



SOCIAL AND ENVIRONMENTAL COST, THEIR CONTRIBUTION TO CORPORATE FINANCIAL PERFORMANCE OF PT. ANEKA TAMBANG

Management

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ABSTRACT

In Indonesia, the awareness of the need to protect the environment is governed by Undang-Undang Perseroan Terbatas No. 40 of Article 74 of 2007, whereby companies engaged in business in the field of natural resources are obliged to carry out social and environmental responsibility. Therefore, to see the positive benefits to the company, an analysis of the role of corporate social responsibility (social cost and environmental cost) to the financial performance of one company in Indonesia, namely PT ANEKA TAMBANG (ANTAM), Tbk, a case study. Corporate social responsibility (CSR) is an important process in managing the costs and benefits of business activities with stakeholders both internally (workers, shareholders and investors) and externally (government, society and other companies), not limited to the concept of donor giving, but the concept is very broad and not static and passive, but it is the rights and obligations that are shared among stakeholders. This research uses quantitative analysis to determine the relationship between social cost and company environmental cost with corporate financial performance (profit). The social cost of PT. ANTAM have significant effect on corporate financial performance (profit) and environmental cost of PT. ANTAM have a significant effect on corporate financial performance (profit).

KEYWORDS

CSR, Social Cost, Environmental Cost, Corporate Financial Performance (Profit).

INTRODUCTION

CSR is the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the company itself, local community, and society in general. Corporate social responsibility is an ongoing commitment of an enterprise to be economically, legally, and ethically responsible for its economic impacts and actions on community and environmental communities to proactively undertake sustainable efforts to prevent potential negative impacts to society and the environment and Improve social and environmental quality (Lako, 2010 p 211).

Empirically, the company's commitment to implement, present and disclose CSR information in its corporate reporting has resulted in many economic benefits: *first*, firms can avoid or mitigate negative impacts on financial performance stemming from negative events or, from issues of externalities beyond the control of the company. *Second*, companies can create goodwill or other intangible assets that have a positive impact or a value creator for the company's financial performance. *Third*, companies can gain efficiency, reduce costs, and improve financial performance (Lako, 2010 p. 173). This is in accordance with the opinion of Watt and Zimmerman (1986) which states that the social costs incurred by the company has benefits in the eyes of the community, can increase corporate profits and can reduce the emergence of negative externalities.

Therefore, to see the positive benefits to the company, an analysis of the role of CSR (social cost and environmental cost) to the financial performance of one company in Indonesia, namely PT ANTAM, Tbk. The objectives of the research are to see how the implementation of CSR at PT. ANTAM Tbk. and analyze how much influence and relationship of social cost and environmental cost in CSR to company's financial performance PT. ANTAM. Tbk.

LITERATURE REVIEW

According to the concept of signal theory states that companies provide signals to outside parties with the aim of increasing the value of the company (Wirakusuma and Yuniasih, 2007). In addition to the required financial information the company also makes voluntary disclosures. One of the voluntary disclosures made by companies is the disclosure of CSR in the company's annual report. Disclosure of this CSR is a positive signal given by the company to an outsider of the company which will be responded by stakeholders and shareholders through changes in the company's stock price and changes in corporate profits.

According to Saidi and Abidin (2004: 64-65) there are at least four models of CSR applied in Indonesia:

1) Direct involvement: to perform this task, a company usually assigns one of its senior officials, such as a corporate secretary or becomes part of a public relations officer's duties.

2). Company foundation (social organization): company established its own foundation under the company or group.

3). Partnering with other parties: Some social institutions / NGOs working with companies in running CSR include the Indonesian Red Cross (PMI), Yayasan Kesejahteraan Anak Indonesia (YKAI), Dompot Dhuafa, government agencies (Lembaga Ilmu Pengetahuan Indonesia / LIPI, Ministry of Health, Ministry of Education, Ministry of Social), Universities (UI, ITB, IPB), Mass media (Kompas, Peduli Indosiar).

4). Join a consortium: Company co-founded, became a member, or supported a social institution established for a particular social purpose.

Harahap (2003, p. 363), social costs are costs incurred by a company or an action / concept undertaken as a form of social responsibility in which the company is located. There are several forms of activity as a form of corporate social involvement; 1) Human resources and education, 2) Practice business and honest, 3) Helping the environment community, 4) Arts and cultural activities, 5) Relationship with shareholders, 6) Relations with the government Susenohaji (2003), environmental costs are costs incurred by the company related to the environmental damage caused and the protection that is done. Environmental costs include both internal costs (related to reductions in production processes to reduce environmental impacts) and external (related to repair of damage caused by waste).

Watt and Zimmerman (1986) stated that the social cost issued by the company has the benefit of improving corporate image in the eyes of society, increasing the company's profit and can reduce the emergence of negative externalities. The influence of social cost element which is a form of social accounting to social performance at company in Jakarta Stock Exchange which follow Clean River Programme (Prokasih), indicate that the elements of social cost (environmental cost, welfare cost of employee, cost of society around company and cost monitoring of product) have an effect on social performance.

Based on the above description, the hypothesis that can be formulated in relation to the formulation of problems that have been described previously are; 1) Social costs have a significant influence on the financial performance of PT Aneka Tambang Tbk. 2) Environmental costs have a significant effect on financial performance of PT Aneka Tambang, Tbk.

METHODOLOGY

The method of research is quantitative analysis. The object of research is PT. ANTAM Tbk. While the research time is used approximately 6 months, from the beginning November 2014 until April 2015. Research subject is performance of PT. ANTAM Tbk. Linked to corporate CSR represented through operating profit, social costs and environmental costs of the company last 7 years. The financial statements used from 2008-2014.

RESULT OF RESEARCH

Descriptive Statistics of Variables

The results of descriptive statistics as follow:

Table 4.1. Descriptive Statistics of Variables

No.	Variable Standard Deviation Minimum	Mean Maximum N
1	Social Cost 1,453 1.024.876.250	3,03 5.106.163.739 7
2	Environmental Cost 1,042 1.024.876.250	3,03 45.579.573.259 7
3	Profit 7,841 2.052.891.295	8,60 22.049.116.238 7

This study uses CSR costs that include social cost and environmental cost. While financial performance is measured by profit. Based on the above table, it is shown that over a period of 7 years the mean (average) earned for social cost is 3,03 with a standard deviation of 1,453. In addition, the highest social cost is 5.106.163.739 and the lowest is 1.024.876.250.

Whereas, the mean obtained for environmental cost is 2,47 with a standard deviation of 1,042. So the greatest environmental cost is 45.579.573.259 and the lowest is 15.116.072.173. Furthermore the mean financial performance (profit) of is 8,60 with standard deviation is 7,841 as well as the highest value is 22.049.116.238 and the lowest is 2.052.891.295.

Quantitative Analysis

1. Multiple Linear Regression Analysis

Based on the result of multiple linear regression analysis, it can be known that the constant value is -2,514, the social cost regression coefficient is 3,870, the environmental cost coefficient is 0,745, and the errors standard is 2,840. It can be concluded that :

a). If the social cost rises by 1 unit then the financial performance (profit) will increase by 3,870 assuming that the environmental cost and the interaction between social cost and environmental cost are all fixed or constant.

b). If the environmental cost variable rises by 1 unit then the financial performance will increase by 0,745 assuming that social cost and interactions between social cost and environmental cost are all fixed or constant.

c). -2,514 means that without social cost and environmental cost hence financial performance (profit) will decrease equal to 2,514.

2. Multiple Correlation Analysis (R)

This analysis is used to determine the relationship between two or more independent variables to the dependent variable simultaneously. R value ranges from 0 to 1. If the value of R is closer to the number 1 means the relationship is going stronger, otherwise if the value of R is closer to the number 0, the relationship will be weaker. Based on the results if the data obtained R value of 0,997. This means that the relationship between social costs and environmental costs occurs at a strong level.

4. Partial Regression Coefficient Test (t test)

a). Social Cost Partial Test

The results obtained value t arithmetical variable social cost of 3,226 and significance level of 0,008 which is smaller than the significance level of 0,05. It can be concluded that social cost variable has a significant effect on financial performance (profit), meaning the first hypothesis (H1) is accepted.

b). Environmental Cost Partial Test

Based on the results if data obtained that the regression coefficient value of the environmental cost variable of 3,366 with a significance level of 0,008 smaller than the significance level of 0,05. From the data can be concluded that the variable cost of the environment significantly influence the financial performance (profit), meaning the second hypothesis (H2) accepted.

CONCLUSION AND SUGGESTION

Based on the results it can be concluded that result of multiple regression analysis indicated that social cost of PT. ANTAM Tbk. have a significant effect on corporate financial performance (profit). Overall result of multiple regression analysis indicated that environmental cost of PT. ANTAM Tbk. have a significant effect on corporate financial performance (profit).

Research that the authors do is still has many shortcomings. Due to various limitations, the authors only limits this research only to PT. ANTAM Tbk. for 7 years alone so that the results of this study can not be generalized. In addition, the authors also limit the two variables that can be affect the corporate financial performance (profit), namely social cost and environmental cost. There are still other factors that also can be affect the corporate financial performance.

The research have some suggestions PT. ANTAM Tbk. have to increase the intensity of the CSR program to influence it's financial performance in the future. PT. ANTAM Tbk. also have to established relationships and partnerships with other parties such as: Social Institutions, NGOs, Universities and Mass Media. In order for the effectiveness of CSR programs that have been done can be more effectively reach many parties need.

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