

## THE INDONESIA BEST SUSTAINABILITY REPORT AS A STUDENT'S ACCOUNTING TOOL TO UNDERSTAND CSR CONCEPT

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### **Abstract**

*Guideline Reporting Initiatives has long become the guidance for making sustainability report (SR). It contains the company's Corporate Social Responsibilities (CSR) activities. By using these guidelines, the CSR activities of the company can be focused on and directed to minimize the negative impact. CSR activities will be grouped into three bottom lines of activities that are profit, people and planet. SR analyzed were the ones from companies associated with the exploration of natural resources which are the best in publishing the reports and conducting the CSR programs. The data obtained from questionnaire and interviews of accounting students from environmental and social accounting class in which there are also students from Slovenia, Lithuania and Ukraine. The results of this study found that students can understand easily the meaning of CSR in a comprehensive manner. They know both aspect of disclosure and report of the sustainability report.*

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### **INTRODUCTION**

Accounting profession has been rapidly growing in Indonesia. It was all started when the Indonesian Accountant Association was established on 23 December 1957. In the following period, Indonesian Accountant Association particularly The Public Accountant Compartment was established on 7 April 1977. The organization is focused on public accountants in the umbrella of IAI, followed by accounting educator, intern accountant, and accountant in public sector.

The presence of Public Accountant compartment promotes the growth of public accounting profession which gives services directly related to financial reports. The growth is also strengthened by the application of international financial reporting standard (IFRS). The financial report becomes the primary focus in the service of accounting profession, either in the design of financial information system, financial report writing up to financial report auditing. However, if we look at what companies do these days, the profession of accountant actually is required to get focused on non-financial report information

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especially in regards to social responsibility and environmental issues that are more commonly known as corporate social responsibility (CSR) in Indonesia since 2007. This is due to the compliance requirement with the rules that have been constituted by the Indonesian government.

In 2007, the government obliged companies in Indonesia to conduct CSR activity by the Law No.40 regarding Private Limited Company. Pursuant to the law article 74, verse 1, it is stated that private limited company which runs its business in the field of and or related to natural resources is obliged to carry out the social and environmental responsibilities. Furthermore, at the article 1 of the Law No.40, the social and environmental responsibilities are comprehend as the company's commitment to take part in sustainable economic development to improve the live and environment quality that are beneficial for both the company, local community and public in general. Based on those two articles, company is supposed to be openly involved in preserving the environment and to take part in improving the welfare of local community.

For the purpose of transparency and accountability, the company has to clearly disclose the social and environmental responsibility in the annual report. This is in accordance with article 66, verse 2, which states that the board of directors has to submit the annual report, containing the report of social and environmental responsibility program.

Based on the Manufacturing Company Annual Report in 2009, which is also reported in Indonesia Capital Market Directory (ICMD) in 2010 by Indonesia Stock Exchange (IDX), most companies have reported their social responsibilities activities in their annual report. The activities vary, ranging from improving product container which is environment friendly up to closely involvement in social activities such as giving charitable aid to the victims of natural disaster and also providing scholarship for students. Most activities are considered merely philanthropic.

However, if we look at the practice of some Government-Owned Corporations (GOC) in Indonesia and some developed countries, they submit the report of their social responsibility based on the Guideline Reporting Initiative (GRI), published by a non-profit institution located in the Netherlands. Based on that guideline, the activities that should be reported are the ones which support sustainability and have to be appropriate in accordance with their core business. It means, the activities are directly related to what could reduce the negative impact of the company's operational activities and also the ones which could improve the relationship between the company and its stakeholders.

Based on the GRI, actually the CSR is not an easy and inexpensive activity to be conducted. It requires planning and through calculation to do. The one who plays the important role regarding it is an accountant. The CSR has then become the part of planned calculative process of revenue, operational expenses and company's profit. Thus, stage by stage, the CSR should be continuously conducted over the years in the line of improving the internal business process of the company. The other reason, which is also important, is that reporting becomes an important task of an accountant. An accountant is expected to be able to create a CSR report or sustainability report (SR) as the expression of responsibility towards the stakeholders.

The data obtained from the National Centre for Sustainability Reporting (NCSR), in Indonesia, companies that submit SR from 2007 are 12 companies. In 2013, the number increases to become 40 companies (Prakosa, 2013). This number is considered very few in comparison to the number of 500 public companies enlisted in IDX. The practice that has been happening so far is that the companies publish two reports. The first contains financial performance of the company and the second one contains sustainability report which shows economic, social and environmental aspects.

Referring to the description above and considering the practices done by companies in the future, the study program of accounting since 2009 provides a subject that is titled as social and environmental accounting. This subject explains that business is not supposed to be focused only on profit-making but also needs to cover social and environmental aspects. Besides, the business needs to conduct social and environmental responsibility to support the sustainability of earth. In order to sharpen the students' understanding about social and environmental responsibility, the lecturer discussed the topic by taking the example of and directly study the best sustainability reports in Indonesia that are the report of Aneka Tambang Company (Antam) and the National Gas Company, the ones that have received award from National Centre for Sustainability Reporting in collaboration with The Ministry of Environment of The Republic of Indonesia. The purpose of this study is to find out whether the level of understanding of the students concerning CSR concept improves after studying the sustainability reports from the companies.

## **METHODS**

A survey was conducted in this study by distributing a questionnaire to the students in 2014. The purpose of it is to measure their perception towards the concept of Corporate Social Responsibility and Sustainability Report. The data was collected from all accounting students who take social and environmental accounting subject including the bilingual class. In this class, some foreign students from Slovenia, Lithuania and Ukraine also took part in this survey. There are 205 students in accounting study program. The data collected was processed by using descriptive statistic method to measure the percentage of students who show their level of understanding about the concept of Corporate Social Responsibility. Their answers of 'agree' and 'strongly agree' show their understanding about the concept of corporate social responsibility and sustainability report. Some instruments are taken from the Guideline Reporting Initiative (GRI), prepared by KPMG (2008) and some other parts are developed based on the principles of Sustainability Report writing.

## **RESULTS AND DISCUSSION**

Before analyzing the data, an evaluation towards the research instrument was also conducted. The evaluation of the data quality was conducted by applying validity and reliability test. The validity test was taken by using the value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy (Kaiser's MSA). The value of Kaiser's MSA instrument used was 0.795 higher than 0.50. The item to be put into the last analysis list is the one which has loading factor higher than 0.40.

**Table 1.** Test of validity

KMO and Bartlett's Test

Kaiser-Meyer-Olkin-Measure of Sampling Adequacy		.795
Bartlett's Test of Sphericity	Approx. Chi-Square	452.325
	Df	36
	Sig.	0.000

The reliability test was conducted to measure whether the research instrument produced reliable data or not. A questionnaire is considered reliable if the answers by the respondents to the questions given are consistent from time to time. The reliability test in this study was done by applying Cronbach Alpha statistical test. The construct variable in this study has Cronbach Alpha value higher than 0.6.

**Table 2.** Test of reliability**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q1	31.8780	16.284	-.053	.044	.802
Q2	29.9268	14.245	.412	.307	.722
Q3	30.2829	14.243	.399	.283	.724
Q4	30.7268	13.376	.449	.335	.715
Q5	30.7171	12.616	.630	.495	.684
Q6	30.6537	12.522	.591	.431	.689
Q7	30.6146	12.875	.531	.357	.700
Q8	30.5317	13.221	.576	.441	.696
Q9	31.0780	13.327	.397	.193	.725

The statistical process of the data gives the results of every question indicators shown at the table below. The data was processed by using descriptive method of SPSS to get the description of percentage about the answers in regards to their understanding about corporate social responsibility concept.

**Table 3.** The Survey Results (in percentage)

NO	Indicator Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	A term of corporate social responsibility equal to philanthropy	8.8	34.1	40.0	15.1	2.0
2	Businesses are not focus only on profit but also social and environmental aspects	1.0	0.5	2.4	27.3	68.8
3	Corporate social responsibility has a	0.5	0.5	8.3	53.2	37.2

	close relationship to sustainability report					
4	I can easily find information about corporate social responsibility in sustainability report	0	5.4	27.3	46.8	20.5
5	Corporate policies that affect social and environmental sustainability is clearly disclosed in the sustainability report	0.5	4.9	22.4	55.1	17.1
6	There is a clear link between sustainability strategy and overall corporate strategy	0.5	5.4	21.5	49.3	23.4
7	One of evidence corporate committed to sustainability is to make sustainability report	1.0	3.9	20.0	50.7	24.4
8	Positives and negatives impact on the environment have disclosed in sustainability report	2.0	11.2	34.6	42.0	10.2
9	By making sustainability report, it helps the corporate to translate sustainability strategy to the local community	1.0	1.0	15.6	60.0	22.4

Based on the table above, for the first indicator item, 40% of the respondents chose the neutral answer. This shows that the accounting students are not able to completely distinguish between the term of corporate social responsibility and philanthropy. There was a probability that the students assumed there was no difference between CSR and philanthropy. As for the second indicator, 68% of the respondents agreed that business should not be focused on profit making but also covers the aspect of social and environmental. This proves the perception that the accounting students do not get focused on profit making only as success measurement of a company as it is also emphasized in accounting discipline.

For the question items number 3 until 5, this study has discovered the students' perception in regards to the relationship between corporate social responsibility and sustainability report. The result of those question items consecutively are 53.2%, 48% and 51%, indicating that the respondents agree there are close relationships between corporate social responsibility and sustainability report. The reason is that sustainability report contains the company's social responsibility based on indicators required by GRI. The CSR activities are systematically reported and grouped in the same type of indicator therefore readers can easily find any desired information.

As for the question items number 6, 7 and 8 consecutively show the result of 49.3%, 50.7% and 42%. The results indicate that corporate social responsibility has become continuous strategy which is inseparable from the overall strategy of the company. Relevant to that, the other proof which shows the

company's commitment to maintain the sustainability is publishing the sustainability report. As such, the stakeholders can appraise what the company has done in supporting the sustainability toward the environment of this planet. Other than that, the company is also required to expose both the positive and the negative aspects in sustainability report. Therefore, the stakeholders can collect the whole picture concerning the company's commitment in maintaining sustainability.

The last indicator gets the result of 60%. The question asks the respondents about the role of sustainability report in interpreting the company's strategy applied in local community. The indicator in sustainability report requires the company to reduce the negative impact from the company's operational toward local community and raise the positive one instead as the positive proof of the company's existence in society.

## CONCLUSION

Based on the results obtained by the respondents who are the accounting students, some conclusions can be withdrawn in this study. First, the accounting students understand that the success factors of a company is not only profit but also social and environmental aspects. Second, the corporate social responsibility is inseparable from the overall strategy of the company. Third the sustainability report of PT Antam used in this study, as one of the best sustainability reports in Indonesia can help the students to understand more about social responsibility activities conducted by the company. The sustainability report of PT Antam gives the real picture about concrete example about what a company can do to reduce the negative impact and raise the positive one applied in the local community who live around the company.

In addition to what is concluded above, the results of this study bring important values as education institution can teach the students about corporate social responsibility since companies considerably also contribute to the climate change which currently happens in this planet. In the attempt to overcome that problem, the subject of social and environmental accounting is necessarily delivered to students. For the purpose of giving the concrete example and the best practice about it, the sustainability report can be used to give further understanding about the principles of corporate social responsibility.

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