

Exploring The Relationship Between Corporate Social Responsibility And Environmental Accounting In Emerging Country

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Abstract: The aim of this study is to exploring regarding corporate social responsibility and environmental accounting in a developing country such as Indonesia. This research uses theoretical analysis of corporate reports as a method to measure the nature of corporate social responsibility. Findings show that the concept of corporate social responsibility in Indonesia there is a trend of increasing corporate social responsibility information disclosure. and very few companies disclose corporate social responsibility information in corporate reports and show that environmental accounting affect toward corporate social responsibility.

Index Terms: Corporate Social Responsibility, Accounting Information System, Green Accounting, Environmental Accounting.

1 INTRODUCTION

Company existence is not limited to the environment because the company is in a certain environment. A number of companies are required to pay more attention to environmental issues. In order for the company's survival to be maintained, the company must build relationships with the environment by maintaining the environment. The company's responsibility for addressing the company's environmental issues includes an overall approach to the company's operations, products and facilities. Forms of social responsibility are to conduct activities that can improve the welfare of the community and environmental improvement, provision of scholarship for poor children, the provision of funds for the maintenance of public facilities, donations for village/community facilities that are social and useful for many people, especially communities To be around the company. Companies other than as an economic institution, the company is also a social institution, thus company expected can progress and develop in harmony with the community around the company. All of that is a form of corporate responsibility to the environment (Corporate Social Responsibility). The social responsibility of the business sector known as corporate social responsibility is a form of corporate awareness as an effort to improve its relationship with the society and its environment. The form of corporate responsibility to the environment can lead to frequent costs associated with environmental costs, including preventive costs, detection costs, internal failure costs, external failure costs. All expenses incurred by the company are called corporate social responsibility funds and the recording of CSR funds using environmental accounting. The public needs information on the extent to which the company has carried out its social activities so that the right of the people to live safe, peaceful, and the welfare of employees can be fulfilled. In addition to calculating environmental costs, environmental accounting is also a combination of all environmental costs into the company's financial statements, where they are used to improve the quality of the environment.

Chairman of the Indonesian Institute of Accountants The Management Accountant Compartment (IAI-KAM) who is also the Executive Director of the National Center for Sustainability Reporting (NCSR) Ali Darwin sees four issues as to why the emphasis on environmental issues has become increasingly significant recently. First, the size of the company that the larger the size of the company. According to Ali, the larger the company, the higher accountability is required in making decisions related to the operations, products and services produced by the company. Second, activists and NGOs are growing. Environmental NGOs have grown rapidly throughout the world including Indonesia. Activities undertaken by environmental activists increasingly complex and quality. They will reveal the negative side of the company related to environmental issues and will strive to demand responsibility for environmental damage or social impacts caused by the company's operations. Third, Reputation and corporate image. Today's companies recognize that reputation, brand and corporate image are high-value strategic issues and must be protected. Fourth, the progress of communication technology is growing very fast. Negative environmental and social issues will spread and can be easily diverted through technology. Ali expressed the importance of sustainable development by every company because the company must have a high commitment to carry out its social and environmental responsibilities. In Indonesia, some companies in Indonesia use environmental accounting, one of them is PT. Swasstisiddhi Amagra, PT is engaged in oil palm plantations, as we know, palm oil has many negative impacts that will appear in the next few years, starting from the process of land clearing, the process of planting, the production process, and all these processes resulted in Negative impacts to the environment and surrounding communities. Environmental accounting is part of management accounting because its reporting must be to company management not to external parties conducted by financial accounting. Accounting can be divided into Financial Accounting and Managerial Accounting. Financial accounting is a field of Accounting that provides financial and economic information to investors, creditors, and other external users. Managerial accounting (managerial accounting) provides financial and economic information for managers and other internal users. Environmental management accounting is a combined approach that provides for the transition of data from financial accounting and cost accounting to improve materials efficiency, reduce

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environmental impacts and risks and reduce environmental protection costs. Accounting as an information provider tool is required to respond to changes in environmental issues. Accounting reporting is not only directed to the interests of the company, but not to all parties. The company's current success is not only measured by its financial performance, but also from social and environmental aspects. To measure social and environmental aspects, one of the indicators is corporate social responsibility performance. In Indonesia, the regulation on CSR has been regulated by the government since 1994 with the issuance of the decree of finance minister of the Republic of Indonesia No.316/KMK 016/1994 on the program of Small Business and Cooperative Development by State Owned Enterprises, which then reinforced by the decision of the State Minister of the Agency Owned enterprises no kep-236/MBU/2003 stipulates that each company is required to set aside a profit after tax of 1% (one percent) to 3% (three percent), to run CSR.

2 LITERATURE REVIEW

2.1 Corporate Social Responsibility

Trinidad and Tobacco Bureau of Standards (TTBS) defines corporate social responsibility as a business commitment to act ethically, operate legally and contribute to economic improvement along with improved quality of life of employees and their families, local communities and the wider community (Sankat, Clement K, 2002 in ICSD 2004). Environmental accounting itself is a social responsibility undertaken by a company to the environment surrounding the establishment. Pearce & Robinson points out that: "Corporate social responsibility is the idea that a company has a duty to serve the community as well as the financial interests of its shareholders.

Environmental Accounting

Hansen and Mowen (2005: 72) state that environmental costs are costs incurred due to poor environmental quality or because poor environmental quality may occur. According Purwanto in his article environmental management tools (2000: 15) said that environmental costs are the impact, whether monetary or non-monetary occur by the results of corporate activities that affect the quality of the environment. Purwanto in his book environmental management tools (2000: 14) says that environmental accounting is about specifically defining and incorporating all environmental costs into the company's financial statements. When those costs are clearly identified, firms will tend to take advantage of opportunities to reduce environmental impact. According Ikhsan in "environmental accounting and disclosure" (2007: 14) states: "Environmental accounting is defined as the prevention, mitigation and or destruction of environmental impacts, moving from multiple occasions, starting from the redevelopment of disaster-causing events to such activities. In the Environmental Accounting Guidelines issued by the Minister of the Environment (2005: 3) stated that environmental accounting covers the identification of the costs and benefits of environmental conservation activities, the provision of facilities or the best way through quantitative measurement, and to support the communication process aimed at achieving development Sustainable, nurturing beneficial relationships with the community and achieving the effectiveness and efficiency of environmental conservation activities. US EPA

(1995) environmental accounting as an aspect of management accounting, supports business managers' decisions by including costing, product or process design decisions, performance evaluations and other business decisions. Environmental accounting is an ancient field of accounting. It provides reports environmental information to help make management decisions on pricing, controlling overhead and capital budgeting, and external use, disclosing environmental information of interest to public and to the financial community. Environmental accounting shows the real cost of inputs and business processes and ensures cost efficiency, but it can also be used to measure the cost of quality and services. The ultimate goal is to adhere to environmental legislation to find efficiencies that reduce environmental impacts and costs. (Helvegja, 2001). According to Mathew and Parrerra (1996), this environmental accounting is used to provide an overview of the comprehensive forms of accounting that incorporate externalities into company accounts such as information on labor, products, and environmental pollution. Environmental Accounting (EA) is a term related to the inclusion of environmental costs into accounting practice of a company or government agency. Environmental costs are the impacts arising from the financial side of non-financial finances that should be borne as a result of activities that affect the quality of the environment.

2.2 Environmental Accounting Benefits

According Purwanto in his article entitled "environmental management tools" (2000: 14) there are eight benefits of the application of environmental accounting, namely:

- 1) A better estimate of the actual cost of the company to produce the product or service. It boils down to price and profitability.
- 2) Identify the actual costs of the product, process, system or facility and define those costs at the manager's responsibility.
- 3) Assist managers to target areas of operation for cost reduction and improvement in environmental and quality measures.
- 4) Assist with the handling of environmental cost effectiveness or measures of quality improvement.
- 5) Motivate staff to find creative ways to reduce environmental costs.
- 6) Encourage changes in the process to reduce resource use and reduce, recycle, or identify markets for waste.
- 7) Increase staff awareness of environmental, occupational health and safety issues.
- 8) Increasing consumer acceptance of a company's products or services and at the same time enhancing competitive power.

3 RESULTS AND DISCUSSION

The role of Corporate Social Responsibility in relation to Environmental Accounting The state of technology in human life would affect the balance of the environment that is around humans. Rapid technological developments make the environment around him little by little will be threatened sustainability. At this time, every country seeks to address the potential threats posed by climate change and other environmental problems, and this is the main force behind the emergence of environmental accounting. The company as a professional institution must be able to control problems such as production that contains ozone-depleting gas, and pollution

from the production process and so forth, which is nothing but an environmental problem. More important is the company participates in maintaining the health of the world. Corporate responsibility not only focus on the economic aspect, but also must pay attention to social and environmental aspects. One concept that can be used in the handling of environmental problems is Corporate Social Responsibility (CSR) that uses sustainable natural resources to reduce the company's impact on the environment. The concept raises costs that are often known for environmental costs, including preventive costs, detection costs, internal failure costs, external failure costs. CSR is an integrated concept that combines business and social aspects with harmony so that the company can help achieve the welfare of stakeholders, and can achieve maximum profit so as to increase stock prices. CSR is a company's concern based on three basic principles known as Triple Bottom Lines, namely: Profit (profit), People (community) and Planet (environment). Through CSR analysis of environmental impacts and cost estimates will automatically affect every step of the company in taking policy in using natural resources that exist around it. Environmental costs are costs incurred due to poor environmental quality that must be improved, both in the present and in the future. The cost allocation method for environmental management is generally allocated as an additional cost, which is the one-year cost of the accounting period to manage the various possibilities of environmental pollution impacts and the negative impacts of the operational costs of the business are included in the public cost item (Kohlh.2003) In the concept of corporate social responsibility, accounting has a significant role in implementing the environmental costs arising from the application of the concept. Accounting has a position as a tool provider information report kema, especially on environmental costs. By using environmental accounting, the company can maximize the production of its products and services. By identifying the costs used, it will make it easier for managers to work and fulfill the responsibilities of the translation of those costs. Managers can make excessive cost reductions on an activity, and improve on the environment and quality. Everything is done for the cost to be more effective. Some companies will look for the most cost effective environmental alternatives to produce in effective quantities as well. Finally, environmental problems can be resolved and environmental accounting can help the performance of corporate social responsibility in the calculation of environmental costs. For example in the implementation of corporate social responsibility looks at PT Ajinomoto Indonesia which keep the environment by processing factory waste. Ajinomoto also sorts out factory waste into compost and animal feed. In addition to protecting the environment, Ajinomoto Indonesia also provides social assistance in the form of scholarships to five SM and one Poltekkes D-3 in Mojokerto and four elementary schools and two kindergartens in Mlirip Village. Ajinomoto implements corporate social responsibility by using environmental accounting. Application of environmental accounting can help to predict the magnitude of environmental costs. By minimizing the existing environmental costs, the company can maximize production. In the end, the price of the product can compete in the market and the company will get the maximum profit. If the company has implemented the CSR automatically the company has implemented green accounting in taking a policy, whether it is financial policy or non-financial policy. Environmental accounting is one means to present

information, whether companies implement environmental policies in its operations. Companies must contribute directly to the community that is to improve the quality of life of the community and its environment. Legal Basis of Corporate Social Responsibility in Indonesia

- 1) Law no. 23 of 1997 on Environmental Management
 - Some of the provisions of this act relating to CSR are as follows:
 - a) Everyone is obliged to preserve the function of the environment and prevent and overcome pollution and destruction.
 - b) Every person undertaking a business and or activity is obliged to provide true and accurate information on environmental management.
 - c) Each party responsible for business and or activity shall be obliged to manage waste of business result and or activity.
 - d) Every person in charge of business and or activity is obliged to carry out the management of hazardous and baracun materials.
 - e) Anyone who violates the law intentionally commits an act which leads to pollution and or damage to the environment, threatened with a maximum imprisonment of ten years and a maximum fine of Rp 500,000,000.
 - f) Anyone who due to his/her negligence commits acts that contribute to the pollution and/or destruction of the environment is threatened with a maximum imprisonment of three years and a maximum fine of Rp 100,000,000.
- 2) Statement of financial accounting standard no.1 paragraph 9 of 2009 regarding presentation of financial statements.

Companies can also present additional reports such as environmental reports and value added statements, especially for industries where environmental factors play an important role and for industries that regard employees as a reporting group of users who play an important role. Lapindo mud case is the most obvious example that can make sense that the concept of corporate social responsibility is very important to apply. The impact is very wide, ranging from damage to facilities factories, infrastructure, Surabaya-Gempol toll closed completely, even companies belonging to small and medium industries and large industries are affected. For example PT. Petrokimia Gresik was forced to stop its ammonia and urea plant operations for several months, and PT. PLN is forced to lower its power and substitute its fuel with diesel fuel which costs four times as much as gas. Coupled with casualties both dead and missing. The phenomenon shows a negative impact on the operational and financial performance of PT. Lapindo Brantas Sidoarjo due to lack of awareness of its social responsibility. If the company neglects its social responsibility, it can disturb the company's going concern in the form of demands from the internal and external environment of the company, especially the society. The accountability of the use of environmental costs included in the post that is not in detail may disclose the identification, classification, measurement, valuation and reporting of such costs being biased. (Hadisatmoko, 2000). The Role of Accountants in Environmental Problems. Indirectly, accountants and environmental accounting can play a role in helping the problem of environmental handling. Gray (1993) put forward the role of accountants in helping management to overcome

environmental problems through 5 (five) stages:

- 1) Current accounting systems may be modified to identify environmental concerns in relation to expenditure issues such as packaging costs, legal costs, sanitation costs, and other costs related to environmental effects.
- 2) Negative matters of the current accounting system need to be identified, such as investment valuation issues that have not considered environmental concerns.
- 3) The accounting system needs to look far ahead and be more sensitive to emerging issues of ever-growing environmental issues.
- 4) Financial reporting for external parties in the process changes, such as changing the size of the company's work in the community.
- 5) The new accounting of information systems requires development such as thinking about the possibility of an "eco balance sheet".

4 CONCLUSION

Accounting provides financial statement information, especially regarding environmental costs. Environmental accounting can help a company to calculate the environmental costs caused by its production, so that the company can maximize production of its products and services. Environmental accounting is a means to report on the operation of an institution (country/city/company/organization) associated with the environment. The goal is to provide information about the operational performance of a company based on environmental protection. Environmental accounting makes it easy for managers to work and fulfill the responsibilities of environmental expansions, by reducing excessive costs in an activity, and improving the environment and inadequate quality. Environmental accounting can help corporate social responsibility in knowing the environmental costs to be and which have been issued. From the introduction, literature review and discussion there is a relationship between corporate social responsibility and environmental accounting. Environmental accounting is indispensable for every company, let alone the company located in the environment around the community, the function and role of the accounting environment itself in the form of calculations of the costs incurred to perform a social responsibility caused, and the cost must be known and approved by the owner of the company. The disclosure of environmental accounting in developing countries is still very lacking. This indicates that there is a negative correlation between legal sanction and the obligatory disclosure of environmental accounting with regulatory irregularities undertaken by the company. Activity impacts need to be reported as a manifestation of corporate responsibility to stakeholders.

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