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RESEARCH ARTICLE

Empowering Communities: Unraveling the Social Pillar of ESG in Indonesia's Agricultural Sector

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ABSTRACT

This research investigates how Indonesia's Agricultural enterprises shape the social aspects within the Environmental, Social, and Governance (ESG) frameworks framed through institutional logic. Adopting a qualitative methodology, the study utilizes in-depth interviews and thematic analysis through NVivo software to explore the interplay between investor pressure, regulatory compliance, and profit-driven business logic in ESG implementation. The findings reveal that the management of social aspects is driven by two dominant perspectives: the business and social perspectives. From a business standpoint, agricultural companies face significant challenges in responding to community feedback, which is crucial for enhancing the social impact of ESG initiatives. Additionally, limitations in ESG reporting and the tension between financial profitability and social responsibility emerge as central obstacles, heavily influenced by investor expectations and the need to maintain competitive positioning. On the social side, community empowerment, local labor engagement, and social investment are identified as key indicators of successful ESG implementation. The emphasis on employee welfare and safety further reflects a broader commitment to fulfilling regulatory requirements and aligning with evolving social norms. These findings underscore the need for agricultural companies to navigate the complexities of competing institutional logics, balancing external pressures with internal strategies for sustainable social impact.

INTRODUCTION

As an agrarian nation, Indonesia is endowed with abundant natural resources and strategic geographical advantages, making the agricultural sector a cornerstone of its economy. According to the Central Statistics Agency (BPS), as of February 2022, 38.7 million people, or 30.45% of Indonesia's workforce, were employed in agriculture, forestry, and fisheries (BPS, 2022). The sector sustains rural livelihoods and plays a critical role in national economic growth. On the Indonesia Stock Exchange, the agricultural sector is divided into six sub-sectors: food crops, plantations, animal husbandry, fisheries, forestry, and others. By the end of 2019, 21 agricultural companies were listed (IDX, 2019), attracting substantial interest from domestic and international investors (Rahmani et al., 2021). Despite its promise and profit potential, this vibrant sector faces significant sustainability challenges, particularly in the context of Environmental, Social, and Governance (ESG) practices.

While environmental sustainability is prioritized and governance mechanisms are evolving, a significant need for standardized frameworks for evaluating social performance in Indonesian agricultural companies remains. Social impact—including empowering local communities, ensuring fair labor practices, and fostering inclusive growth—is often relegated to secondary importance compared to environmental considerations (Diptya & Rohman, 2024). Furthermore, the absence of clear metrics and feedback mechanisms from affected communities complicates the integration of social responsibility into corporate ESG strategies (Mahmud & Ergun, 2022). This lack of clear guidelines hinders companies from developing comprehensive social programs, further impacting

their ability to demonstrate social accountability and attract socially responsible investments (Rahmani et al., 2021).

Adopting ESG frameworks is increasingly recognized as essential in balancing economic activities with ethical and sustainable practices, especially in sectors like agriculture with profound environmental and social impacts. Souza et al. (2023) highlight that agricultural companies must incorporate ESG-related activities to mitigate their adverse effects, such as deforestation, land degradation, and greenhouse gas emissions. These impacts threaten ecosystems and the social fabric of rural communities dependent on agriculture. As a result, companies are increasingly pressured to implement ESG practices that address these issues (Souza et al., 2023). ESG frameworks are structured around three key pillars: Environmental, Social, and Governance. While the environmental aspect focuses on resource management, pollution control, and climate change mitigation (Mahmud & Ergun, 2022), the social aspect addresses a company's relationships with its stakeholders, including employees, local communities, and broader societal welfare. The governance pillar emphasizes transparency, ethical business practices, and sound management structures (Mahmud & Ergun, 2022). However, despite the comprehensive scope of ESG, the emphasis in many sectors, including agriculture, remains disproportionately focused on the environmental component ('E'), often neglecting the crucial social impact that agricultural companies have on local communities and labor forces (Diptya & Rohman, 2024).

The successful implementation of ESG practices in foreign markets has led to significant positive outcomes, including market expansion and enhanced profitability (Dermawan et al., 2019; Kartika, Dermawan, & Hudaya, 2023). However, the challenge in Indonesia lies in the underdeveloped focus on the social aspects of ESG—such as labor rights, community engagement, and social welfare—despite the sector's massive employment footprint. The social dimension in ESG remains unmeasured mainly and underreported, leaving a gap in understanding how agricultural companies contribute to local development and employee well-being. Agricultural companies in Indonesia operate within a complex web of institutional logics, shaped by investor demands, regulatory compliance, and profit-driven business models. Investors increasingly pressure companies to align with international ESG standards, demanding accountability and transparency in both environmental and social domains. Regulators, conversely, enforce compliance with labor laws and community development mandates, yet implementing these regulations is inconsistent and often fails to produce measurable outcomes. Simultaneously, the conventional business logic of profit maximization tends to overshadow social considerations, leaving a significant gap in social impact reporting and accountability.

This study seeks to address the critical gap in social performance management within ESG frameworks by investigating the factors that shape how agricultural companies in Indonesia approach their social responsibilities. Utilizing a qualitative approach with in-depth interviews and thematic analysis via NVivo, the research explores the pressures exerted by investors, regulators, and profit-driven business imperatives—all of which are critical elements of Institutional Logics (IL). IL theory is essential for understanding how companies navigate these competing pressures, as it frames the often conflicting logics that influence corporate decision-making (Thornton, Ocasio, & Lounsbury, 2012).

Adopting Environmental, Social, and Governance (ESG) frameworks is increasingly recognized as essential for balancing economic activities with sustainability goals. The environmental and governance components of ESG have historically been well-documented, especially in sectors like agriculture, where environmental issues such as deforestation and land degradation take precedence (Mahmud & Ergun, 2022). However, the social pillar of ESG remains underexplored, particularly in developing economies like Indonesia. The social impact of ESG encompasses critical issues such as labor rights, community engagement, gender equality, and fair working conditions, all of which are vital for achieving sustainable development. Despite its significance, the social aspect often remains overshadowed by the environmental focus in agricultural companies (Diptya & Rohman, 2024).

We utilize Institutional Logics (IL) theory that provides a valuable framework for understanding how organizations navigate multiple, often competing, pressures in their decision-making processes. According to IL theory, organizations are shaped by different logics—sets of material practices and

symbolic constructions—that guide their behavior (Thornton, Ocasio, & Lounsbury, 2012). In the context of ESG, agricultural companies are influenced by three dominant logics: investor pressure, regulatory compliance, and conventional business logics driven by profit maximization.

1. Investor pressure: Investors increasingly demand that companies adopt socially responsible practices beyond financial performance. This shift is evident in the rising trend of socially responsible investing (SRI), where investment decisions are made based on a company's adherence to ESG criteria, including its social impact (Rahmani et al., 2021). For agricultural companies, responding to investor expectations often means adopting social initiatives related to labor rights, fair wages, and community welfare. However, this investor-driven focus on social responsibility can clash with the companies' traditional emphasis on maximizing profitability, creating a tension between financial performance and social accountability.

2. Regulatory compliance: Government regulations also play a critical role in shaping how agricultural companies manage their social responsibilities. In Indonesia, regulatory frameworks related to labor rights, community development, and gender equality require companies to demonstrate compliance with social standards (Souza et al., 2023). However, despite these regulatory pressures, the actual implementation and measurement of social impact remain inconsistent. Agricultural companies often struggle to align regulatory requirements with their internal business practices, particularly when regulations are perceived as burdensome or complex to measure quantitatively.

3. Conventional business logic: The traditional business logic of profit maximization remains dominant in agricultural companies. This logic emphasizes efficiency and cost reduction, often at the expense of social initiatives seen as non-essential or secondary to environmental sustainability. According to IL theory, this conventional logic can overshadow attempts to implement more robust social practices, as companies prioritize short-term financial gains over long-term social benefits (Thornton et al., 2012). The result is a disconnect between external pressures to adopt socially responsible practices and internal strategies focusing on profitability.

The social impact of ESG in the agricultural sector extends far beyond compliance with labor laws and community engagement. It involves addressing structural issues such as working conditions, poverty reduction, and gender equality—areas where agricultural companies in Indonesia have historically lagged. As noted in Figure 1, only 13% of ESG focus in agricultural companies is dedicated to social aspects, compared to a greater emphasis on environmental issues. One of the main challenges in addressing the social impact within ESG is the lack of standardized frameworks for measuring social performance. Unlike environmental metrics, which are often quantifiable (e.g., carbon emissions and water usage), social metrics—such as worker well-being, community empowerment, and social equity—are more difficult to define and measure. This challenge is compounded by the informal nature of agricultural labor in Indonesia, where a significant portion of the workforce operates without adequate protections or rights (FAO, 2020). According to the FAO, approximately 60% of agricultural workers are employed under informal conditions, lacking access to fair wages, healthcare, and safe working environments.

Additionally, unsustainable agricultural practices can result in the displacement of local communities, leading to the loss of homes and livelihoods. The forced displacement of communities for land expansion highlights the negative social impact of agricultural practices when social aspects are not adequately integrated into ESG frameworks. As Souza et al. (2023) noted, addressing these social issues requires companies to go beyond mere compliance and adopt proactive social policies aligning with sustainable development goals.

By applying Institutional Logics (IL) theory, this research aims to uncover the complex interplay between investor pressure, regulatory frameworks, and conventional business logics in shaping the social responsibilities of agricultural companies. Understanding these competing logics is essential for identifying how companies can balance profitability demands with the need to adopt socially responsible practices. IL theory helps explain why agricultural companies may prioritize environmental sustainability over social issues, as environmental initiatives often provide more immediate financial benefits and regulatory incentives (Thornton et al., 2012).

MATERIALS AND METHODS

This study adopts a qualitative research approach, grounded in the interpretivist paradigm, to explore the factors influencing the management of social aspects within ESG frameworks in Indonesian agricultural companies. Data were collected through semi-structured interviews and documentary analysis, providing a detailed understanding of how these companies navigate investor pressures, regulatory compliance, and profit-driven logics. The semi-structured interviews were conducted with 11 key stakeholders, including senior executives, ESG managers, and community relations officers, between May and July. The interviews focused on themes such as community engagement, labor practices, and social investment, with respondents providing insights based on their varying levels of experience, ranging from 1 to 34 years.

The documentary analysis complemented the interviews, examining ESG reports and internal documents to assess how social initiatives are formally implemented and reported. Both the interviews and documents were analyzed using NVivo 11 Plus software. The data underwent thematic analysis, identifying critical themes related to managing social ESG aspects. This involved an initial review of the transcripts and documents, followed by coding that revealed patterns in community feedback mechanisms, reporting limitations, and employee welfare initiatives.

The respondent profiles were diverse, encompassing senior management responsible for strategic decision-making, ESG managers overseeing the operational integration of ESG principles, and community relations officers directly involved with local communities. This diversity allowed the study to capture a broad spectrum of perspectives, ensuring a comprehensive understanding of how agricultural companies manage social aspects. The thematic analysis highlighted the institutional logics of investor pressures and regulatory requirements as crucial factors shaping the companies' approach to social responsibility.

RESULTS AND DISCUSSION

The interviews and documentary evidence analysis revealed significant challenges and opportunities in managing social aspects within ESG frameworks in Indonesian agricultural companies. While companies in the sector recognize the importance of social responsibility, the depth and effectiveness of their initiatives often vary depending on external pressures, internal priorities, and structural constraints. The following represents four main themes revealed from the transcriptions:

1. Social responsibility as a secondary concern

Across most agricultural companies analyzed, the social dimension of ESG is viewed as secondary to environmental and governance concerns. The environmental component of ESG, particularly concerning natural resource management, land usage, and pollution control, dominates many companies' sustainability strategies. In contrast, social initiatives—such as improving labor conditions, promoting community welfare, and addressing gender equality—are often seen as non-core or peripheral to the central business activities.

As mentioned, only 13% of agricultural companies' ESG efforts are dedicated to social issues, compared to the more robust focus on environmental sustainability. This disparity arises from the sector's heavy reliance on natural resources and its direct impact on ecosystems, which have historically commanded more regulatory and investor attention. Despite this, the social impacts of agricultural operations—particularly regarding labor rights, community displacement, and rural poverty—are equally pressing. One key theme that emerged is that many companies view social responsibility through a compliance lens rather than as a proactive strategy for long-term sustainability. In many cases, companies engage in social initiatives only when required to do so by external stakeholders, whether through investor demands or regulatory mandates. As one respondent noted:

"Social responsibility is something we know we need to do, but it often feels like we are doing it to satisfy external requirements rather than because it is part of our core business strategy."

This perspective reflects a broader disconnect between external pressures (investors and regulators) and internal business strategies prioritizing profitability and operational efficiency.

2. Fragmented approaches to social impact

The findings indicate that social initiatives within the ESG frameworks of agricultural companies tend to be fragmented and reactive rather than part of a cohesive, long-term strategy. This fragmentation stems from the competing demands of various stakeholders and the companies' limited capacity to address multiple ESG priorities simultaneously. While some companies have implemented community development programs or labor welfare initiatives, these efforts are often isolated and lack the integration necessary for sustained impact. For instance, several respondents discussed their companies' efforts to improve working conditions for agricultural laborers, but these initiatives were often limited in scope, focusing on short-term interventions rather than systemic change. One respondent highlighted the challenge of making social responsibility part of the everyday business model:

"We have initiatives to support local labor, but it is hard to make these efforts sustainable when dealing with external pressures like fluctuating market prices and operational costs."

The short-term nature of these initiatives suggests that companies may not yet view social responsibility as a strategic priority but rather as an add-on to their primary operations.

3. Community engagement: a missed opportunity

Another significant finding is the need for meaningful community engagement in most agricultural companies. While some companies have established community relations departments or CSR programs, these efforts often need more depth to address the complex social challenges faced by rural communities affected by agricultural operations. This lack of engagement is particularly concerning given that the majority of Indonesia's rural population relies on agriculture for their livelihoods, and unsustainable practices in the sector can exacerbate poverty, displacement, and social inequality.

One respondent acknowledged the gap in community engagement, stating:

"We do have community programs, but they are often reactive. We step in when a problem exists but do not have ongoing, structured engagement with local communities."

This reactive approach limits the potential for companies to act as partners in local development, missing an opportunity to foster trust and long-term social benefits for both the companies and the communities in which they operate.

4. Challenges in measuring social impact

A recurring challenge identified in the findings is measuring social impact. Unlike environmental metrics, often quantifiable through carbon emissions, water usage, or land management data, social metrics—such as worker well-being, community empowerment, and social equity—are more subjective and more complex to measure. The lack of standardized frameworks for social impact measurement further complicates this issue. Several respondents pointed out the ambiguity in defining and assessing the outcomes of social initiatives:

"We need help to measure the real impact of our social programs. It is easy to count how much we have invested, but harder to measure what kind of change we have created."

With clear metrics, companies can often demonstrate the effectiveness of their social initiatives, making it easier to justify continued investment in social programs.

Therefore, based on the information above, the analysis shows that the implementation of ESG by companies is influenced by a combination of investor pressure, regulation, and the need to maintain profitability. Investors and regulators play a crucial role in encouraging companies to carry out ESG practices, while business challenges and the need to maintain profitability are the main obstacles. The social perspective indicates that companies also strive to improve community relationships and enhance employee welfare through social initiatives and investments integrated into their business strategies.

Connecting the themes to the institutional logics

Within the Institutional Logic (IL) framework, three key factors influence the implementation of ESG in agricultural companies: investor pressure, regulatory influence, and profit-oriented business logic. Investors play a crucial role by setting expectations and providing feedback on companies' social impact, often driving the adoption of social responsibility practices to meet stakeholder demands (Espahbodi et al., 2019). Regulators establish standards and guide compliance, ensuring companies meet minimum social and environmental benchmarks. However, companies' profit-oriented logic frequently constrain ESG implementation, as the focus on financial returns can limit the resources allocated to social initiatives.

The coding process reveals a dynamic interaction between these institutional logics and the themes identified in the data. By mapping the codes along dimensions such as root metaphor, sources of legitimacy, sources of authority, sources of identity, and basis of norms (the Y-axis), it becomes clear how these logics shape the context and dynamics of ESG implementation. The findings show that the management of social aspects within ESG frameworks in the agricultural sector is primarily shaped by three primary logics: Investor Pressure, Regulatory Compliance, and Conventional Business-Driven Logics. These logics drive agricultural companies toward reactive or fragmented social initiatives, rather than fostering comprehensive and long-term social strategies.

Table 1: Logic dari coding

Kategori	**Investor Pressure on Social Sustainability**	**Regulatory Compliance**	**Conventional Business-Driven Logics**
Root Metaphor	Return on Investment, Risk Management, Sustainability	Legal Compliance, Policy Adherence, Enforcement	Profit Maximization, Cost Efficiency, Business Model Impact
Sources of Legitimacy	Investor Expectations, Market Confidence, ESG Reports	Government Mandates, Legal Standards, Certification	Market Performance, Financial Success, Corporate Reports
Sources of Authority	Shareholders, Investment Firms, Financial Analysts	Regulatory Bodies, Industry Authorities, Government Agencies	Corporate Management, Shareholders, Internal Policies
Sources of Identity	Sustainable Business, Responsible Investment, Risk Mitigation	Law-Abiding Entity, Compliant Organization, Regulatory Follower	Competitive Business Entity, Brand Recognition, Corporate Values
Basis of Norms	ESG Metrics, Transparency, Long-Term Value Creation	Compliance with Labor Laws, Social Standards, Legal Obligations	Business Ethics, Compliance with Industry Standards, Profitability

1. Investor pressure on social sustainability

The investor pressure logic drives the theme of social responsibility as a secondary concern. While investors, particularly Socially Responsible Investors (SRI), increasingly push companies to integrate social responsibility into their operations, this pressure often remains surface-level, focusing more on public reporting than genuine integration into business models. Table 1 illustrates that SRI investors expect them to demonstrate progress in labor rights and community engagement, but this often results in reactive efforts to meet reporting requirements rather than embedding social impact into the core business strategy. As one respondent mentioned, investors frequently request updates on community programs and labor conditions. However, the lack of clear social impact metrics makes it challenging for companies to show substantive outcomes. This reflects the broader challenge of measuring social impact—a theme directly tied to investor expectations.

The difficulty is that agricultural companies often prioritize financial returns, resulting in hesitation in investing in social programs that do not produce immediate, quantifiable results. Consequently, investor pressure drives a compliance-based approach to social responsibility, where companies do just enough to satisfy external demands without committing to long-term, impactful initiatives. The pressure to disclose social metrics in line with investor demands pushes companies to focus on reporting rather than addressing the underlying issues of social responsibility and community engagement. This results in a cycle of compliance-driven activities aimed at keeping investors satisfied, but without the structural change needed to make social responsibility part of the company's strategic priorities.

In managing the social aspects of ESG, community welfare, empowerment, and social impact play a critical role in determining how agricultural companies implement their social strategies. Companies must navigate the challenge of improving the welfare of local communities while ensuring that their social initiatives align with investor expectations for measurable outcomes. Empowering local communities through job creation and wage increases can strengthen community support for the company and enhance positive social impact (Silva & Figueiredo, 2022). However, these efforts are often shaped by the need to provide investors with clear, reportable metrics, leading to a focus on short-term gains rather than sustainable social programs.

Additionally, social programs, community approval, and CSR initiatives play significant roles in determining the effectiveness of a company's ESG implementation. Social programs designed to meet the needs of local communities, while simultaneously gaining community approval, can help build stronger relationships between the company and its stakeholders. CSR initiatives focused on improving quality of life, education, and local economic development are frequently used to demonstrate the company's commitment to social responsibility (Chris & Maili, 2020). Thornton et al. (2012) emphasize that these social programs often reflect an institutional logic geared towards creating value for broader society, thereby enhancing the company's social legitimacy. However, the success of these programs is frequently contingent on how companies interact with community leaders, social advocates, and how they respond to community feedback. With proper engagement, these initiatives may remain cosmetic and produce lasting social benefits (Economidou et al., 2023).

Community partnerships, social contributions, and a commitment to local development are critical elements in an agricultural company's social strategy. Collaborating with local organizations and making tangible contributions to community development showcases the company's dedication to sustainable development and strengthens relationships with local stakeholders. Supporting local projects and investing in initiatives that improve the quality of life for surrounding communities demonstrate the company's alignment with investor expectations for meaningful social engagement (Silva & Figueiredo, 2022). According to Thornton et al. (2012), these partnerships and commitments are often driven by an institutional logic that encourages companies to act as responsible social contributors, reflecting positively on their social metrics and disclosure practices.

Finally, social equity, cultural respect, and social responsibility are essential in shaping how companies manage their social responsibilities within the ESG framework. Ensuring social equity and respecting cultural values are integral parts of a company's ESG implementation, and these factors are closely scrutinized by investors when evaluating a company's social impact. Practices that promote diversity and uphold social responsibility help build a positive reputation and ensure that all ESG initiatives are carried out fairly and culturally respectfully (Chris & Maili, 2020). Thornton et al. (2012) emphasize that the institutional logic underlying social responsibility often drives companies to act reasonably and respect cultural norms, influencing investor perceptions of the company's social contributions.

2. Regulatory compliance

The regulatory compliance logic plays a critical role in shaping the compliance-oriented nature of social initiatives within agricultural companies. Companies often view government mandates and legal frameworks as the primary drivers of their social responsibility efforts, leading to a tick-the-box approach to labor laws and community engagement. While regulatory frameworks set minimum standards for social practices, many companies focus on legal compliance without going beyond what is required to create meaningful and sustainable social impact. This policy adherence results in reactive social initiatives, where companies engage with communities or improve labor conditions only when regulations demand it. As one respondent pointed out, regulatory standards serve more as a ceiling than a floor for social engagement, meaning that companies aim to meet the bare minimum to avoid penalties or reputational damage, rather than prioritizing social responsibility as part of their strategic vision.

This compliance-driven logic often leads to fragmented and short-term social initiatives, with efforts being isolated and disconnected from a broader vision of sustainable social development. Companies may improve labor conditions or support community engagement projects to fulfill legal requirements, but these initiatives are rarely integrated into the company's long-term sustainability goals. This approach focuses on regulatory compliance rather than proactively addressing the social impact of their operations.

Furthermore, the informality of agricultural labor complicates the effective implementation of social initiatives. Despite regulatory requirements, many agricultural workers operate outside formal labor protections, creating a gap between what is mandated by law and what is realistically achievable. This misalignment between formal regulatory standards and informal labor practices highlights the limitations of a regulatory-driven approach, where compliance with the law does not necessarily translate into improved social outcomes. Instead, companies may achieve legal compliance without addressing the deeper issues affecting worker welfare and community development.

3. Conventional business-driven logics

The influence of conventional business-driven logics, prioritizing profit maximization and cost efficiency, is evident in the secondary status of social responsibility and the lack of meaningful community engagement in agricultural companies. These companies often operate under the assumption that social initiatives do not directly contribute to financial returns, leading to the perception that such efforts are more of a cost than an investment. As a result, social responsibility is treated as a non-core function, pursued primarily in response to external pressures from investors or regulators rather than being part of a long-term strategic goal. This mindset results in companies focusing on short-term financial gains at the expense of long-term social benefits, particularly when profit maximization and efficiency are prioritized over social initiatives.

For instance, while environmental sustainability programs may offer straightforward financial returns by reducing operational costs or improving resource efficiency, social programs are often viewed as less immediately beneficial and relegated to secondary importance. One respondent pointed out, "It's hard to prioritize social programs when we don't see a direct return on investment."

This conventional logic also explains the need for sustained community engagement. Companies engage with local communities only when necessary, rarely maintaining structured, ongoing relationships that could lead to mutually beneficial outcomes. The displacement of communities due to unsustainable agricultural practices directly results from prioritizing operational efficiency over social impact, reflecting the profit-first approach embedded in conventional business logic.

The findings suggest that while investor pressure and regulatory compliance are essential drivers of social responsibility, more is needed to create lasting social impact. The profit-driven logic of prioritizing financial returns often undermines efforts to integrate social considerations into ESG strategies fully. To overcome these challenges, companies must move beyond a compliance-based approach to social responsibility and treat social impact as a core element of their long-term sustainability strategies.

In managing the social aspects of ESG, the business perspective plays a critical role in shaping both the implementation and reporting of ESG practices. Key factors such as profit maximization, efficiency, and business model impact significantly influence how companies integrate ESG into their operations. Agricultural companies often face the dilemma of balancing profit maximization with adopting ESG practices. According to Chris and Maili (2020), companies focused primarily on profit may overlook certain ESG aspects to maintain short-term financial efficiency. This is particularly relevant in the agricultural sector, where the costs of implementing environmentally and socially responsible practices can appear high and disrupt immediate profitability (Silvia & Figueiredo, 2022). As Thornton, Ocasio, and Lounsbury (2012) point out, companies navigate between institutional logics prioritizing profit and broader social norms encompassing ESG elements.

Moreover, market performance, financial success, and corporate reports are critical in directing a company's ESG policies. For agricultural companies, market performance and financial success often serve as the primary benchmarks for evaluating the success of ESG strategies. Companies that perform well in ESG reporting often experience improved market reputation and investor trust, which can boost market performance (Economidou et al., 2023). Thornton et al. (2012) emphasize that institutional logics play a vital role in shaping how companies develop strategies that integrate economic and social goals. Transparent corporate reports on ESG practices help companies build credibility and attract investment, which is especially important in the competitive agricultural sector (Chris & Maili, 2020).

Corporate management, shareholders, and internal policies significantly influence how ESG is managed. Corporate management must ensure that internal policies align with stakeholder expectations, including those of shareholders (Silvia & Figueiredo, 2022). According to Thornton et al. (2012), internal policies are often shaped by institutional logics, which can both guide and limit the policy choices available to companies. Establishing effective internal policies encourages agricultural companies to comply with ESG standards and strengthens their commitment to social responsibility.

Additionally, competitive business positioning, brand recognition, and corporate values are essential elements of an ESG strategy. In the highly competitive agricultural industry, strong brand recognition and corporate values often become critical differentiators in the market. Companies that effectively build a positive brand image through their commitment to ESG can gain significant competitive advantages (Economidou et al., 2023). Thornton et al. (2012) note that corporate values and brand recognition are governed by institutional logics that combine commercial and social objectives. By reinforcing corporate values through ESG initiatives, companies can enhance customer loyalty and build stronger ties with local communities.

Business ethics, compliance with industry standards, and internal accountability are crucial in ensuring that agricultural companies comply with ESG regulations and maintain high ethical standards. Adhering to industry standards and committing to business ethics ensures that companies remain compliant with regulations while upholding broader ESG principles (Chris & Maili, 2020).

Thornton et al. (2012) suggest that ethical logics and industry compliance reflect the pressures from both social norms and regulatory expectations. Internal accountability serves as a critical mechanism for monitoring and evaluating the effectiveness of ESG implementation, ensuring that companies remain on track in achieving their ESG goals.

CONCLUSION

This research has revealed that the management of the social aspects within ESG frameworks in agricultural companies is shaped by two primary factors: the business and social perspectives. From a business standpoint, managing social responsibility in agricultural companies is complex and challenging. Listening to and acting on community feedback is critical for maximizing the positive impact of social initiatives. Companies that engage effectively with local communities enhance their relationships and improve their reputation and market credibility. However, the research highlights that many companies face significant obstacles in ESG reporting, particularly in achieving transparency and accuracy. These challenges hinder their ability to present comprehensive ESG reports, impacting their attractiveness to investors and undermining stakeholder trust. Companies often struggle to balance financial profitability with social responsibility, as market pressures and community expectations frequently lead to tensions between economic gain and social integrity.

From a social perspective, empowering local communities and the workforce is critical to successful ESG implementation. Companies prioritizing fair employment opportunities and investing in local economic development demonstrate a solid commitment to social responsibility. The research underscores the importance of social investments in improving community welfare, which strengthens relationships with local communities, enhances operational efficiency, and bolsters the company's reputation. Furthermore, issues related to employee welfare and safety reflect ongoing challenges in ensuring the well-being of agricultural workers. Addressing these concerns requires a commitment to improving health and safety standards locally and globally, reinforcing the company's dedication to ethical and social responsibility.

Several recommendations are proposed for agricultural companies and other stakeholders. First, agricultural companies should evaluate and enhance their social programs, including community development projects and employee welfare initiatives, to ensure a more profound and lasting impact. Increased transparency and accuracy in ESG reporting are essential for building trust, attracting investments, and improving corporate reputation. Future research should explore interdisciplinary approaches, consider additional variables such as the role of technology or government policies in ESG implementation, and expand the scope of study to other sectors to gain broader insights.

Governments are encouraged to provide clear regulations and offer incentives for companies that successfully integrate social aspects into their ESG strategies. Public-private sector collaboration should also be promoted to ensure that local community interests are adequately represented and addressed. Communities and NGOs should take a more active role in implementing and evaluating corporate social programs, offering feedback and helping monitor the social impact of ESG initiatives. Finally, investors should scrutinize companies' ESG performance more closely, particularly their social responsibility efforts, and promote greater transparency in ESG reporting to encourage more responsible corporate operations.

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