IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY IN PT. TIMAH (PERSERO) TBK,

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ABSTRACT

This study aimed to describe the practice of implementation of Corporate Social Responsibility at PT. Timah (Persero) Tbk. This research is a qualitative descriptive study analysing a case in a company (single case study). Secondary data from the company's annual report documents used in this study. The results showed that, PT. Timah implement social responsibility in three aspects, each of the environmental, social, and economic. For the environmental aspects, the company implemented an environmental monitoring program, and environmental management programs. In the social aspect provide educational facilities, health facilities, and religious facilities. In the aspect of welfare is to support the social life include support for: public facilities and infrastructure, improvement of social welfare and disaster relief. For the economy, companies implement a partnership program in the form of loans (revolving fund).

Keywords: Corporate Social Responsibility, PT. Timah, Tbk., enviromental, social, welfare, economy.

RESEARCH BACKGROUND

Corporate social responsibility (CSR) was introduced in 1970. First, it was an attempt to assert the company's relationship with a commercial activity carried out by the company, in the context of the reciprocal relationship between the companies internally and between internal of the company and the local community. Secondly, it can be defined as a collection of policies and practices relating to stakeholders' commitment to the business community to contribute to sustainable development, as large-scale companies have been able to contribute to the national growth economy. However, the exploitation of natural resources by industries often damages the environment.
CSR is a commercial relationship between company and community as a social-enterprise environment. Theoretically, CSR can be defined as a firm's moral responsibility towards stakeholders, particularly the community around the area of the company. CSR sees society, especially those living near the company's operations, as part of the production process. Therefore, the company is responsible for the environmental health and the life quality in the area.

Limited Liability Company Act was passed by the House on July 20, 2007 Article 74 about the Rules of Social and Environmental Responsibility. The essence is that any company who have business and or is associated with natural resources shall implement social and environmental responsibility. The social and environmental responsibility is what is referred to as Corporate Social Responsibility. CSR for companies is a strategic asset of a company to improve its competitiveness, to improve image, and to encourage employees to function for the surrounding community.

Mining companies are also included in the company's high profile. Industrial companies included in the High Profile will provide more social information than the company that low-profile (Angraini: 2006). Exploration and exploitation activities are sometimes done for decades often detrimental to the surrounding environment.

Large companies tend to provide income information is now lower than that of a small company, so that large companies tend to pay for social information disclosure larger than small firms (Angraini: 2006). Companies with assets growing, has a responsibility not only to shareholders but also with other stakeholders, such as local communities and governments. Therefore, in order to maintain good relations and maintain the viability of the company, the company will pay more attention to the social impact of their business and the environment. Besides large companies tend to attract attention and scrutiny from the public that will encourage such companies to implement good corporate governance structure that funding from external parties remained stable.

Now, the mining industry continues to grow rapidly in all areas throughout Indonesia. The existence of mining industry had a major effect on the economy. Mining companies implementing CSR are companies that have social, environmental, and economic impacts from their operations and business activities. The efforts are to minimize or mitigate the negative impact of operational activities and to maximize the positive benefits for the survival of the companies. Mining companies have social, environmental, economic, and large impact in the area where they operate.

Mining companies been selected the business activities in direct contact with the utilization of natural resources where a direct impact on the environment.
Indonesia is one of the countries with a wealth of natural resources that are abundant, one of which is a mineral. It cannot be denied again, the mining industry in Indonesia remains a major prima donna for investors to invest in it. The mining sector is sectors that very strategically to meet the needs of industrial raw materials in country, meet energy needs, generating foreign exchange for development, provide employment and create opportunities for the surrounding environment. That is why mining became one of the pillars of national economic development.

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LITERATURE REVIEW

Background the emergence of CSR

The rapid development of today’s business world makes the actors in business community encourage healthy growth and consider environmental factors in the surrounding area of the business. CSR develops from the relationship between the company and the community, which is well aligned with the high level of civilization to the development of knowledge so as to increase awareness and concern to the environment that gave rise to corporate social responsibility.

CSR originally stems from the demands of stakeholders because of the rights that are owned and disturbed by the existence of the company. The disturbance may appear in economic gap between the employers and the public about. The most important operations of the company usually give a negative impact, such as exploitation of natural resources and damage to the surrounding environment.

In general, CSR will become indispensable in the effort to build prosperity for the company to increase the value of a company in the eyes of people. Therefore, it is very important for companies to develop corporate social
Responsibility policy that involves three aspects: economic, environmental, and social. The third aspect provides guidance that the company was no longer as an entity concerned only for their interest (economy aspects), but a business entity that is required to perform accounting for the environmental and social aspects.

Definition of Corporate Social Responsibility

Responsibility of CSR can be defined as a mechanism for an organization to integrate voluntarily social and environmental concerns into its operations and interactions with stakeholders (Anggraini2006). Corporate social responsibility can be defined as the way companies manage the process of goods or services that positively affect the community in both internal and external environment. Therefore, the company should also provide feedback to the society and the environment because companies take advantage of the community and the surrounding environment.

According to Philips and Nancy (2006: 3), corporate social responsibility is a commitment to improve the well-being of society through business practices that can be contributed from the income of the company itself. The commitment must be demonstrated in a socially responsible manner and will be met through the implementation of new business practices and/or the company's contribution to the surrounding community. The term community's well-being in this definition includes the human condition as well as environmental issues.

Sembodo (2007) defined CSR as an effort to balance between a group and individual commitment the group and the individual in the environment around the company, including customers, other companies, employees, and investors.

Whatever definition used, CSR is the whole activity of the company in a shared topic of environmental, social and religious issues that typically includes philanthropy, social responsible investment (SRI), the environment, human rights, workplace, business ethics, sustainability, community development, and corporate governance.

Types of Activities in Corporate Social Responsibility

CSR activities are activities beyond business required by law and investments that support social activities with the goal of improving the welfare of the community and preserve the environment.

Kartini (2009) mentioned six categories of CSR activities.

1. Cause of Promotions
   In this CSR activity, the company will provide funds or other resources to conduct a social activity, fundraising, participation of community, or voluntary recruitment for a particular activity.
2. Cause of Related Marketing
In this CSR activity, the company donates proceeds from the sale of goods or a specific product for a social activity, and this is done for a certain period and for a particular activity.

3. Corporate Social Marketing
In this CSR activity, companies develop and implement a campaign to change people's behavior to improve public health and safety, to preserve the environment, and to improve the welfare of society.

4. Corporate Philanthropy
In this CSR activity, the company provides a direct contribution in the form of cash, gift of goods, or service to certain societies. The examples of this activity are scholarships, gift of products, the use of company's facilities, etc.

5. Community Volunteering
In this CSR activity, the company supports and encourages employees, associates, retailers, or the holder of franchise to help local community organizations and the targeted communities voluntarily.

6. Socially Responsible Business Practice
In this CSR activity, the company carrying out business activities beyond the business activities that are required by law and carry out investments that support social activities with the goal of improving the welfare of the community and preserve the environment.

CSR in Indonesia

In recent years, corporate social responsibility or CSR has been a trend in Indonesia. Some companies have done CSA (Corporate Social Activity). Although it is not referred as CSR, the actual measure that is closer to the concept of CSR is "participation" and "concern" for the social and environmental aspects of the company. Through the concept of corporate social investment known as "seat belt", since 2003 the Ministry of Social noted as government agencies which active in developing the concept of CSR and recommends national companies to implement the various CSR programs.

The regulations related to the implementation of the obligations of Corporate Social Responsibility is the Law No.25 of 2007 on Investment. Article 15 (b) states that: "Every investor is obliged to implement corporate social responsibility."

Especially for companies that manage the operations of Natural Resources, they are bound in Law No. 22 Year 2001 on Oil and Gas.
Article 13 paragraph 3 (p) states: “Cooperation Contract mentioned in paragraph (1) shall at least basic provisions, namely: develop the surrounding community and guarantee the rights of indigenous people.”

CSR in the Mining Sector

With reference to Visser (2007), mining companies implementing CSR are a company that has reported the influence of social, environmental and economic impacts of operational activities as well as efforts to minimize or reduce the negative impact of operational activities, while maximizing the positive benefits to maintain the survival of the company in the long term. Mining companies have social influence, environment, and economy are so great in the areas where they operate. The mining sector, in the late 1990s, has been criticized for the lack of responsibility on issues about open-pit mining, social diseases (such as alcohol, drugs, and prostitution), the effect of mining on indigenous communities, and the economic impact on the community on mine closure.

Reasons for Companies to Implement CSR

Responsible Investment, to meet shareholder demands, to gain access to capital.

Hennigfeld (2006: 40) revealed that the motivation for the company attending CSR agenda is divided into four groups:

1. The economic motive
   CSR can support the company to obtain long-term profitability.

2. Managerial Motive
   CSR can be used to resolve problems of daily management.

3. Ethical Motive
   CSR is something that is morally carried out for the company to be able to appreciate the community who live in the area around the company

4. Political Motive
   CSR is the best way for the company to be accepted by society.

CSR Benefits for the Company

1. To improve corporate image
   By doing CSR activities, consumers perceive the company as an institution that carries out good and positive activities for the community.

2. To strengthen the “Brand”
   Through providing "product knowledge" to consumer by distributing free products, consumer will be aware about the existence of the products and can enhance the company's brand position.

3. To develop cooperation with stakeholders
   Company will not be able to carry out CSR activities alone. It must be supported by stakeholders, such as local governments, communities, and local universities.
4. To distinguish Company with Competitors
   If the company does CSR, the company has the opportunity to highlight the comparative advantage that distinguishes it from competitors that offer similar products or services.

5. To generate innovation and learning to improve corporate influence
   Choosing CSR activities in accordance with the company's main activity requires creativity. Plotting CSR consistently and regularly can trigger innovation in the company, which in turn can enhance the role and position of the company in the global business.

Scope of CSR

In essence CSR is the underlying value of the company's activities, because CSR is a comprehensive foothold in four main aspects, namely economic, social, welfare and the environment. The Company may not implement CSR partially, for example seeks to empower local communities, while on the other hand the welfare of employees in it is not assured, or the company is not disciplined in paying taxes, the proliferation of corruption and collusion, or employ children. Therefore, in the CSR included therein four main runway with each other interrelated (Tanari:2009), including:

1) CSR basic grounding in environmental aspects, include: not pollute, does not contribute to climate change, do not contribute to waste, do not waste water, not to practice a waste of energy, do not land grabbing, do not contribute to the noise, and preserve biodiversity.

2) CSR basic grounding in the social aspect, include: ensure the health of employees or the communities affected, do not employ children, have a positive impact on society, do consumer protection, respect diversity, maintain privacy, to practice charity in accordance with the needs, responsible in the process of outsourcing and off-shoring, and access to certain goods at reasonable prices

3) CSR basic foundation in aspects of welfare, include: provide compensation to employees, utilizing the convenience provided subsidies and government, health care employees, maintaining the security of working conditions, maintain health and safety, and maintain work / life balance,

4) Basic foundation of CSR in the economic aspects, include: Financial performance went well, healthy walking capital investment, compliance in the payment of taxes, there are no bribery / corruption there is no conflict of interest, not in a state to support corrupt regimes, respecting rights of
intellectual abilities / patents, and not make a political contribution / lobby, helping poverty through Partnership Program.

Disclosure reason of CSR voluntary activities

Companies often disclose their CSR performance at the company's annual report voluntarily. According to Gray (2001: 242), a company may voluntarily disclose its CSR activities with a variety of reasons, among others:

1) If it is not done voluntarily, the disclosure will be something that must be done.
2) To determine the company's internal development.
3) To endorse the CSR activities undertaken.
4) To enhance good impression about the company.
5) To build and develop expertise in the field of CSR before the rules become more complicated.
6) To provide positive influence on the stock price.
7) Existing political advantage because of the changing perception of governments, employees, shareholders, and others.
8) To gain competitive advantage.
9) To give the rights of shareholders and stakeholders of determining the activities of CSR.
10) To convey to the public about what has been done by the company.
11) To prevent disclosure made by other parties.

RESEARCH METHODS

The type of method used is descriptive qualitative. This type of research concerned with meaning and is not determined by the quantity. Data acquired intangible words in a sentence / picture that have more meaning than just the numbers. In this study, the data obtained is in the form of words, pictures and not a number (Meolong, 2004).

Bogdan (2009: 3) defines qualitative methodology as a research procedure that produces descriptive data in the form of words written or spoken of the people and behaviours that can be observed. The reason researcher uses qualitative method is usually oriented towards existing theories. The qualitative theory is limited in terms that is a systematic statement relating to a set of proportions derived from data and empirically tested again, so that by using the method of research on the problems that occurred in this study.

Accordingly the results of the study will contain a citation of data to illustrate the presentation of the report. On writing of the report, the researcher analyzed the data that was
very rich and as far as possible in its original form.

Qualitative data is data that is not the form of numbers but in the form of information on CSR activities conducted by the company to be researched, from the purpose of the concept, the types, models and targets implementation of CSR. Meanwhile, the data that should be used is secondary data. The data sources used to support data processing so that the results are relevant and will be considered for data collection methods.

Secondary data is a source research data obtained indirectly through an intermediary medium (obtained and recorded by others) (Sugiyono, 2008). In general, secondary data can be evidence, records, or historical reports that have been arranged in the archive (data documentary), published or unpublished. Researcher’s secondary data obtained from the annual the report's PT Timah (Persero) Tbk in 2014.

To analyze the data well, the researcher needs accurate data and systematically in order to the results of the research can describe the situation of the object being studied properly. Data collection methods used in this study are:

1. Literature Study
   According to Zed (2004) Literature study conducted by collecting and studied the books and other writings related to the research.
2. Documentation Study
   According Moleong (2009) in carrying out the method of documentation, researchers investigate of written objects, such as magazines, rules, journals, and so on. Data for the study were researchers in the study documentation of the annual the report on PT Timah (Persero) Tbk in 2014.

   Researcher uses interactive analysis which includes three major components as reference procedures in conducting research (Sutopo: 2006):

1. Data collection. The initial process for researchers to obtain any necessary data
2. Data reduction Process for researchers for more focusing and simplification of data that has been obtained
3. Data Serving Process for researchers to be able to draw conclusions descriptive narrative of the research that has been carried out, and comparing those conclusions with the theory that has been determined

RESULT AND DISCUSSION

It has been regulated in the Law of the Republic of Indonesia Number 25 Year 2007 on investment that "Every investment shall implement corporate social responsibility" (Article 15, Paragraph b), and it must comply with Good Corporate Governance (GCG), where
the distribution obligation of CSR funds is of 2.5%. Here are the implementations of the company's CSR program in 2014:

**Environmental Aspects**
PT Timah (Persero) Tbk believes in the perspective of environmental sustainability, meant to maintain and sustain environmental condition, both from the perspective of the condition of the environment and biological diversity of ecosystems. Therefore PT Timah (Persero) Tbk applies the pattern of environmentally friendly mining methods that comply with all laws and regulations in the field of environment and implementing various environmental management and monitoring programs to ensure the improvement of environmental quality both during and after mining operations to ensure better life for generations which will come. As the company's commitment to the environment and post-mining, as well as appropriate financial accounting standards (FAS 33), PT Timah (Persero) Tbk prepares documents and environmental provisions that are set aside for environmental management and monitoring activities. The amount of funds that have been issued to management and environmental monitoring in 2014 amounted at Rp5,03 billion.

**Social Aspect**
PT. Timah (Persero) Tbk has conducted a program from social aspect called Social Assistance. To ensure that programs are going well and give the maximum results, PT. Timah (Persero) Tbk. establishes good relations with the Local Government to implement this program to be sustainable and targeted.

Social Assistance is a social and environmental responsibility program upon the operations of the company. It is also the company's business commitment to build a better quality of life along with the related parties, with the communities where the company is located and is integrative with its business activities in a sustainable manner with uphold the principles of good business practices, economic justice, social justice and environmental justice.

In the PT Timah (Persero) Tbk in implementing social assistance programs, PT. Timah (Persero) Tbk is more focus in relief and distribution of funds for educational, health sector, and religious activities.

**Welfare Aspects**
The program to improve the welfare of local communities is the Community Development Program. Same as the social aspect, to ensure that programs are going well and give the maximum results, PT. Timah (Persero) Tbk. establishes good relations with the Local Government to implement this program to be sustainable and targeted.

Community Development Program is a program of empowerment of the social conditions of society by the state through the use of state funds that is charged directly into a company's
operational costs.

Distribution of Community Development Program funds are derived from PT. Timah (Persero) Tbk and are to support the social life include assistance for: facilities and general infrastructure, improvement of social welfare and natural disaster relief. Various activities of Community Development funds implemented during 2014.

**Economy Aspects**

Partnership Program is a program that is given in the form of loans (revolving fund) to finance working capital or the purchase of fixed assets in order to increase production and sales. Environmental Development Program implemented to improve the ability of small businesses and cooperatives in order to be strong and independent. Through the utilization of revolving funds of the Company, assistance is spread across various operational areas of the company.

**CONCLUSIONS**

Based on research conducted at PT. Timah (Persero) Tbk., The activities of CSR (Corporate Social Responsibility), which has been implemented by PT. Timah (Persero) Tbk generally has fulfilled four aspects, namely environmental, social, welfare, and economics, so that it can be concluded that,

1) The environment aspect is an important aspect in the company, since PT. Timah (Persero) Tbk. is engaged in the mining industry which is closely linked with nature. So the program is implemented the environmental monitoring programs and the environmental management

2) On the social aspect, PT. Timah (Persero) Tbk. implementing social assistance programs, which is the program more focus in relief and distribution of funds for educational, health sector, and religious activities.

3) Implementation of the welfare aspects is to support the social life include support for: public facilities and infrastructure, improvement of social welfare and disaster relief.

4) Implementation of the economic aspects through the partnership program, a program that is given in the form of loans (revolving fund) capital assistance with low interest.

**Limitation of the Study**

This study was limited using secondary data from annual reports without the support by data in the field. Checking data in the field will provide additional information and can prove whether the data reported in accordance with the existing data
in the field or otherwise.

**Suggestion**

Since this study was limited to using secondary data, the next researchers can develop the research to explore the primary data so the data in the company's annual report can be cross-checked with data in the field.

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