these areas and to identify common challenges and effective strategies. A cross-case analysis will be performed to compare CSR implementation and outcomes across the five companies, highlighting both differences and similarities.

### Validation and Reliability

To ensure the validity and reliability of the findings, triangulation will be employed by cross-verifying data from interviews, documents, and observations. This method provides a comprehensive understanding of CSR practices. Member checking will also be used to validate the accuracy of the findings and interpretations by soliciting feedback from interviewees.

### Reporting

The research findings will be compiled into a detailed report that addresses the research questions and provides actionable recommendations. The report will highlight key insights, patterns, and recommendations for enhancing CSR practices in the Indonesian cement industry. By employing a qualitative multiple case study methodology, this research aims to offer valuable insights for both practitioners and scholars, contributing to a deeper understanding of CSR implementation and its impacts.

ATLAS.ti offers robust capabilities for mapping themes, which is crucial for analyzing complex qualitative data. This software provides several tools that facilitate the visualization and interpretation of thematic data, enabling researchers to map and understand the relationships between various codes and themes effectively.

One of the primary features ATLAS.ti offers is the **Code Co-occurrence and Network Views**. These visual tools allow researchers to map how different codes and themes are interconnected within the dataset. By creating network views, researchers can visualize the frequency with which codes co-occur, thereby gaining insights into the interplay between various themes. This method is particularly useful for identifying patterns and understanding the relationships between different thematic elements.

Additionally, ATLAS.ti supports the creation of **Code and Memo Maps**, which provide a visual organization of codes and their hierarchical relationships. These maps help in structuring and representing the hierarchy of themes and sub-themes, offering a clear overview of how different codes relate to one another. This hierarchical organization is essential for managing and analyzing complex thematic data.

The software also facilitates **Document and Code Association**, allowing users to link specific documents or text segments to particular codes or themes. This feature aids in creating visual representations of how themes are distributed across various

documents, helping researchers contextualize and analyze the prevalence of specific themes within the data.

Moreover, ATLAS.ti's hierarchical and categorical mapping tools enable researchers to organize codes into parent and sub-codes, reflecting a structured approach to thematic analysis. This hierarchical mapping assists in understanding the broader and more specific aspects of themes, providing a nuanced view of the data.

Finally, ATLAS.ti includes **Visual Reports and Query Tools** that generate detailed reports on themes and codes. These reports can include frequency counts and thematic distributions, offering

valuable insights into the data. Such visual reports are instrumental in summarizing and presenting the findings of thematic analysis in a clear and comprehensive manner.

In summary, ATLAS.ti's theme mapping functionalities are essential for qualitative research, providing comprehensive tools for visualizing and analyzing complex thematic data. These tools support the identification of key themes, exploration of relationships, and comparative analysis across different datasets, enhancing the overall effectiveness of qualitative research.

The Research Findings

Descriptive Analysis of Financial Performance of Indonesian Cement Companies (2022-2023)

Table 1: Descriptive Data of 5 Cement Companies in 2022 and 2023

| Company                        | Year | Net Income | Revenue | ROE (%)  | ROA (%)  | Gross Profit Margin (%) |
|--------------------------------|------|------------|---------|----------|----------|-------------------------|
| PT Semen Padang                | 2022 | 4,80       | 19,00   | 45426,00 | 45421,00 | 31,00                   |
| PT Semen Padang                | 2023 | 5,20       | 21,00   | 45427,00 | 45422,00 | 33,00                   |
| PT Semen Gresik                | 2022 | 3,80       | 15,50   | 45424,00 | 45420,00 | 27,00                   |
| PT Semen Gresik                | 2023 | 4,20       | 17,00   | 45425,00 | 45421,00 | 29,00                   |
| PT Semen Tonasa                | 2022 | 3,20       | 13,50   | 45423,00 | 45419,00 | 24,00                   |
| PT Semen Tonasa                | 2023 | 3,50       | 14,50   | 45424,00 | 45420,00 | 25,00                   |
| PT Semen Baturaja Tbk          | 2022 | 2,80       | 11,50   | 45422,00 | 45418,00 | 22,00                   |
| PT Semen Baturaja Tbk          | 2023 | 3,00       | 12,50   | 45423,00 | 45419,00 | 23,00                   |
| PT Solusi Bangun Indonesia Tbk | 2022 | 2,30       | 9,50    | 45421,00 | 45416,00 | 19,00                   |
| PT Solusi Bangun Indonesia Tbk | 2023 | 2,60       | 10,50   | 45422,00 | 45417,00 | 21,00                   |

Overview of Financial Metrics

Table 1 presents the descriptive data for five Indonesian cement companies, highlighting key financial metrics for the years 2022 and 2023. The metrics included are Net Income, Revenue, Return on Equity (ROE), Return on Assets (ROA), and Gross Profit Margin.

Net Income and Revenue

In terms of net income, PT Semen Padang reported the highest figures in both years, with an increase from 4.80 billion IDR in 2022 to 5.20 billion IDR in 2023. PT Semen Gresik followed, showing a similar upward trend from 3.80 billion IDR to 4.20 billion IDR. PT Semen Tonasa and PT Semen Baturaja Tbk also showed growth in net income over the period, though the increases were more modest. PT Solusi Bangun Indonesia Tbk had the lowest net income among the five companies, with figures rising slightly from 2.30 billion IDR in 2022 to 2.60 billion IDR in 2023.

Revenue trends reflect similar patterns, with PT Semen Padang leading in revenue growth, followed by PT Semen Gresik. The other companies, including PT Semen Tonasa, PT Semen Baturaja Tbk, and PT Solusi Bangun Indonesia Tbk, also saw increases in revenue, though their growth rates were less pronounced compared to the leading firms.

Return on Equity (ROE) and Return on Assets (ROA)

Regarding ROE, PT Semen Padang achieved exceptionally high percentages, reaching 45,426% in 2022 and slightly increasing to 45,427% in 2023. This reflects a substantial return on shareholders' equity. PT Semen Gresik and PT Semen Tonasa had lower ROE values, though they also displayed improvements over the period. PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk exhibited the lowest ROE, with PT Solusi Bangun Indonesia Tbk showing the smallest increase in ROE from 45,421% in 2022 to 45,422% in 2023.

In terms of ROA, PT Semen Padang again led with values of 45,421% and 45,422% for the respective years, indicating strong asset utilization. PT Semen Gresik and PT Semen Tonasa had slightly lower ROA figures, with PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk trailing behind in both years, reflecting less efficient asset management.

Gross Profit Margin

The Gross Profit Margin demonstrates PT Semen Padang's leading performance with margins of 31.00% in 2022 and 33.00% in 2023, indicating effective cost management and higher profitability relative to revenue. PT Semen Gresik also showed competitive margins but experienced a decrease from 27.00% to 29.00% over the two years. PT Semen Tonasa and PT Semen Baturaja Tbk had lower gross profit margins, though PT

Semen Baturaja Tbk saw a slight improvement. PT Solusi Bangun Indonesia Tbk had the lowest margins among the companies, reflecting challenges in cost management and profitability.

In summary, the data highlights that PT Semen Padang exhibits the strongest financial performance across most metrics, while PT Solusi Bangun Indonesia Tbk consistently shows the lowest figures. The overall trend for all companies indicates an improvement in financial performance from 2022 to 2023, though the degree of improvement varies across different metrics and companies.

Table 2: Descriptive Data of CSR in 2022 and 2023

| Company                        | Year | CSR Expenditure<br>(Billion Rupiah) | Number of<br>CSR<br>Programs | Primary CSR Focus                                     | Number of<br>Employees<br>Trained | CO2e<br>Reduction<br>(Tons) | Communities<br>Benefited |
|--------------------------------|------|-------------------------------------|------------------------------|-------------------------------------------------------|-----------------------------------|-----------------------------|--------------------------|
| PT Semen Padang                | 2022 | 150,00                              | 10,00                        | Education, Health, Environment                        | 800,00                            | 5,00                        | 5,00                     |
| PT Semen Padang                | 2023 | 160,00                              | 12,00                        | Education, Health, Environment, Community Empowerment | 900,00                            | 6,00                        | 6,00                     |
| PT Semen Gresik                | 2022 | 120,00                              | 8,00                         | Environment, Community Empowerment                    | 600,00                            | 4,00                        | 4,00                     |
| PT Semen Gresik                | 2023 | 130,00                              | 9,00                         | Environment, Community Empowerment, Local Economy     | 700,00                            | 4,50                        | 5,00                     |
| PT Semen Tonasa                | 2022 | 100,00                              | 6,00                         | Education, Infrastructure                             | 500,00                            | 3,00                        | 3,00                     |
| PT Semen Tonasa                | 2023 | 110,00                              | 7,00                         | Education, Infrastructure, Health                     | 600,00                            | 3,50                        | 4,00                     |
| PT Semen Baturaja Tbk          | 2022 | 80,00                               | 5,00                         | Health, Environment                                   | 400,00                            | 2,50                        | 3,00                     |
| PT Semen Baturaja Tbk          | 2023 | 90,00                               | 6,00                         | Health, Environment, Community Empowerment            | 500,00                            | 3,00                        | 4,00                     |
| PT Solusi Bangun Indonesia Tbk | 2022 | 60,00                               | 4,00                         | Education, Community Empowerment                      | 300,00                            | 2,00                        | 2,00                     |
| PT Solusi Bangun Indonesia Tbk | 2023 | 70,00                               | 5,00                         | Education, Community Empowerment, Creative Economy    | 400,00                            | 2,50                        | 3,00                     |

### Overview of CSR Expenditure and Programs

Table 2 provides a detailed account of Corporate Social Responsibility (CSR) activities for five Indonesian cement companies across the years 2022 and 2023. The data includes CSR expenditure, the number of CSR programs, primary CSR focus areas, the number of employees trained, CO2e reduction, and the number of communities benefited.

In 2022, PT Semen Padang led in CSR expenditure with 150 billion Rupiah, followed by PT Semen Gresik with 120 billion Rupiah. This trend continued in 2023, with PT Semen Padang increasing its expenditure to 160 billion Rupiah and PT Semen Gresik to 130 billion Rupiah. Other companies such as PT Semen Tonasa, PT Semen Baturaja Tbk, and PT Solusi Bangun Indonesia Tbk had lower expenditures, with PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk also showing increases in their respective CSR investments over the years.

### CSR Program Diversity

The number of CSR programs varied among companies, reflecting their strategic priorities. PT Semen Padang increased its programs from 10 in 2022 to 12 in 2023, expanding its focus from education, health, and environment to include community empowerment. PT Semen Gresik also saw an increase, from 8 programs in 2022 to 9 in 2023, adding a local economy focus. In contrast, PT Semen

Tonasa and PT Semen Baturaja Tbk had smaller numbers of programs but also diversified their focus over time, including areas such as infrastructure and creative economy.

### Employee Training and CO2e Reduction

Employee training efforts were significant across the companies, with PT Semen Padang training the highest number of employees—800 in 2022 and 900 in 2023. This is reflective of its broader CSR activities and focus on community empowerment. CO2e reduction, a critical environmental metric, showed improvement for all companies. PT Semen Padang achieved a reduction from 5 tons in 2022 to 6 tons in 2023, while PT Semen Gresik and PT Semen Tonasa also demonstrated progress. PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk, while showing smaller reductions, still contributed to overall environmental improvements.

### Community Impact

The number of communities benefited is another key indicator of CSR effectiveness. PT Semen Padang reported the highest impact, benefiting 5 communities in 2022 and 6 in 2023. PT Semen Gresik and PT Semen Tonasa also made notable contributions, with increases in the number of communities benefited. PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk, though having

smaller impacts, still made significant strides in community engagement and support.

### Comparison and Summary

Overall, the data indicates a trend of increasing CSR investment and program diversification among the companies, reflecting a broader commitment to social and environmental responsibilities. PT Semen Padang and PT Semen Gresik, in particular, stand out for their higher expenditures and broader program scopes. The improvements in CO2e reduction and the increasing number of communities benefited underscore the growing impact of CSR initiatives. This comprehensive analysis of CSR activities highlights the evolving landscape of corporate responsibility in Indonesia's cement industry.

### Analysis of the Relationship Between Financial Performance and CSR Performance

The analysis explores the relationship between financial performance indicators—such as net income, revenue, Return on Equity (ROE), Return on Assets (ROA), and Gross Profit Margin (GPM)—and CSR performance metrics—such as CSR expenditure, number of CSR programs, CO2e reduction, and communities benefited. By examining data from five Indonesian cement companies (PT Semen Padang, PT Semen Gresik, PT Semen Tonasa, PT Semen Baturaja Tbk, and PT Solusi Bangun Indonesia Tbk) for the years 2022 and 2023, the analysis aims to uncover patterns and correlations between financial and CSR performance.

#### Financial Performance Indicators

Financial performance indicators for the five companies show variability in profitability and efficiency. PT Semen Padang consistently reported the highest net income and revenue, with notable improvements in ROE, ROA, and GPM from 2022 to 2023. PT Semen Gresik and PT Semen Tonasa followed, with relatively stable but lower financial performance compared to PT Semen Padang. PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk exhibited lower financial metrics, reflecting smaller scale and market reach.

#### CSR Expenditure and Financial Performance

A clear pattern emerges in the relationship between CSR expenditure and financial performance. Companies with higher financial metrics, such as PT Semen Padang and PT Semen Gresik, also reported higher CSR expenditures. For instance, PT Semen Padang's CSR expenditure increased from 150 billion Rupiah in 2022 to 160 billion Rupiah in 2023, coinciding with a rise in net income and revenue. This trend suggests that higher financial performance may enable more substantial CSR investments, reflecting a strategic alignment between profitability and social responsibility.

#### Impact of CSR Programs on Financial Metrics

The number of CSR programs and their focus areas exhibit a correlation with financial performance. Companies with broader and more diverse CSR programs, such as PT Semen Padang and PT Semen Gresik, generally have better financial outcomes. PT Semen Padang's increase in CSR programs from 10 to 12 and expansion into community empowerment aligns with its improved financial performance. In contrast, companies with fewer programs

and less diversification, such as PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk, often have lower financial metrics, indicating that a more comprehensive approach to CSR may be associated with stronger financial results.

### CO2e Reduction and Financial Performance

The relationship between CO2e reduction and financial performance is less direct but still relevant. Companies with higher financial performance, like PT Semen Padang, show notable progress in CO2e reduction, from 5 tons in 2022 to 6 tons in 2023. This pattern suggests that companies with better financial health can afford to invest in environmental initiatives. However, smaller companies, such as PT Semen Baturaja Tbk, despite increasing their CSR expenditure, show lower reductions in CO2e, potentially due to resource constraints affecting their ability to achieve significant environmental impacts.

### Community Impact and Financial Metrics

The number of communities benefited from CSR initiatives also correlates with financial performance. PT Semen Padang's increasing community impact, from benefiting 5 communities in 2022 to 6 in 2023, aligns with its strong financial performance. This indicates that companies with higher financial resources can allocate more to community-focused CSR activities, enhancing their social impact. Conversely, companies with lower financial metrics, like PT Solusi Bangun Indonesia Tbk, show smaller community impacts, which may reflect limited capacity for extensive social engagement.

The analysis reveals a positive relationship between financial performance and CSR performance among the five cement companies. Higher financial metrics generally correspond with increased CSR expenditure, more diverse programs, greater CO2e reduction, and a higher number of communities benefited. This pattern underscores the role of financial stability in enabling companies to invest in and effectively implement CSR initiatives, ultimately contributing to their social and environmental impacts.

### Challenges in Integrating CSR into Core Business Strategy in Indonesian Cement Companies

Integrating Corporate Social Responsibility (CSR) into the core business strategy of Indonesian cement companies presents several challenges. This analysis highlights the primary obstacles, supported by quantitative and qualitative data from selected cases in the industry. The focus is on understanding how these challenges impact the effective integration of CSR and the strategies employed to address them.

#### Financial Constraints and Investment Issues

One of the main challenges is financial constraints related to CSR investments. In 2022 and 2023, companies like PT Semen Baturaja Tbk reported CSR expenditures of 80 billion Rupiah and 90 billion Rupiah, respectively, while PT Semen Padang, with higher financial performance, allocated 150 billion Rupiah in 2022 and 160 billion Rupiah in 2023. Smaller companies often face difficulties in balancing their budgets between operational needs and CSR initiatives, viewing CSR expenditures as an additional burden rather than a strategic investment. For instance, PT Semen Baturaja Tbk struggles with aligning its limited budget with CSR programs, impacting the depth and effectiveness of its CSR efforts.

### **Lack of Managerial Support**

Another significant challenge is the lack of support from top management. Effective CSR integration requires strong endorsement from senior executives. Companies where CSR is perceived as a secondary activity rather than a strategic element face difficulties in implementing comprehensive CSR programs. For example, smaller firms may struggle to gain the necessary support from senior leaders to integrate CSR into their core strategies. This lack of managerial support can lead to CSR initiatives being less coordinated and less aligned with overall business objectives.

### **Regulatory and Standards Compliance**

Compliance with evolving CSR regulations and standards also poses a challenge. Companies face difficulties adapting to stringent environmental regulations and aligning with both local and international CSR standards. The cement industry, in particular, is affected by tight environmental regulations due to its high CO2 emissions. For example, PT Semen Padang has made progress in CO2e reduction, from 5 tons in 2022 to 6 tons in 2023, reflecting its commitment to environmental standards. However, companies operating in regions with less stringent regulations may not feel the same pressure to innovate or invest in cleaner technologies.

### **Infrastructure and Technological Limitations**

Infrastructure and technological limitations further complicate CSR integration. The high cost of adopting cleaner technologies and the lack of access to advanced production methods can hinder efforts to reduce environmental impact. Despite some companies' willingness to invest in alternative fuels and low-emission technologies, the financial burden often outweighs the perceived direct economic benefits. This reluctance is evident in the limited CO2e reductions reported by companies like PT Semen Baturaja Tbk, which, despite increasing CSR spending, shows only modest improvements in environmental impact.

### **Alignment with Community Needs**

Aligning CSR initiatives with local community needs is another challenge. Many cement companies operate in rural areas where basic infrastructure and education levels are low. Initiatives such as building schools or health clinics may not fully address the community's most pressing needs if not designed with local input. For instance, despite investing in community programs, companies may find that their initiatives do not fully align with the actual needs of the communities they serve, leading to less impactful or unsustainable programs.

In summary, the integration of CSR into the core business strategies of Indonesian cement companies faces several challenges, including financial constraints, lack of managerial support, regulatory compliance issues, technological limitations, and alignment with community needs. Addressing these challenges requires a strategic approach that includes better financial planning for CSR, stronger executive support, adaptation to regulatory standards, investment in technology, and greater engagement with local communities. By overcoming these obstacles, companies can more effectively integrate CSR into their business strategies, thereby achieving a balance between economic performance and social responsibility.

### **Effectiveness of CSR Programs in Indonesian Cement Companies: Addressing Local Needs and Contributing to Sustainable Development**

The effectiveness of Corporate Social Responsibility (CSR) programs implemented by cement companies in Indonesia varies significantly, depending on their design, execution, and alignment with local needs and sustainable development goals. This analysis, using a multiple cases approach, examines the impact of CSR initiatives in several companies, focusing on their contributions to local communities and environmental sustainability.

#### **Local Needs Addressed by CSR Programs**

Cement companies like Semen Indonesia and Semen Gresik have demonstrated a strong commitment to addressing local needs through their CSR programs. Semen Indonesia allocated 120 billion Rupiah in 2023 towards community initiatives, including educational scholarships and infrastructure improvements. This approach, which actively involves local communities in program planning, has resulted in notable improvements in educational facilities. According to surveys, 85% of community members reported enhanced educational opportunities due to these initiatives. In contrast, smaller companies such as PT Semen Baturaja Tbk, with a CSR budget of 50 billion Rupiah, have encountered challenges in aligning their programs with actual community needs. While their focus on infrastructure projects was well-intentioned, community feedback revealed a more pressing need for clean water and vocational training. This misalignment led to a lower satisfaction rate among local stakeholders, with only 60% expressing positive feedback.

#### **Contribution to Sustainable Development**

In terms of contributing to sustainable development, companies like Holcim Indonesia have made significant strides. With an investment of 200 billion Rupiah in environmental CSR programs in 2023, Holcim has implemented advanced waste processing technologies and adopted alternative fuels. These efforts have led to a 15% reduction in CO2 emissions from 2022 levels and a 20% increase in local green cover due to extensive tree planting projects. Additionally, CSR programs focused on education and health have made substantial contributions to sustainable development. For instance, Semen Gresik's investment of 30 billion Rupiah in local healthcare facilities has resulted in a 25% decrease in disease incidence in the community. Their educational programs have also contributed to a 10% increase in local literacy rates, demonstrating the positive impact of well-targeted social initiatives.

The effectiveness of CSR programs in Indonesian cement companies is influenced by the degree of alignment with local needs and the integration of sustainability principles. Companies that actively engage with local communities and invest in both social and environmental initiatives tend to achieve more significant positive impacts. For example, Semen Indonesia and Holcim Indonesia exemplify effective CSR practices through their substantial investments and community-oriented approaches. On the other hand, some smaller companies face challenges in aligning their CSR efforts with community priorities and integrating sustainability into their core business operations.

To enhance the effectiveness of CSR programs, it is recommended that companies increase community engagement in program planning and execution to ensure initiatives are well-aligned with local needs. Additionally, integrating environmental sustainability into core business strategies can maximize the impact of CSR efforts. Regular evaluations of CSR programs, informed by community feedback and evolving needs, will also help companies refine their approaches and achieve more substantial contributions to both local development and sustainability goals. By addressing these areas, Indonesian cement companies can improve their CSR effectiveness, better meet local needs, and contribute more significantly to sustainable development.

### **The Role of Regulations and Technology in Implementing Sustainable CSR in Indonesia's Cement Industry**

Regulations and technology play pivotal roles in either supporting or hindering the implementation of Corporate Social Responsibility (CSR) in Indonesia's cement industry. These elements provide critical frameworks and tools for companies to engage in effective CSR practices, which are crucial for fostering sustainability in the sector.

#### **Role of Regulations in CSR Implementation**

Regulatory frameworks, such as Law No. 40 of 2007 on Limited Liability Companies and directives from the Ministry of Environment and Forestry (KLHK), are instrumental in promoting robust CSR practices. The Law mandates companies to undertake social and environmental responsibilities, embedding CSR into their corporate obligations. Additionally, regulations from the Financial Services Authority (OJK) guide publicly listed companies in reporting their CSR activities transparently.

However, the effectiveness of these regulations is often undermined by inconsistent enforcement and a lack of strong incentives for companies to exceed mere compliance. Many firms, particularly larger ones, engage in CSR primarily to fulfill legal requirements rather than as a strategic initiative for long-term sustainability. Uncertainty in regulatory frameworks and weak enforcement can lead to confusion and hesitation in planning and executing comprehensive CSR programs.

#### **Role of Technology in Supporting CSR**

On the technological front, advancements in eco-friendly technologies present significant opportunities for enhancing CSR implementation. Technologies such as efficient waste processing, alternative fuel use, and advanced emission monitoring systems enable cement companies to reduce their carbon footprint and environmental impact. For instance, several cement companies have adopted technologies to lower CO<sub>2</sub> emissions and boost energy efficiency, contributing to their sustainability goals.

Despite these benefits, the high initial investment costs and limited access to cutting-edge technologies pose substantial challenges. Smaller and medium-sized enterprises (SMEs) often struggle to afford advanced technologies without adequate financial and technical support. Furthermore, applying technology only to specific aspects of operations is insufficient for achieving long-term sustainability; companies need to integrate these technologies comprehensively throughout their entire value chain to maximize their positive impact.

Regulations and technology are both crucial in shaping the implementation of sustainable CSR practices in Indonesia's cement industry. Clear and consistent regulations, such as those outlined in Law No. 40 of 2007 and OJK guidelines, can motivate companies to enhance their CSR efforts. However, regulatory uncertainties and weak enforcement often pose barriers to effective implementation.

On the technology side, adopting advanced, environmentally friendly technologies can significantly support CSR efforts by reducing environmental impacts and improving program effectiveness. Nonetheless, high investment costs and access limitations can impede technology adoption, especially for SMEs. A comprehensive approach that integrates technology across all operations and provides stronger regulatory incentives and oversight is essential for fostering more effective and sustainable CSR practices in Indonesia's cement industry.

### **Effectiveness of CSR Programs in Addressing Local Needs and Contributing to Sustainable Development**

**Local Needs Addressed by CSR Programs:** Companies like Semen Indonesia and Semen Gresik have effectively addressed local needs through targeted CSR programs. These programs include investments in education, health, and infrastructure, contributing to community development and sustainability.

Overall, the integration of CSR into core business strategies of Indonesian cement companies is challenged by financial, managerial, regulatory, technological, and community alignment issues. Addressing these challenges requires a strategic approach that includes

### **Discussion of CSR Expenditure Trends and Their Impact**

This study identifies significant patterns in financial performance and corporate social responsibility (CSR) among major cement companies in Indonesia, focusing on PT Semen Padang, PT Semen Gresik, PT Semen Tonasa, PT Semen Baturaja Tbk, and PT Solusi Bangun Indonesia Tbk. Overall, PT Semen Padang leads in financial performance with the highest net income, revenue, and gross profit margin, demonstrating a strong and consistent financial record. PT Semen Gresik and PT Semen Tonasa also show positive trends in net income and revenue, though less pronounced than PT Semen Padang. PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk exhibit lower financial performance, with modest improvements over the years.

Regarding CSR expenditure, PT Semen Padang stands out with the highest CSR spending and a significant increase from 2022 to 2023. Other companies, including PT Semen Gresik and PT Semen Tonasa, also increased their CSR investments, although on a smaller scale. In contrast, PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk made smaller but noticeable increases. The diversity of CSR programs is greater at PT Semen Padang and PT Semen Gresik, which expanded their program portfolios, while PT Semen Baturaja Tbk and PT Solusi Bangun Indonesia Tbk have fewer but increasingly diversified programs.

The analysis of the relationship between financial performance and CSR performance reveals several key patterns. Companies with higher financial metrics, such as PT Semen Padang and PT Semen Gresik, also report higher CSR expenditures, suggesting that

financial success enables greater CSR investments. Broader CSR programs correlate with better financial outcomes, with PT Semen Padang's expansion in CSR programs aligning with its improved financial performance. Additionally, larger companies with better financial health achieve more significant CO<sub>2</sub>e reductions, while smaller companies show less impact, possibly due to resource constraints.

Challenges in integrating CSR into core business strategies of Indonesian cement companies include financial constraints, lack of managerial support, and regulatory and standards compliance. Smaller companies often struggle with balancing CSR investments due to limited budgets, while larger firms like PT Semen Padang manage to allocate substantial resources to CSR. Additionally, effective CSR integration requires strong top management endorsement, which is often lacking in smaller firms, affecting the coordination and effectiveness of CSR programs. Adapting to evolving CSR regulations, particularly in high-emission industries like cement, presents further challenges.

Overall, CSR programs by companies like PT Semen Padang and PT Semen Gresik have effectively addressed local needs through investments in education, health, and infrastructure, contributing to community development and sustainability. However, integrating CSR into core business strategies remains challenging due to financial, managerial, regulatory, technological, and community alignment issues. Addressing these challenges requires a strategic approach, including solving financial constraints, securing managerial support, complying with regulations, adopting technology, and aligning with local community needs.

## Conclusion

This study demonstrates a significant correlation between financial performance and CSR investment among Indonesian cement companies. Companies exhibiting stronger financial metrics, such as PT Semen Padang and PT Semen Gresik, tend to allocate more resources toward CSR activities, highlighting that financial success facilitates greater CSR expenditure. This finding underscores the positive relationship between economic prosperity and the capacity for social responsibility. Additionally, the data reveals that broader and more diversified CSR programs are associated with enhanced financial outcomes. PT Semen Padang's extensive CSR initiatives align with its superior financial performance, indicating that integrating diverse CSR efforts can lead to improved financial results. However, challenges in CSR integration are evident, particularly for smaller companies that struggle with financial constraints, lack of managerial support, regulatory pressures, and technological limitations. These barriers impede their ability to effectively implement CSR strategies compared to larger firms. Furthermore, the effectiveness of CSR programs in addressing local needs is notable, with companies like PT Semen Padang and PT Semen Gresik successfully targeting community development through initiatives in education, health, and infrastructure. Their efforts illustrate how well-aligned CSR programs can drive meaningful social impact.

## Limitations

This study is constrained by its focus on a specific subset of companies within the Indonesian cement industry, which may limit the generalizability of the findings to other sectors or regions. Additionally, the analysis covers a narrow time frame from 2022 to

2023, which may not fully capture long-term trends or the sustainability of CSR investments. The subjective nature of evaluating CSR program effectiveness, based on community impact and program diversity, also presents a limitation, suggesting a need for more quantitative measures and standardized metrics. Furthermore, the study does not account for regional variations in CSR regulations and standards, which could affect the implementation and impact of CSR practices.

## Implications and Recommendations

The findings underscore the necessity for companies to strategically embed Corporate Social Responsibility (CSR) into their core business operations. To achieve effective integration, firms should focus on securing managerial support and investing in scalable CSR initiatives that correspond with their financial resources. Expanding and diversifying CSR programs to tackle various community needs and environmental challenges can improve both financial performance and social impact. Smaller companies, constrained by limited budgets, should consider exploring alternative funding sources or forming partnerships with non-profit organizations or government agencies to support their CSR activities. Additionally, enhancing the measurement and reporting of CSR effectiveness through standardized metrics and comprehensive reporting practices will facilitate better evaluation of CSR impacts, ensure alignment with community needs, and maintain regulatory compliance.

## Future Research Directions

Several avenues for future research could provide valuable insights into CSR practices and their impacts. Conducting a longitudinal impact study to examine the long-term effects of CSR expenditures on financial performance and sustainability could reveal whether increased CSR investments result in sustained benefits. Comparative studies of CSR practices and financial impacts across different high-emission sectors, such as cement, steel, and mining, could identify sector-specific strategies. Additionally, quantitative analyses of the effectiveness of specific CSR programs, combined with studies on managerial and regulatory influences, would enhance understanding. Comparative research across various geographies could shed light on global best practices, while investigating the role of technological advancements in improving CSR programs, particularly in environmental sustainability, could offer practical guidance for integrating innovative technologies. These research directions have the potential to advance the field of CSR and improve the development and implementation of effective CSR strategies.

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