THE EFFECTS OF THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY TOWARDS CORPORATE PROFITABILITY
(Case Study at a Telecommunication Company)

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ABSTRACT
The indicators of the company's success in winning the competition in the world of business are profit and growth. Now the companies do not only aim to achieve profit and growth, but also to achieve sustainability in which companies are required to show a sense of responsibility and concern for social issues within the companies as well as in society. To achieve this sustainability, the concept known as Corporate Social Responsibility (CSR) was born. CSR is a concept that combines integrated social aspects of business and aligned as such, for the company to achieve the welfare of stakeholders, and also to achieve the maximum profit that can increase the stock price.

Income Statement and Balance Sheet of Telekomunikasi company was utilized by the researcher, 5 years (1997-2001) to calculate the average profitability before the implementation of CSR, and another 5 years (2002-2006) to calculate the average profitability after the implementation of CSR. The main focus of this research is whether the influence of the implementation of CSR in the company on the level of profitability would be found or not. The hypothesis, thus, is "There is a significant effect of the implementation of CSR programs on the company's profitability". The data was analyzed quantitatively, using parametric statistics (different test), and then the hypothesis test (t-test). Hypothesis testing is intended to determine whether the company's CSR programs do bring a positive impact on the corporate profitability or not.

KEYWORDS
Corporate social responsibility, corporate profitability

INTRODUCTION
The indicators of the company's success in winning the competition in the world of business among others are profit and growth. Increased profit is characterized by increasing levels of product sales in the market, while growth is marked by increasing the value of capital invested in the company. Profit and growth are indicators of corporate success, but are they able to guarantee the survival of the company? It turned out that in addition to profit and growth, sustainability plays a vital role as well. To achieve this sustainability, a concept known as corporate social responsibility (CSR) was developed. CSR is an integrated concept that
combines business and social aspects so that the company can assist the achievement of welfare stakeholders, and can achieve the maximum profit that can increase share price.

PROBLEM IDENTIFICATION

The identified problem for this research is whether the influence of the implementation of CSR programs towards the level of corporate profitability could be found.

Research Purpose and Objective

The purpose of this study is to accumulate data and information required to establish corporate social responsibility (CSR) and its influence towards the level of corporate profitability.

The objective of this study is to analyze the effect of the CSR implementation towards the corporate profitability.

FRAMEWORK

Activities of the company should be reported to stakeholders. The company stakeholders consist of various parties, including shareholders, government, and society in general. Shareholders expect their investment in the company to develop. On the other hand, the government wants the company to follow rules set by the government, the essence of which is to protect the interests of society in general. The basic principle of CSR is to free local people from poverty. Furthermore, the company is also expected to produce environmentally friendly products so as not to damage biological life.

Article 74 UU RI NO. 40 year 2007 about Limited liability company (PT), is divided into four verses, as follows:

Verse 1: The company that runs their business activities in the field and/or relating to natural resources is required to implement social and environmental responsibility.
Verse 2: Social and environmental responsibility as referred to in verse (1) is an obligation of the company budgeted and accounted for as an expense of the companies whose implementation is done considering compliance and fairness.
Verse 3: Any company which did not carry out obligations as referred to in verse (1) is subject to sanctions in accordance with legislation.
Verse 4: Further provisions concerning social and environmental responsibility are regulated by government regulations.

The hypothesis to be tested in this study related to the presence or absence of influence before and after implementation of the CSR are:

Ho: There is no significant effect of the implementation of CSR programs towards corporate profitability.
Ha: There is a significant effect of the implementation of CSR programs towards corporate profitability.
Return on Assets (ROA)
Return on assets is one of the ratios to measure profitability of the company, which is the ratio between net-income by average total assets. The average total assets may be obtained from the beginning of the year total assets plus the year-end total assets divided by two.
ROA = (net income: total assets) x 100%

RESEARCH METHODOLOGY

The research method used is the descriptive method. It aims to describe the nature of something that is ongoing at the time the research was done and to examine the causes of a particular symptom (Travers, 1978). The type of descriptive method used is the case study approach.

RESULTS AND DISCUSSION

Research Findings

In order to encourage economic activity, the growth of society and the creation of equitable development through the repayment of jobs, business opportunities and community empowerment, telecommunication companies commit to support the communities with a sustainable quality of life as part of a business strategy to maintain the continuity of business enterprise. The basic purpose of a telecommunication company CSR implementation is to support the company on three basic concerns of sustainable development namely social, economic and environmental fields.

The scope of corporate social responsibility programs of a telecommunication company is conducted through seven pillars namely: education, health, culture and civilization, partnership, public services, environment, humanitarian assistance and natural disasters.

DISCUSSION

This study aims to compare the profitability of a telecommunication company before and after the implementation of the CSR, as seen from the return on its assets:

<table>
<thead>
<tr>
<th>Years</th>
<th>ROA before CSR</th>
<th>ROA after CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>5,77%</td>
<td>-</td>
</tr>
<tr>
<td>1998</td>
<td>4,90%</td>
<td>-</td>
</tr>
<tr>
<td>1999</td>
<td>8,25%</td>
<td>-</td>
</tr>
<tr>
<td>2000</td>
<td>7,51%</td>
<td>-</td>
</tr>
<tr>
<td>2001</td>
<td>13,09%</td>
<td>-</td>
</tr>
<tr>
<td>2002</td>
<td>-</td>
<td>18,15%</td>
</tr>
</tbody>
</table>
As shown above, there is a difference in ROA before and after application of the CSR with 6.01% (13.91% - 7.90%). This implies that there is a rise in the level of profitability in terms of ROA before and after the implementation of CSR. To calculate the amount of increase in the level of profitability of the company, this formula was used:

\[
T = \left\{ \frac{(P_i - P_o)}{(P_i + P_o)} \right\} \times 100\
\]

\[
= \left\{ \frac{(0.1391 - 0.079)}{(0.1391 + 0.079)} \right\} \times 100 = 27.55\%
\]

The rising level of profitability of a telecommunication company before and after applying CSR was reflected at 27.55%.

Therefore, the hypothesis proposed in this research that "there is a significant effect of the implementation of CSR programs towards the profitability of the company" is acceptable.

**CONCLUSIONS AND RECOMMENDATIONS**

In this research ROA as a profitability measure was used. The average ROA prior to the implementation of CSR is 7.90 while the average ROA after the adoption of CSR is 13.91%. Therefore there was an increase in ROA at 6.01%. This is proven by the significant increase in profitability of the company after the implementation of CSR as high as 27.55% and is supported by the results of hypothesis testing.

In accordance with KEP.MEN BUMN No. KEP-236/MBU/2003 the expenses or fund allocated for the partnership and CSR program come from profit after tax as much as 1% to 3% set by RUPS for PERSERO and (b) the Minister for PERUM.

Based on the results of the research and discussion, it is clear that CSR brings a positive impact on corporate profitability, as seen from the increasing profitability after the implementation of the CSR programs. Therefore, it is recommended that more effective and intensive activities within the scope of CSR programs are implemented. This is because the era of globalization required of the company is not to only concerned with the interests of the shareholders alone but also the company's external environment, such as the surrounding communities around the corporate operation activities.
REFERENCES


