

Environmental Cost Analysis of PT. Gudang Garam Tbk

**Rania Putri Distiawati¹, Ery Tri Djatmika Rudijanto Wahyu Wardhana²,
Puji Handayati³**

State University of Malang^{1,2,3}

Jalan Semarang No.5, 65145, Malang, Indonesia

Correspondence Email: raniaputridisty@gmail.com

ORCID ID: 0000-0002-0166-5253

ABSTRACT

In CSR activities, the initial concept of these activities is called the triple bottom line which consists of three corporate responsibilities in its business operations including people, planet, and profit. The data analysis technique used in this study is descriptive and comparative analysis of the sustainability report. The three aspects in the triple bottom line concept of CSR activities are the company's responsibility with the people, or the surrounding community by making social activities, corporate responsibility with the planet in various ways to overcome water, air, and soil waste. The last one is the company responsibility for profit that is also obtained from the good image which makes consumers become loyal customers of the company.

Keywords: Corporate Social Responsibility (CSR), Triple Bottom Line (TBL)

INTRODUCTION

Corporate Social Responsibility (CSR) continues to grow and currently has become an interesting issue and topic to discuss on society development (Handayati & Rochayatun, 2019, p. 2). Sustainable development has been increasingly emphasized around the world, environmental costs have become an important part of operating costs, and attention to controlling environmental costs has grown. Consideration regarding environmental protection is getting so higher that makes many companies focus on environmental costs to achieve sustainable competition (Yang & Bentley, 2017).

Initially, the business world felt that there was no need to think about social responsibility. This is in line with the proportion of the classical theory of Adam Smith which stated that the task of the corporation is solely for profit, "the only duty of the corporation is to make a profit". This is what triggers the exploitation of human labor and natural resources. Therefore, companies need to create a good image in the eyes of the public by considering the impact of their activities on the environment and the surrounding community (Muhammad, Raharjo, & Resnawaty, 2018). Therefore, along with the development of concepts in the business world, the Triple Bottom Line concept emerged, which consists of 3P that stands for people, planet, and profit.

The Triple Bottom Line is the pursuit of profit, besides that the company must also pay attention to the fulfillment of community (people) welfare and contribute to protecting the environment (planet). The Triple Bottom Line (TBL) concept places the company to be more prudent in running its business, not only by generating

profit but also discharging obligations to the surrounding community and environment (Handayati & Rochayatun, 2019, p. 13). TBL is a term for advancing the sustainability agenda. Sustainable development involves sustainable economic prosperity, environmental quality, and social justice. By implementing the Triple Bottom Line the company affords to meet the sustainability needs (Arowoshegbe, Uniamikogbo, & Atu, 2016) manifested in corporate social responsibility (CSR).

The concept of CSR implies that companies or business actors generally have legal, economic, and environmental responsibilities in line with the sustainability of the company (Handayati & Rochayatun, 2019, p. 2). Handayati (2011) stated that social responsibility is a form of corporate obligation as a form of responsibility and concern to society, the environment, and other interested parties. Handayati and Rochayatun (2019, p. 3) suggested that CSR can provide benefits in the long term. It helps companies to be socially accountable (Al Shuwaler et al., 2020). The Nielsen Global Survey on consumer trends in choosing products confirmed that 55% of consumers will buy products and services from companies committed to social and environmental issues (Nielsen, 2014). Therefore, companies are increasingly competing to provide social and environmental welfare with various CSR activities (Anggraeni & Djakman, 2018).

The CSR activities, when it is associated with the legitimacy theory featuring the social contract between organizations and communities with ignorance of social licenses, are closely related to the legitimacy of a company (Handayati & Rochayatun, 2019, p. 4). Legitimacy theory is one of the theories used as a basis for providing voluntary incentives for entities to disclose social and environmental accountability reports. This theory explains that the entity is a unit of society. Therefore, social responsibility and environmental disclosure by companies is one step to gain legitimacy from the surrounding community. Once the legitimacy has been obtained, the company can continue its operations because the entity has been proven to observe the prevailing norms as well as the condition of the community and the surrounding environment (Asmeri, Alvionita, & Gunardi, 2017).

Sari and Prihandini (2019) suggested that legitimacy theory explains the relationship between a company's social contracts and disclosure. In the perspective of legitimacy theory, companies will try to get recognition from the public by conducting activities in accordance with the applicable norms of the surrounding society. The legitimacy theory describes the company and the surrounding community with a close social relationship since they are bound by a social contract (Handayati & Rochayatun, 2019, p. 4). Hadi (2011, p. 98) argued that in line with the legitimacy theory, to ensure the survival and needs of society, social contracts are based on (1) the final outputs provided for the wider community, and (2) distribution of economic, social, or political benefits to groups according to their strengths.

The social contract of legitimacy theory is also in line with stakeholder theory. Handayati and Rochayatun (2019, p. 4) both theories imply that companies should reduce the expectation gap with surrounding communities to increase community legitimacy (recognition). For this reason, a company should maintain its reputation by shifting the orientation pattern which is only measured by using economic measurement to a more social factor as a manifestation of the company's concern with social issues (stakeholder orientation). Johnsen, Miemczyk, and Oward

(2017) stated that companies can learn how to engage stakeholders effectively by adding the importance of stakeholders with respect to social and environmental issues.

This is consistent with the perspective of Pierre Bourdieu, formulating three concepts in social practice, namely habitus, capital, and field or commonly called the Bourdieu Trilogy (Handayati & Rochayatun (2019, p. 9.). The trilogy explains that the habitus is a sociological and philosophical analysis of human behavior, capital is capital that allows us to get opportunities in life, and field is a special space in society. Seidl (2014, p. 37) suggested that the Bourdesian perspective contributes to a new understanding from an economic and non-economic perspective in social behavior. In CSR context, this perspective appears to be a driving force for pro-social action. Various reasons for companies to disclose CSR information are to obey existing regulations, to gain a competitive advantage, to fulfill social contract conditions and meet community expectations, to legitimize company actions, and to attract the attention of stakeholders and investors. A sustainable CSR program is expected to shape and create a more prosperous and independent community life, although CSR has a different meaning for everyone.

The meaning of CSR from one person to another may differ. For some people, CSR is an act of generosity (philanthropy). For others, CSR is an initiative to raise a reputation and for others, CSR is a philosophy on which the company's operations are based (Handayati & Rochayatun, 2019, p. 6). In Indonesia, CSR is an obligation for limited liability of companies as stated in Law no. 40 of 2007. Andreas (2013, p. 15) stated that business actors reject CSR as an obligation. There are three reasons for this. First, CSR practices in the world are generally voluntary. Second, making CSR an obligation will burden companies since it reduces their profits. Third, it will disrupt investment in Indonesia as it could make foreign investors leave to other countries. On the other hand, the government continues to make CSR an obligation for the company. The misunderstanding of the meaning of CSR among business actors who view CSR as a burden must be corrected.

Handayati and Rochayatun (2019, p. 7) argued that from a benefit-based approach, costs, in the long run, can bring benefits to the company, thus they should be included in investment, rather than costs. CSR will bring some benefits for the company. Hence, it is highly feasible if CSR is seen as an investment or corporate social capital creating a long-term competitive advantage for the company (Andreas, 2013, p. 78). Those different perceptions of CSR depend on the extent to which the concept is interpreted. This phenomenon that raises a bias will be interesting to review.

CSR has been also carried out by PT Gudang Garam, Tbk. This can be seen from its annual CSR documentation or sustainability report published to maintain transparency in the company's CSR. In carrying out sustainable practices, the company contributes to nature preservation while providing added value to the community's economy through a corporate social responsibility program (Rofi'i, 2019). The company, in carrying out the environmental management, got a blue rating which indicates that it is able to meet the national level standards of the company performance rating program in environmental management (PROPER) in

2017, 2018, and 2019. Thus, then this study formulates the problem on how PT. GudangGaramTbk allocates its CSR funds in 2017, 2018, and 2019.

RESEARCH METHOD

This research falls under the category of a quantitative research. This study used one research variable, namely the analysis of environmental costs which in this study is a corporate social responsibility (CSR). The data analysis technique used in this research is descriptive and comparative analysis. This study aims to explain how the allocation of CSR funds in PT. GudangGaram, Tbk and to compare the fund allocation in 2017, 2018, and 2019. The company's sustainability reports in 2017, 2018, and 2019 were used as secondary data.

RESULTS AND DISCUSSION

The corporate sustainability review data of 2017 stated the CSR funds were Rp. 99 billion. In 2018 the company disbursed funds of Rp. 78.9 billion and in 2019 the CSR funds disbursed by the company amounted to 28.3 billion. This illustrates that the funds spent by the company for CSR programs had continued to decline from 2017 to 2019. From 2017 to 2018 the total funds decreased by 20.1 billion or by 20% of that in 2017. From 2018 to 2019, the total funds decreased by 50.6 billion or around 36%.

The difference in the company's CSR fund allocation in 2017, 2018, and 2019 is that in 2017, apart from routine activities, the company focused on special disaster management programs including distributing 71,500 liters of clean water, water tanks, water pumps and pipes, and the provision of food, medicine, cloth, and blankets. In addition to healthy living activities, the company focused on building better access to Pasuruan, in Summersuko, Gempol, providing carts and trash cans and planting 79,500 *bamboo petung* seedlings on 500 hectares of land in the Perum Perhutani, Kediri.

In 2018, in addition building of a skateboard park facility, the CSR funds focused on social assistance and disaster management activities for (1) emergency response activities in Lombok and Bali earthquakes by providing food and drinks, medicines, masks, clothes, blankets, tents, and emergency toilets; (2) clean water supply by building water wells, rehabilitating wells, and constructing clean water lines; (3) farming irrigation to help farmers and livestock after the earthquake; (4) nursery and planting of *odot* grass, *lamtoro* trees, and moringa trees; and (5) vital temporary infrastructure by sending 32 units of foldable containers, 4 units of containers, and 1 unit of container toilet to hospitals and offices after the earthquake.

In 2019, the CSR program focused on the life of the surrounding community by repairing sidewalks in Kediri, normalizing irrigation channels, improving the rice fields irrigation, and planting 3,900 durians, avocado tree seeds on the slopes of Mount Wilis in Kediri. In addition, the company conducted a water conservation program with 27 infiltration wells and green open spaces by planting various types of plants. The company's also conducted an energy conservation program by utilizing renewable resources of biomass as a source of fuel. The company also

focused on complaints about environmental issues which can be submitted in letters sent to the Company's Head Office in Kediri or through the complaint form available at the Company's Head Office Unit 1 Kediri.

As for product responsibility, the company made guidelines and standards of quality and occupational safety and health used as references in every stage of procurement and processing of raw materials, manufacturing, packaging, product distribution, and marketing. The company also always complies with government regulations regarding health warning images on packaging as well as advertisements, and sponsorship. The company is focused on responsible cigarette sales by only adults and consumers can provide feedback via the 'contact us' page on the company's website.

The data above implies that the company has implemented several CSR for sustainability purposes. Company sustainability can be achieved by balancing profit and social. Social success will lead to profit which is the main foundation for the company's sustainability. In CSR activities, the initial concept of these activities is the triple bottom line which states that there are three corporate responsibilities in its business operations, namely people, planet, and profit. The three responsibilities are contained in the CSR activities of PT Gudang Garam Tbk, by making social activities, and environmental care. Also, the company also provides several services for public complaints, maintains, and obeys its responsibility on consumers and products in product design and advertisement.

The corporate sustainability review data explains the reasons and basic principles from the beginning the company was built. This principle was initiated by the company founder, the late Mr. Surya Wonowidjojo. This principle remains the company's guideline in carrying out its CSR activities. The four principles are (1) a meaningful and useful life for the wider community is happiness; (2) hard work, tenacity, honesty, health, and faith are the prerequisites for success; (3) success cannot be separated from the role and cooperation with other people; (4) employees are the main business partners. These principles reflect the culture and values at the company long before the concept of corporate social responsibility and sustainability was widely recognized. Thus, the implementation of CSR in companies is based on these four principles forming the basis of the company in running its business.

In the CSR data above, we can see and group the types of CSR programs. The company has two types of programs. First, it is annual programs including cultural tradition activities, sports, education and health services, healthy living and health management, and worksafety and environment (K3L). The second program is an incidental program directed to a charity program used for the development of several things in the company, or to assist external parties to the company.

The principles of the CSR programs at the practical level are as a link between decision-making with ethical values and respect for society and the environment. It has a mandatory nature not only seen as a demand from the community but also as a need for the business world in realizing the concept of sustainability according to the triple bottom line concept. PT. Gudang Garam Tbk contributes to the preservation of nature while providing added value to the community's economy through a corporate social responsibility program (Rofi'i, 2019). According to

Anggraeni and Djakman (2018), companies with sustainability reports indicate that they have special attention to the sustainability of their business, not only in terms of profit but also aspects of the planet (environment) and people (social) as stated in the triple bottom line.

Legitimacy was obtained by the company since its performance is in accordance with social values. Handayati and Rochayatun (2019, p. 24) suggested that a company's disclosure of social responsibility aims to gain legitimacy from the community where the company is located. The legitimacy given by the community around PT Gudang Garam Tbk can provide an increase in the company's image and value. As stated by Sari and Prihandini (2019), the existence of a company is not only to fulfill the wishes of shareholders but also the surrounding community. This condition will improve the company's image in the eyes of the public.

Some of the company's CSR is published in the mass media and even some mass media are deliberately involved in these activities. The CSR Program of PT Gudang Garam Tbk, in addition to environmental preservation, seeks to build creative economic growth for the community of bamboo crafts on the slopes of Mount Wilis. This commitment also cooperates with many parties, including the mass media, in providing information space for this effort. Through the 2019 Media Gathering for four days, fellow journalists were invited to visit Dusun Bambu and Saung Angklung Udjo to witness the management of ecotourism based on environmental preservation that provides economic value to the community. This theory explains that if there is a difference between the activities carried out by the company and what the community expects, then management can use media disclosure. This action is a form of a company's statement that they have done what was expected (Lanis & Richardson, 2013).

According to the theory of legitimacy, the company is closely related to the surrounding community. It can be said that the company is a social relation of the community that is bound by a social contract. This relates to social contract theory. A social contract appears because of the interrelation in the social life of the community creating harmony and balance in the environment (Handayati & Rochayatun, 2019, p. 26). PT Gudang Garam's corporate social contract was built and developed to explain the company's relationship to society. This was created by the company's CSR regulated following the norms prevailing in the community so that the company can be legitimated.

In the context of the company and the stakeholders, the social contract implies that the company must ensure that its operational activities are congruent with community expectations. The company has maintained its reputation among the stakeholders through its CSR programs by shifting the company mindset as measured by economic measurement, which tends to be shareholder orientation towards alignment with social issues (stakeholder orientation). This is in line with Murdifin et al. (2018) suggesting that disclosure of social activities and expenditure information related to environmental activities are to meet the stakeholder's needs of information. The better the company makes openness in providing information related to the environment or CSR, the more support stakeholders will provide to achieve the expected performance and profits.

Habitus in the Bourdieu trilogy is carried out by its annual CSR programs, as shown in the company's annual sustainability report prepared based on the four principles. These principles reflect the culture and values at PT. Gudang Garam Tbk instilled in all employees from the very beginning of the company to its habitus Handayati and Rochayatun (2019, p. 66) argued that habitus is social values revived and created through a process of socialization of values as a way of thinking and behavior patterns that settle in humans.

In realizing the concept of sustainability, economic sacrifice is one of the important things in implementing corporate CSR. It can be considered as social capital. As stated in the sustainability report, the company spent IDR 99 billion in 2017 for corporate social responsibility, IDR 78.9 billion in 2018, and IDR 28.3 billion in 2019. Handayati and Rochayatun (2019, p. 77) stated that economic capital is needed in the implementation of corporate CSR. Also, social capital is also a determinant of the success of a company's CSR program.

Mastery over the field is the key to the company's success in implementing CSR. The company carries out its CSR activities together with all stakeholders. The company tries to embrace all the internal and external fields that surround it. The company approaches the required CSR programs and involves all stakeholders. Through the concept of good habitus and capital by the company, the fields will be obtained. This is in line with Handayati and Rochayatun (2019, p. 79) suggesting that the field is related to strength in which the struggle for social position takes place. When a position is reached, they can interact with the habitus to produce intrasubjective bonds between individuals, a kind of structured relationship that unwittingly regulates the position of individuals and groups in a spontaneously formed social order.

CONCLUSIONS

PT Gudang Garam Tbk has implemented a corporate social responsibility (CSR) program as also stated in the social responsibility report uploaded on the company's official website. The concept of CSR in the company has a mandatory nature which is not only seen as a demand from the community but also as a need for the business world in realizing the concept of sustainability according to the triple bottom line concept. Legitimacy was obtained by the company because the company's performance is in accordance with social values. The legitimacy given by the surrounding community can provide an increase in the company's image and value. The theory of legitimacy explains that the company is closely related to the surrounding community. This indicates that the company is a social relation of the community bound by a social contract.

PT Gudang Garam Tbk's corporate social contract was built and developed to explain the company's relationship to society by establishing the company's CSR programs. In the context of the company and the stakeholders, the social contract implies that the company must ensure that its operational activities are congruent with community expectations to ensure its legitimation. The company has maintained its reputation among stakeholders through the CSR programs. In Bourdieu's trilogy concept, it is habitus, capital, and field. The company has these principles that reflect the culture and values at PT. Gudang Garam Tbk. The company embraced all fields that surround it.

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