

# IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY IN COMPANIES AS A FORM OF EMPOWERMENT OF ISLAMIC ECONOMIC PRODUCTION PRINCIPLES

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## Abstract

From an Islamic perspective, production activities in companies are based on the principles or values adopted by Islamic teachings which are sourced from the Al-Qur'an and As-Sunnah which aim to obtain benefits for human life. One of them is by applying the concept of corporate social responsibility as a form of concern in building the surrounding environment to improve the quality of life for a better and more prosperous. This study aims to identify and analyze the implementation of the concept of corporate social responsibility as a form of embodiment of the principles of production activities in companies according to an Islamic perspective. This study uses a normative juridical approach, which is focused on examining the application of norms or norms in positive law. The results of this study indicate that production activities in the perspective of Islamic economics are not only oriented to gain profit alone but to obtain the benefit of the individual (self-interest) and the benefit of society (social interest) in a balanced way. The manifestation of the principle of justice in production is the implementation of corporate social responsibility or known as Corporate Social Responsibility which is in line with Islamic teachings which teach balanced responsibility in all its forms and scopes.

**Keywords:** Production, Economy, Corporate Social Responsibility.

## INTRODUCTION

Islamic economics is a “new” reality in today’s modern scientific world. Islam must be embraced completely and comprehensively by its people. Islam requires its people to realize Islam in all aspects of life. It is very unreasonable, for a Muslim to perform the five daily prayers, then on another occasion, he also conducts financial transactions that deviate from the teachings of Islam.<sup>1</sup> Islamic economics is an economy based on needs. Islamic economics starts from Allah SWT, aims at the end to Allah SWT, and uses facilities that cannot be separated from the Shari'a of Allah SWT.<sup>2</sup>

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<sup>1</sup> Mustofa Edwin Nasution, *Pengenalan Eksklusif Ekonomi Islam*, Kencana, Jakarta, 2007, Hal. 1-2.

<sup>2</sup> Yusuf Qardhawi, *Norma dan Etika Ekonomi Islam*, translated by Zainal Arifin and Dahlia Husein from the original book entitled “*Daurulqiyam Wal Akhlaq Fil Iqtishadil Islam*”, Gema Insani, Jakarta, 1997, Hal. 31.

According to Islam, economic activity is part of comprehensive life, based on values derived from the Qur'an and As-Sunnah which are applied to the relationship to Allah and humans simultaneously.<sup>3</sup> These values are the source of Islamic economics.<sup>4</sup> So that economic activity is bound by Islamic values, including in meeting needs. Islamic economics is fundamentally different from other economic systems. Fundamentally, the paradigm of the capitalist economic system is based on a market economy, the socialist economic system is based on Marxism, while the Islamic economic system is based on Islamic teachings and values sourced from the Qur'an, As-Sunnah, Ijma', and Qiyas.<sup>5</sup>

In the capitalist and socialist economic systems, both adhere to the notion of materialism in every economic activity, although the capitalist economic system is more concerned with individual rights and overrides the interests of the general public who uphold freedom.<sup>6</sup> This is known as "laissez-faire" which is an ideology that rejects government intervention in the economy or the principle of a free market that provides maximum good for all as stated by Adam Smith in *The Wealth of Nations*.<sup>7</sup> While the Islamic economic system is a system that provides solutions to various problems that arise in the economic world. Every economic activity carried out has a goal that provides the greatest benefit, even though in its implementation it only produces the smallest worldly profits, this is because every human being will be held accountable for all his actions, including in economic matters, especially actions that cause harm to other human beings.<sup>8</sup> Activities that support an economy where production, distribution, and consumption become an interrelated link. Where we have to produce goods or objects that can be useful for the consumers themselves.

According to economics, the definition of production is the activity of producing goods or services or activities that add value to the use or benefit of an item.<sup>9</sup> The general concept of production is which consumers prefer products that are available anywhere at affordable or low prices.<sup>10</sup> Production activities are human activities to produce goods and services to meet their needs, especially consumers. Production is the first activity carried out. Activities to create a product which means everything that is created and offered to consumers through sellers to meet needs. In the production process, it is necessary to have good product quality at the company which is one of the important policies in increasing the competitiveness of products that must give satisfaction to consumers. In essence, humans in meeting their daily needs aim to meet

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<sup>3</sup> Muhammad, *Ekonomi Islam*, Empat Dua, Malang, 2009, Hal. 135.

<sup>4</sup> Muhammad, *Prinsi-prinsip Ekonomi Islam*, Graha Ilmu, Yogyakarta, 2007, Hal. 1.

<sup>5</sup> Adul Ghafur, "Ekonomi Konvensional dan Ekonomi Islam", *Iqtisodiyah Journal*, Vol. 3, No. 2, Juni 2017, Hal. 32-37.

<sup>6</sup> M. Abdul Mannan, *Teori dan Praktik Ekonomi Islam*, translated by M. Nastangin, Dana Bakti Wakaf, Yogyakarta, 1995, Hal. 311-312.

<sup>7</sup> Alfred W. Stonier, Douglass C. Hague, *Teori Ekonomi*, Ghalia Indonesia, Jakarta, 1984, hal. 73. Lihat dalam Rustam Dahar, "Teori Invisible Hand Adam Smith Dalam Perspektif Ekonomi Islam", *E-Conomica Journal*, Vol. 2, No. 2, November 2012, Hal. 57-58.

<sup>8</sup> Adul Ghafur, *Op.Cit*, Hal. 45.

<sup>9</sup> Eko Supriyatno, *Ekonomi Mikro Perspektif Islam*, Sukses Offset, Yogyakarta, 2008, Hal. 157.

<sup>10</sup> M. Taufiq Amir, *Dinamika Pemasaran Jelajahi dan Rasakan*, PT. Raja Grafindo Persada, Jakarta, 2005, Hal. 19.

the needs of their lives. Among the necessary needs are goods and services, which can provide benefits to humans, both for themselves and for others. The value of this benefit is one of the factors of human needs or referred to as economic value in the perspective of economics.<sup>11</sup>

In Islamic economics, production is the most important part of economic activity, it can even be said as one of the pillars of the economy in addition to consumption, distribution, infaq, zakat, and alms. This is because production activities are human activities to produce goods and services to meet their needs, especially consumers. In the Islamic perspective, production is not only oriented to obtain as much profit as possible, although seeking profit is not prohibited in Islamic economics. The main purpose of production is for the benefit of individuals and society in a balanced way.<sup>12</sup> For Islam, producing something is not just for personal consumption or for sale in the market, but further emphasizes that every production activity must also realize a social function.<sup>13</sup> Thus, Muslim producers are here as caliphs and worship Allah SWT, because these activities must be based on the values and principles contained in the Qur'an and As-Sunnah.<sup>14</sup>

Economics divides needs into three, namely primary needs, secondary needs, and tertiary needs.<sup>15</sup> Meanwhile, the needs according to Islamic law in the maqasyid ash-syariah concept are called daruriyat (primary benefit), hajiyat (secondary benefit), and tahsiniyat (tertiary benefit).<sup>16</sup> In producing an item, one seeks to create *maslahah*, were seeking profit through production is not prohibited as long as it is in accordance with the Shari'a. The profit sought is not looking for the maximum profit by setting a profit above normal.<sup>17</sup>

The concept of production in Islamic economics is not solely motivated by maximizing world profits but more importantly to maximizing profits in the hereafter.<sup>18</sup> The benefits of the hereafter are obtained when a person works and produces solely as part of a religious commandment regarding work. While the benefits of the world will benefit and inner satisfaction can create something useful both for oneself and others, besides that it also earns income or profit.<sup>19</sup> Conventional economics sometimes forgets where its products flow, as long as economic efficiency is achieved with adequate profits. Only certain groups of people consume these goods or services which results in

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<sup>11</sup> Misbahul Ali dan Nura Widani, "Implementasi Prinsip Ekonomi Syariah Dalam Produksi Makanan Di RM Pramsmanan Tapen Bondowoso", *al-Idārah Journal*, Vol. 1, No. 1, Februari 2020, hal. 74.

<sup>12</sup> Idri, *Hadis Ekonomi (Ekonomi dalam Perspektif Hadis Nabi)*, Prenamedia Group, Jakarta, 2015, Hal. 62.

<sup>13</sup> *Ibid*, Hal. 63.

<sup>14</sup> Didin Hafiduddin, *Islam Aplikatif*, Gema Insani, Jakarta, 2003, Hal. 28.

<sup>15</sup> H. Zainur, "Konsep Dasar Kebutuhan Manusia Menurut Perspektif Ekonomi Islam", *An-Nahl Journal*, Vol. 9, No. 5, Juni 2017, Hal. 38.

<sup>16</sup> Ghofar shidiq, "Teori Maqashid Al-Syariah Dalam Hukum Islam", *Sultan Agung Journal*, Vol. XLIV, No. 118, Juni-Agustus 2009, Hal. 123-124.

<sup>17</sup> *Ibid*.

<sup>18</sup> Idri, *Op.Cit*, Hal. 61.

<sup>19</sup> Abdul Aziz, *Ekonomi Islam Analisis Mikro dan Makro*, Graha Ilmu, Yogyakarta, 2008, Hal. 62.

the emergence of a consumerist culture. This is not in accordance with Islamic teachings which link the purpose of production to benefit.<sup>20</sup> The framework of the Islamic production concept emerges as a moral basis for carrying out production activities. The basis of morality in question is the principle of Islamic economic production that affects economic growth, distributive justice, environmental conservation programs, as well as corporate social responsibility.<sup>21</sup>

Today, companies have additional obligations, namely carrying out social responsibilities as stated in Article 74 of Law Number 40 of 2007 concerning Limited Liability Companies. Responsibilities are related to rights and obligations, which in the end can lead to two forms of awareness, namely: *First*, awareness that arises from one's conscience which is often referred to as ethics and morals. *Second*, legal awareness is coercive because it has to fulfill demands accompanied by legal sanctions. In this regard, the word of Allah SWT in the Qur'an Surah Al-Baqarah verse 30 says that humans as caliphs on this earth, humans are required to be able to lead the world based on conscience and noble divine teachings. Humans should not lead solely based on logical and emotional considerations, especially for the sake of pursuing personal and group interests without paying attention to the interests of the environment and society at large.

In this case, corporate social responsibility is a form of concern in building the surrounding environment to improve the quality of life for a better and more prosperous. The concept of ethics in Islamic business itself has been exemplified by the characteristics of the Prophet Muhammad SAW., as a trader where in addition to his dedication and tenacity, he also has the characteristics of shidiq, fathanah, amanah and tabligh coupled with istiqoma. In relation to corporate social responsibility, Islam has a balanced principle of accountability in all its forms and scopes. Between soul and body, between individuals and families, between individuals and society, and between one society and another.

Based on the description of the Islamic economic system and production above, the authors are interested in discussing the principles of Islamic economic production in economic activities in Indonesian society, namely the application of the concept of corporate social responsibility in carrying out production activities.

## RESEARCH METHODS

The writing of this journal uses a normative juridical approach which is research focused on examining the application of rules or norms in positive law.<sup>22</sup> Furthermore, the legal materials used in this journal research are secondary data obtained from library research by examining library materials that are ready to be published, their forms and

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<sup>20</sup> Ika Yunia Fauzia dan Abdul Kadir Riyadi, *Prinsip Dasar Ekonomi Islam Perspektif Maqashid Al-Syariah*, Prenadamedia Group, Jakarta 2014, Hal. 129.

<sup>21</sup> Fahrudin Sukarno, "Etika Produksi Ekonomi Islam", *Ekonomi Islam Al-Infaq Journal*, Vol. 1, No. 1, September 2010, Hal. 50.

<sup>22</sup> Johnny Ibrahim, *Teori dan Metodologi Penelitian Hukum Normatif*, Bayumedia Publishing, Malang, 2006, Hal. 295.

contents have been compiled by previous researchers and can be obtained without being bound by time and place.<sup>23</sup> Then the data that has been obtained is analyzed using a descriptive analysis technique to answer the problems raised in this journal through an analysis of legal materials and legislation.

## RESULTS AND DISCUSSION

### A. Principles of Production in Islamic Economics

The word production can be interpreted as the process of issuing results, or income. The definition of production includes all activities, including the process, that can create results, income, and manufacture.<sup>24</sup> In Islamic economics, the word production is one of the most important keywords, from the concept and idea of production it is emphasized that the main goal to be achieved by economic activity is for the benefit of the individual (self-interest) and the benefit of society (social interest) in a balanced way.<sup>25</sup>

In Arabic, according to Muhammad Rawwas Qalahji the word "production" is matched with the word *al-intaj* which means "ijadu sil'atin" in Indonesian can be interpreted as "to create or make something" or "*khidmatu mu'ayyanatin bi istikhdamu muzayyajin min, anashir al-intaj dhamina itharu zamanin muhaddadin*" means "clear services by demanding assistance in combining the elements of production which are framed within a limited time". Furthermore, according to Sofyan Assauri who stated that production is all activities in creating and increasing the utility of an item or service, for which activities are needed production factors in economics in the form of organization, managerial, and skills.<sup>26</sup>

According to the conventional economic view, production is an activity that is not only oriented to goods and services but a process of converting a combination of inputs into outputs, which focuses on achieving maximum profit.<sup>27</sup> Meanwhile, according to Islamic economics, production emphasizes optimizing efficiency and optimizing profits. Production in the view of Islamic economics is not only looking for profit but worship-oriented so that whatever goods are produced, an Islamic producer will emphasize ethics in production.<sup>28</sup> Thus, production activities in the perspective of Islamic economics are related to humans and their existence in economic activities.

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<sup>23</sup> Soerjono Soekanto dan Sri Mamudji, *Penelitian Hukum Normatif: Suatu Tinjauan Singkat*, PT. Raja Grafindo Persada, Cetakan Ke-5, Jakarta, 2001, Hal. 37.

<sup>24</sup> Damsar, *Pengantar Sosiologi Ekonomi*, Prenada Media Group, Jakarta, 2009, Hal. 67.

<sup>25</sup> Monzer Khaf, *Ekonomi Islam, (Telaah Analitik Terhadap Fungsi System Ekonomi Islam)*, diterjemahkan oleh Machnun Husein dari buku asli berjudul "*The Islamic Economy: Analytical of the Functioning of the Islamic Economic System*", Pustaka Pelajar, Yogyakarta, 1995, Hal. 57.

<sup>26</sup> Sofyan Assauri, *Manajemen Produksi*, Penerbit FEUL, Jakarta, 1980, Hal. 7.

<sup>27</sup> Adiwarman Karim, *Ekonomi Mikro Islam*, RajaGrafindo Persada, Jakarta, 2007, Hal. 101.

<sup>28</sup> *Ibid.*, Hal. 251.

In the Qur'an there are words of God that explain production activities, as contained in Surah An-Nahl verses 5-8, which reads as follows:

وَالْأَنْعَامَ خَلَقَهَا لَكُمْ فِيهَا دِفْءٌ وَمَنَافِعُ وَمِنْهَا تَأْكُلُونَ

Meaning: “*And He has created cattle for you; in it, there is (feathers) that warms and various benefits, and some of it you eat*” - (An-Nahl verse 5).

وَلَكُمْ فِيهَا جَمَالٌ حِينَ تُرِيحُونَ وَحِينَ تَسْرَحُونَ

Meaning: “*And you get a beautiful view of it when you bring it back to the stable and when you release it to the pasture*” - (An-Nahl verse 6).

وَتَحْمِلُ أُنْقَالَكُمْ إِلَىٰ بَلَدٍ لَّمْ تَكُونُوا بِالْغَيْهِ إِلَّا يَشِقُّ الْإِنْفُسَ ۚ إِنَّ رَبَّكُمْ لَرَّءُوفٌ رَّحِيمٌ

Meaning: “*And he carried your burdens to a land that you were not able to reach him, but with hardships (which are debilitating) yourself. Verily, your Lord is Most Gracious, Most Merciful*” - (An-Nahl verse 7).

وَالْخَيْلَ وَالْبِغَالَ وَالْحَمِيرَ لِتَرْكَبُوهَا وَزِينَةً ۚ وَيَخْلُقُ مَا لَا تَعْلَمُونَ

Meaning: “*And (He has created) horses, mules and donkeys, so that you may ride them and (make them) adornments. And Allah created what you do not know*” - (Surah An-Nahl verse 8).

Broadly speaking, each definition states that every human interest following the rules and principles of the Shari'a must be the target of production activity. Production is the process of finding, allocating, and processing resources into outputs to improve and provide benefits for humans.<sup>29</sup> The understanding of production in Islamic economics means a form of hard work in developing source factors that are permitted by sharia and multiplying income with the aim of community welfare, sustaining existence, and elevating human status. Production efficiency in conventional concepts related to the minimization of input costs, including labor inputs. While efficiency in Islamic production is more related to the use of production principles that are following Islamic sharia.<sup>30</sup> In production, there must be principles, therefore a good company is a company that carries out its production in accordance with Islamic principles.

<sup>29</sup> M. Nur Rianto Al Arif, *Pengantar Ekonomi Syariah*, CV. Pustaka Setia, Bandung, 2015, Hal. 211-212.

<sup>30</sup> Lukman Hakim, *Prinsip-Prinsip Ekonomi Islam*, Erlangga, Jakarta, 2012, Hal. 65.

The following will describe the principles of production which in the perspective of Islamic economics can be used in carrying out production activities in people's lives, including:

### 1. Tawhid

According to Chapra, he views that there are three basic principles of Islam, namely tawhid, khilafah and 'adlah (justice) as a framework that not only forms the Islamic Worldview but also maqashid al-syariah (Islamic goals).<sup>31</sup> The principle of tawhid is a fundamental teaching of Islam. In production activities, this principle states that producers carry out their activities because they are subject to Allah SWT and are motivated to worship Him. Based on this principle Allah SWT establishes limits, rules, and laws for the productive activities of human beings, affirming their obligation to Allah. The implementation of principle of tawhid in production activities is realized from the resulting products in the form of products that are halal toyiban and avoid elements of ribawi, gharar, maisir, or riswah.<sup>32</sup> The implementation of the principle of tawhid can be done through.<sup>33</sup>

- a. Producers do not only seek profit but also earn profit from worship, provide benefits to others, and actualize their abilities as servants of Allah SWT;
- b. The motivation to worship provides as many benefits as possible to consumers;
- c. Producing halal and good goods and services;
- d. Develop good corporate governance to generate healthy growth and business continuity;
- e. Carry out production mechanisms with effective and efficient principles, through business feasibility analysis, risk management, business analysis, and so on;
- f. Paying zakat, alms, and infaq both by producers and employees at various levels;
- g. Carry out corporate social responsibility and other humanitarian programs that are useful for company stakeholders including the surrounding community;
- h. Treat employees and other stakeholders fairly and proportionally.

### 2. Humanity

Based on this principle, production activities are not merely economic activities, but also a form of human devotion to His Creator and the relationship between humans and nature. Implementation of production activities on this principle, where all humans have the right to actualize their productive abilities to increase their welfare capacity. The implementation of this principle is:<sup>34</sup>

- a. Provide broad opportunities for every human being to actualize his economic capacity;
- b. A producer produces goods and services based on the categories of human needs to make life easier in the world;

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<sup>31</sup> Veithzal Riva'i dan Andi Buchari, *Islamic Economics Ekonomi Syariah Bukan Opsi, Tetapi Solusi*, Bumi Aksara, Jakarta, 2009), Hal. 379.

<sup>32</sup> Fahrudin Sukarno, *Etika Produksi Perspektif Agama Islam*, Al Azhar, Bogor, 2010, Hal. 44.

<sup>33</sup> *Ibid*, Hal. 267.

<sup>34</sup> *Ibid*.

- c. Maximizing profits must be accompanied by efforts to maximize social returns, especially for groups in need;
- d. Prohibition of producing goods and services that cause harm, is haram and destroys the loss of human dignity;
- e. Maintaining the brotherhood of fellow human beings;
- f. The principle of humanity is the goal of production activities, namely to glorify human dignity as servants of Allah SWT.

### 3. Justice

This principle asserts that dealing fairly with everyone will increase the production capacity and quality of human life. To increase the volume of human welfare in general. In the concept of Islamic production, the form of justice is distributive which has two meanings. First, the parties involved get a portion of the welfare following the inputs they provide proportionally. Second, the rights of the community and consumers as production stakeholders must be fulfilled by producers. Implementation of the principle of justice can be done in the following ways:<sup>35</sup>

- a. Fulfilling the rights of workers according to their capacity while still paying attention to the integrity of human beings;
- b. Paying zakat, infaq, alms, and Corporate Social Responsibility for less fortunate groups;
- c. Implement profit-sharing mechanisms (mudharabah and musharaka) in the capital and funding transaction system;
- d. Carry out conservation and preservation of natural resources;
- e. Engineering a full-employment (labor-intensive) production sector to eradicate unemployment and poverty.

### 4. Goodness

This principle emphasizes the understanding that humans should do as much good as possible in their lives. This principle is the basis of production activities in Islam, namely improving the quality of human life collectively. In the application of this principle, producers cannot arbitrarily exploit and explore natural resources unless accompanied by maintenance and conservation measures. The implementation of this principle of virtue can be done in the following ways:<sup>36</sup>

- a. Develop strategic policies in improving the quality of Human Resources in the company through training activities, opening libraries, or transforming knowledge according to their fields.
- b. Producers color their production activities with virtue, starting from the management of capital, processes, and production results.
- c. In terms of process, respect for performance, employees, management and transparency and neatness, ways of making decisions, strategically developing

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<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*



business, ways of responding to competitors, and exporting resources are carried out with effective and efficient schemes.

#### 5. Freedom And Responsibility

The principles of freedom and responsibility are inherent. Production activities take advantage of, explore and manage economic resources with prohibitions against damaging them and are responsible for preserving them. This indicates that the principle of freedom and responsibility means that to become a quality human being, every free human act must contain moral and psychological implications, namely responsibility to oneself, society, and God. The implementation of the principles of freedom and responsibility can be carried out in the following ways:<sup>37</sup>

- a. Producers are free to own assets by increasing their production capacity along with the responsibility to pay zakat, infaq, and preserve the environment;
- b. Producers are free to seek to increase the value of their wealth with the responsibility to utilize and invest their assets in a lawful transaction mechanism;
- c. Producers are free to develop their business accompanied by an obligation to pay attention to the welfare of employees, gradually increase their abilities, and empower the surrounding community with strategic economic programs;
- d. Producers are free to apply their business capabilities along with the responsibility to increase economic growth, distribute wealth, alleviate poverty and provide jobs for the community.

### **B. Implementation of Corporate Social Responsibility in Production Activities in Companies According to Islamic Economics Production Principles**

In Indonesia, corporate social responsibility is a business ethic which is reflected in the provisions of Article 15 of Law Number 25 of 2007 concerning Investment, which states that every investor is obliged to:

1. Applying the principles of good corporate governance.
2. Implement corporate social responsibility.
3. Make a report on investment activities and submit it to the Investment Coordinating Board.
4. Comply with all provisions of laws and regulations.

Then, the provisions of Article 15 (b) further explain that "corporate social responsibility" is the responsibility inherent in every investment company to continue to create harmonious, balanced, and in accordance with the environment, values, norms, and culture of the local community. Furthermore, the provisions in Article 74 of Law Number 40 of 2007 concerning Limited Liability Companies, stipulate that:

1. Companies that carry out their business activities in the field and/or related to natural resources are required to carry out Social and Environmental Responsibility.

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<sup>37</sup> *Ibid.*

2. Social and Environmental Responsibility is the obligation of the Company which is budgeted and calculated as the Company's expenses, the implementation of which is carried out with due regard to propriety and fairness.
3. Companies that do not carry out their Social and Environmental Responsibility obligations will be subject to sanctions following the provisions of laws and regulations.
4. Further provisions on Social and Environmental Responsibility shall be regulated by Government Regulation.

In carrying out its social responsibility, the company focuses its attention on three things, namely profit (profit), society (people), and the environment (planet).<sup>38</sup> The company must have an adequate level of profitability because profit is the foundation for the company to be able to develop and maintain its existence. With adequate profits, the company can distribute dividends to shareholders, provide reasonable compensation to employees, allocate a portion of the profits earned for future business growth and development, pay taxes to the government, and provide many expected impacts on society. By paying attention to the community, the company can contribute to improving the quality of life of the community. Attention to the community can be done by the company carrying out activities and making policies that can improve the welfare, quality of life, and community competence in various fields. By paying attention to the environment, companies can participate in environmental conservation efforts in order to maintain the quality of human life in the long term. The company's involvement in the maintenance and preservation of the environment means that the company participates in efforts to prevent disasters and minimize the impact of disasters caused by environmental damage. By carrying out social responsibility, the company is expected to not only pursue short-term profits but also contribute to improving the quality of life of the community and the environment (especially the surrounding environment) in the long term.

Islam has a balanced principle of accountability in all its forms and scopes. Between soul and body, between individuals and families, between individuals and society and, between one society and another. Social responsibility refers to the obligations of a company to protect and contribute to the society in which the company is located. Islam encourages us to treat every Muslim fairly towards our fellow human beings.

The teachings of Islam are humans who sow goodness to other humans one day they will get good too and vice versa humans who sow seeds of evil to other humans then one day he will get worse too. Like a company that has a good image in the eyes of the public, the company will be chosen by the community in terms of its products.

There are fundamental differences between the concepts of secular and Islamic corporate social responsibility. Islamic corporate social responsibility relates to morals in carrying out business processes. Meanwhile, secular corporate social

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<sup>38</sup> Ismail Nawawi, *Islam dan Bisnis, Pendekatan Ekonomi dan Manajemen Doktrin, Teori dan Praktik*, Vivpress, Surabaya, 2011, Hal. 762.

responsibility is more about philanthropic programs. Islam does not look at what a person produces but the value is how the process he gets those results. Even though he gave a lot, but the process of getting funds illegally and giving because of *riya* (*riya*) then has no value in the sight of Allah SWT. Although the company does not have a philanthropy program, the business processes that have been built have made employees prosperous, shareholders satisfied, consumers are not harmed, the state gets taxes, the environment is well maintained, the community benefits.

According to Muhammad Djakfar, who stated that corporate social responsibility in Islam in detail must meet several elements that make it a spirit so that it can distinguish corporate social responsibility in an Islamic perspective from universal corporate social responsibility, as follows:<sup>39</sup>

#### 1. *Al-Adl*

The nature of balance or fairness in business is when the corporation can put everything in its place. In activities in the business world, Islam requires doing justice which is directed to the rights of others, the rights of the social environment, the rights of the universe. Islam also prohibits all forms of fraud, *gharar* (speculation), *najsi* (false advertising), *ihtikar* (hoarding goods) that will harm other parties. Islam demands a balance between self-interest and the interests of others, between the interests of the rich and the poor, between the rights of the buyer and the rights of the seller, and so on. This means that economic resources should not only accumulate among certain people or groups. In this regard, the fairness in implementing corporate social responsibility policies in the environmental sector can be seen from the programs implemented by the company on the surrounding environment, such as carrying out recovery or restoration of environmental damage caused by production activities carried out by the company. Then, to the community, the company applies charity programs, assistance, training, and others that are tailored to the needs of the community to support community development and welfare.

#### 2. *Al-Ihsan*

Islam only commands and recommends good deeds for humanity, so that the deeds done by humans can add value and elevate human status, both individually and in groups. Implementation of corporate social responsibility with the spirit of *Ihsan* will be owned when individuals or groups make contributions with the spirit of worship and act because of the pleasure of Allah SWT. *Ihsan* is doing good deeds, without any particular obligation to do so. *Ihsan* is beauty and perfection in the social system. Business based on the *Ihsan* element is intended as a process of good intentions, attitudes, and behavior, good transactions, and seeks to provide more benefits to stakeholders. If measured from *Ihsan*'s teachings, corporate social responsibility does not need to expect a reward from the person being helped.

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<sup>39</sup> Muhammad Djakfar, *Etika Bisnis dalam Perspektif Islam*, Malang Press, Malang, 2007, hal. 45-48.

Moreover, what is being helped is the poor who are completely limited in all aspects of life.

### 3. Benefits

The company has provided benefits related to operations engaged in production that is very much needed by the community. The concept of benefits in corporate social responsibility, beyond economic activity. Companies should provide broader and not static benefits, for example, related to the form of philanthropy in various social aspects such as education, health, empowerment of the marginalized, environmental conservation.

### 4. Amanah

Companies that implement corporate social responsibility must understand and maintain the trust of the community which is automatically burdened on their shoulders. For example, creating quality products, and avoiding inappropriate actions in every business activity. Trust in the company can be done with honest transparency to consumers, as well as Amanah in paying taxes, paying employees, and others. Trust on a macro scale can be realized by implementing social improvements and maintaining environmental balance.

In the Islamic perspective, the company's policy in carrying out corporate social responsibility there are three dominant forms of implementation, namely:

1. Corporate social responsibility to stakeholders, in this case, Islamic teachings encourage actors involved in economic activities to establish good partnership relationships and provide benefits and not cause harm. This form of social responsibility is directed to shareholders in the form of profitability as well as to human resources in the form of improving quality, both knowledge and skills, optimizing facilities and infrastructure, providing fair compensation that supports production activities and company survival.
2. Corporate social responsibility towards the natural environment, Islamic teachings uphold environmental sustainability, therefore in carrying out economic activities, especially in production, companies are encouraged to be able to carry out environmentally friendly production activities, and are responsible for the preservation of the human environment. As a form of social responsibility in terms of the environment, companies can carry out mitigation and prevention by building waste treatment facilities around the company and residential areas, managing household waste, repairing waterways, and preserving the environment in the form of planting trees to increase green open land.
3. Corporate social responsibility towards social welfare in general, companies in carrying out economic activities are not only for personal gain, but Muslims should pay attention to the welfare of the community, help each other and defend the weak. The form of social responsibility in terms of can be applied in various aspects. In the aspect of economic development, it is more directed to activities in the fields of agriculture, animal husbandry, cooperatives, and small

and medium enterprises to increase food production and develop more prosperous businesses. In the health aspect of nutrition funds, the community usually provides counseling, treatment, immunization for toddlers, sanitation programs, and others. In the education aspect, it includes the provision of scholarships for outstanding and underprivileged students, the provision of training and mentoring facilities, to achieve quality and competitive human resources. Then, on the social, cultural, religious, and infrastructure aspects, the priority is on social assistance, improvement of facilities and infrastructure, such as the renovation of places of worship, and so on.

Islam strongly supports corporate social responsibility because it cannot be denied that business creates many social problems, and companies are responsible for solving them. Businesses need various natural resources for business continuity, so companies are responsible for maintaining them.

## **CONCLUSION**

Production activities in the perspective of Islamic economics are all activities or activities carried out by humans as caliphs on this earth to realize the benefits of natural resources that have been provided by Allah to produce goods and services that have economic value to meet their needs. Production is not only oriented to gain profit alone but also to obtain the benefit of the individual (self-interest) and the benefit of society (social interest) in a balanced manner. To be able to realize this goal in production, it must have principles, therefore a good company is a company that in carrying out its production follows the principles following Islamic law, namely the principle of monotheism, the principle of humanity, the principle of justice, the principle of virtue, the principle of freedom and Responsibility. In business activity, one manifestation of the principle of justice is the implementation of corporate social responsibility or known as corporate social responsibility which is in line with Islamic teachings which teach balanced responsibility in all its forms and scopes. In carrying out production activities, the company has a social responsibility to the company's stakeholders by ensuring a good partnership relationship and providing benefits for every element involved in the survival of the company; social responsibility for environmental sustainability by taking efforts to overcome and prevent environmental damage caused by production activities; and social responsibility for social welfare in general, by making efforts, activities that support and improve welfare in various aspects of community life, such as education, health, religion, social, culture, and others.

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