

Positive Effect of Corporate Social Responsibility in PT. Indonesia Asahan Aluminium as an Indicator of Enhancement Efforts for Public Welfare in North Sumatra

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Abstract—One of the commodities that can increase the source of foreign exchange, especially in North Sumatra, is Aluminium ingots. The largest company producing Aluminium ingot in North Sumatra is PT. Inalum. It is a joint venture between the Indonesian government and Japanese private company, under the name Nippon Asahan Aluminium company ltd., or abbreviated NAA. PT. Inalum is an Aluminium smelting company that contributes greatly to development so that it is called a driver of development. It produces Aluminium bars or Aluminium ingots. The production includes industrial goods which are reprocessed into finished goods or ready to use. Then, the production of Aluminium ingots is exported to Japan and other countries, and some are marketed domestically. Business ethic is a set of principles that must be followed when running a business. A company acknowledgment in business decisions can affect the community (community and environment) and broadly include corporate responsibility towards customers, employees and Aluminium smelter creditors in Indonesia that have been operated for these three decades. It is right if socially PT. Inalum considers to take part in improving the economic and social welfare of the people around the company. This is because the company realizes that the development and success of operations cannot be separated from all stakeholders. The success of the company and the independence of the surrounding community are expected to be created and grow together.

Keywords—PT. Indonesia Asahan Aluminium, positive effect, corporate social responsibility, efficiency.

I. INTRODUCTION

Taking over PT. Inalum is one step to reap greater added value for this nation and country. 588 million US dollars are worth the price because the assets

obtained are not only smelters, but also dams and power plants of 604 MW and the seaport of Kuala Tanjung. This acquisition policy is certainly not expected to disturb the good relations between Indonesia and Japan since it ends in a good way and both of the countries still need each other in various fields. Japan has a large market in Indonesia, and on the contrary, Indonesia still needs Japan in terms of economy and technology. It is expected that there is no problem that will arise from this Policy. Indonesia and Japan have agreed on prices to be paid by the Government of Indonesia to acquire PT. Inalum. The period of the Japanese agreement to manage Inalum ended on 1st October 2013, however, Indonesia has the right to determine that whether this agreement need to be continued or not.

The success of the current government in taking over PT. Inalum is a good breakthrough to restore the nation's long-managed foreign assets. Inalum ownership for the state is expected to advance the Indonesian Nation since in the future the profits obtained will go to the state treasury. For now on, the challenge is in the hands of Indonesia, how far in the hands of youngsters of Indonesia themselves. PT. Inalum can be a healthy company and provide great benefits for the progress of the nation and state. Therefore, it is necessary to determine the best executive at PT. Inalum and put qualified people to make PT. Inalum as a world class company. Moreover, Aluminium products are the products needed by the automotive and electronic industries throughout the world.

One of the obstacles faced in this acquisition was that the Indonesian government wanted to acquire the company completely, but it collided with the issue of share prices, etc. In the takeover process, there was a difference in the value of Inalum's book in which Japan stated that the value of its shares was US\$626 million, while the Indonesian government set US\$558 million. Japan fell from the previous value of US \$ 650 million, while Indonesia raised its offer by US\$134

million from the results of the audit of the Financial and Development Supervisory Agency (BPKP) of US\$424 million. Finally, the agreement was reached at a meeting in Singapore, with a value of US\$556 million. It means that the book value has dropped from the agreement of the two previous parties, i.e. US\$558 million and PT. Inalum is 100% owned by the Indonesian government.

The purpose of this research is to maximize the benefits of the Corporate Social Responsibility program implemented by the PT. Asahan Aluminium company (PT. Inalum) as a driver of economic growth and empowerment of the poor in Indonesia and contribute to the growth of micro, small and medium enterprises and poverty alleviation. In addition, it provides input how all stakeholders will be able to make corporate social responsibility and business ethics as the key matter that must be scheduled and the increasing budget allocation of companies in carrying out these activities.

II. LITERATURE REVIEW

A. Good Corporate Governance

We often hear that many companies have fallen because its corporate governance is not good, so many frauds, or practices of corruption, collusion and nepotism, resulting in the crisis of economic and investor confidence to buy shares of the company. On the other words, the company does not implement good corporate governance. Therefore, this law became the initial reference in the elaboration and creation of GCG in various countries. Good Corporate Governance is intended to minimize fraudulent practices.

Good corporate governance is a set of rules or administrative mechanisms to smoothen relationships between management, shareholders and stakeholders. An important issue that is a support for the successful implementation of this principle lies in the demands of carrying out functions of accountability, disclosure, fairness, transparency and responsibility.

B. Corporate Social Responsibility

Carroll in Unang (2011) states that CSR is a form of concern for the company towards the surrounding community, covering several aspects, namely economic, legal, ethical aspects and contributions to social issues. It shows that every company in its CSR activities must look at several aspects.

Indeed, it is very difficult to understand that capitalistic institutions carry out non-profit activities as a manifestation of their moral responsibility to local people who live around the company (Mulyadi, 2003)[1]. Program development in a company cannot adopt applications from other companies that are considered more successful. Programs that are well implemented in a company will not necessarily be suitable for practice in other companies. Therefore,

modifications and creativity are needed so that the program is in line with the situation and conditions faced.

C. Economic Theory of Regulation

Stigler (1961)[2] states that regulation is an act of suppressing groups that produces laws and policies to support business circles and protect consumers, workers, and the environment. In the economic theory of regulation, regulations protect companies from competition and protect consumers from unfair business practices, workers from hazardous working conditions, and the environment from pollution and damage.

Theory of regulation basically opens up economic equality by incorporating political processes and ethical dilemmas in society. Obviously, economic issues are not transactions of profit, effectiveness and efficiency, but rather about the dimensions of justice, configuration of power sharing, etc. Therefore, there is no single best solution such as the neo-classical version which regards the market as the only best solution of all economic problems (one best way solution). Theory of regulation, not in terms of regulation (English) which means "rules" (regulation in Bahasa Indonesia), but *régulation* which means that the economy must be built in a context of certain social relations. In this case, theory of regulation has a heterodox approach (the opposite of orthodox).

D. Poverty Alleviation

Kotze in Hikmat (2004: 6)[3] states that the poor has a relatively good ability to obtain resources through opportunities. Even though, external assistance is sometimes used, it cannot be assured that the community depends on outside support. This empowerment approach is considered unsuccessful because no community can live and develop if it is isolated from other community groups. This isolation creates a passive attitude, even when things get poorer.

Furthermore, Supriatna (1997: 90)[4] states that poverty is a limited situation that does not occur at the will of the person concerned. A population is said to be poor if it is characterized by low levels of education, work productivity, income, health and nutrition and well-being of its life which shows a cycle of powerlessness. Poverty can be caused by limited available human resources, both through formal and non-formal education channels which ultimately have consequences for the low level of informal education.

The people-centered development approach is very relevant as a paradigm of decentralization policy in handling social problems including the problem of poverty. This approach is aware of how important the capacity of the community is to increase internal independence and power through the ability to exercise internal control over material and non-material resources.

Nevertheless, the people-centered development model emphasizes empowerment. This model views people's creative initiatives as the most important building resource and views the people's material-spiritual well-being as a goal that must be achieved by the development process. Strategic studies of community empowerment, both economic, social, cultural and political, are important as inputs for reformulation of people-centered development. This reformulation provides a huge opportunity for the community to develop in a participatory manner.

III. RESEARCH METHOD

This study uses literature study method based on several previous studies and scientific journals that discuss the development of the pattern of the implementation of the Corporate Social Responsibility Program implemented by Indonesian companies both state-owned companies such as PT. Indonesia Asahan Aluminium (PT. Inalum) and PMA companies (strengthening foreign capital). There are more than fifty international journals as the references for the completion of this paper.

The results of scientific writing are expected to be taken into consideration for companies located in Indonesia in making and designing corporate social responsibility programs and business ethics to be more focused and efficient so that the positive impact can be received by the community around the company. In addition, it becomes an input for the government in making good regulations and siding with the public regarding the company's business obligations and ethics so that it can be more effective and efficient in implementing the Corporate Social Responsibility program.

IV. DISCUSSION

A. The Implementation of Corporate Social Responsibility in PT. Indonesia Asahan Aluminium for the People of North Sumatra

As Aluminium smelter in Indonesia, which has been operating for 3 decades, PT. INALUM is socially considered taking part in improving the economic and social welfare of the surrounding communities because the company realizes that the smooth development and success of operations cannot be separated from all stakeholders. The success of the company and the independence of the surrounding community are expected to be created and grown together.

The company's commitment, from the time of construction, takes care of natural and environmental preservation that has been completed where INALUM has obtained ISO 14001 and ISO 9001 Certification. Regarding environmental preservation, INALUM has obtained a Blue Rating in the "Company Performance Rating Program (PROPER)" for the company's performance in preserving the environment. For the

Occupational Safety and Health Management System, INALUM has obtained a Gold Flag.

In addition, social welfare and regional economic development are facilities for the company to achieve its mission, vision and values. Therefore, since its inception, the policy of social responsibility to stakeholders has attention and support from the Company.

B. The Contributions of PT. Inalum in Economic Development and Community Welfare Enhancement in North Sumatra

Since November 27th, 2017, INALUM has been trusted to be the Parent of Mining Industry Holding consisting of PT Antam Tbk, PT Bukit Asam Tbk, PT Timah Tbk and 9.36% shares of PT Freeport Indonesia as members of Holding and been able to produce new Aluminium derivative products as planned. PT Indonesia Asahan Aluminium (Persero) is based in Kuala Tanjung, Batu Bara Regency, North Sumatra Province. In the near future, it will build a modern and representative office building in Kuala Tanjung's A-Camp soccer field area. Companies that have good business growth can be seen from building construction, number of employees and business expansion. With the addition of office buildings and increased production capacity, it is expected that PT. Inalum will become one of the absorbent productive workers for the people of North Sumatra in particular to be able to reduce the unemployment rate.

PT. Inalum also granted 10 hectares of land to the Kuala Tanjung North Sumatra Port which was very much needed as the role of the international port in the process of transporting Sei Mangkei Special Economic Zone (KEK) products. The 10 hectares of land are planned to be allocated for the construction of the railway line to the port of Kuala Tanjung. The construction of Kuala Tanjung is very important considering that every year there are 120 thousand ships through the Malacca Strait that transport 45% to 50% percent of world trade. More commitments are needed since the investment projection in KEK Sei Mangkei is very promising, so that the port of Kuala Tanjung is very necessary.

C. Positive Effect of Corporate Social Responsibility in PT. Inalum and the Real Effort of Poverty Alleviation in North Sumatra

The slow recovery of the global economy has also contributed to the economic growth of North Sumatra, in which in the last 7 years, it has tended to grow slower.



Fig. 1. Diagram of North Sumatra Population

The high level of poverty in the province of North Sumatra in 2012 had PT. Indonesia Asahan Aluminium motivated to make a real contribution through various programs. Increased CSR Fund Allocation and Better Efficiency and program focus have had a positive impact on poverty alleviation in North Sumatra Province Especially in surrounding areas of PT. Inalum such as Batubara Regency, Simalungun, Asahan, Tanjung Balai City, and Humbahas Regency.

The development of micro, small and medium enterprises in the province of North Sumatra in 2013-2017

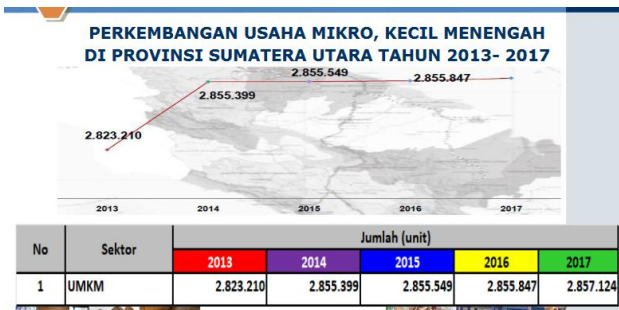


Fig. 2. Data on Development of SMEs in North Sumatra Province

After the implementation of the CSR Program that focuses on SMEs and Education Scholarships starting in the 2011-2017, there has been an increase in community welfare. North Sumatra's economic growth has always grown above the National growth. In 2011, economic growth in North Sumatra rose 6.66% in 2012 to 6.45 % in 2013, 6.07% in 2014, 5.23% in 2015, fell to 5.10% in 2016 and there was an increase from the previous year to 5.18%, and in 2017 it fell back to 5.12%.

V. CONCLUSION

The Corporate Social Responsibility program has a very important role for the community around the location of the company. Efficient and clear focus CSR programs will have a real impact on the company's contribution to prosperity and the improvement of people's living standards in the environment around the company.

PT. Indonesia Asahan Aluminium has contributed significantly to alleviating poverty and improving the welfare of the people of North Sumatra through a variety of highly efficient CSR programs and business ethics, including education and divinity aspects which are also a special concern of PT. Inalum in conducting empowerment programs and improving community welfare.

The real positive effect that has been seen is that the decline in the poverty rate of the people in the location around the company and the rapid development of SMEs is not an easy thing to do. Moreover, the company's seriousness in partnering with local communities has many challenges and limitations both in terms of budget and mechanisms that must be adjusted by the company PT. Indonesia Asahan Aluminium in order not to violate applicable legislation.

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