

## Implementation of Corporate Social Responsibility (CSR) and Its Impact on the Company's Financial Performance

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| ARTICLE INFORMATION   | ABSTRACT   |
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| Received: September 2023<br>Revised: January 2024<br>Accepted: April 2024<br><br><i>Keywords: CSR,<br/>Financial Performance,<br/>Sales</i> | The purpose of this research is to find out how PT Petronika implements Corporate Social Responsibility (CSR) and to identify the impact of CSR programs on the company's financial performance. The research utilizes qualitative data from two sources: including primary data consisting of interviews, while secondary data consisting of a record of letter disposition and PT Petronika's financial reports. This study used semi-structured interview methods, observation, and documentation in its data collection. The test results show that CSR has a positive impact on the PT Petronika's financial statements, which is reflected in an increase in sales that affects the level of profit. |

### INTRODUCTION

The economic sector is inseparable from business activities, both small scale and large scale. In doing business, of course, it is not solely the pursuit of profit, but the production activities carried out by the company must be considered because it indirectly affects the social environment and physical environment for the community. If the company fails to behave socially responsibly, it will affect costs, significantly decrease profits and the company will be categorized as a company that does not care about the community (Ubeda-Garcia et al., 2021). For that reason, companies need the implementation of social responsibility as a moral imperative in the form of Corporate Social Responsibility (CS R) which is closely related to the concept of sustainable development. The implementation of CSR is increasingly intensively implemented after Law No. 40 of 2007 Article 74 concerning Limited Liability Companies which reads "companies that carry out their business activities in the field and / or related to natural resources are obliged to carry out their Social and Environmental Responsibility" (Widjaja and Pratama, 2008: 93).

Gresik is an Industrial City so that many industries are found, especially the chemical industry. The chemical industry is familiar with air, water, and soil pollution that harms society. In addition, the Gresik Industrial Estate (KIG) is also close to residential areas, so it is important to implement CSR programs to maintain a good reputation and positive response from the community because it provides hope for justice

and the realization of sustainable welfare and can show the Company's concern with stakeholders (Pasaman and Rusliaman, 2014: 17).

PT Petronika is one of many companies located in the Gresik Industrial Estate (KIG), precisely on Jl. Prof. Dr. Moh. Yamin SH. PT Petronika produces plasticizers, namely Dioctyl Phthalate (DOP). PT Petronika is a Foreign Direct Investment (PMA) company in Indonesia. Initially, PT Petronika was established by Mitsubishi Group (Nippon Indonesia Kasozai Co. Ltd) from Japan with 80% share ownership and PT Petrokimia Gresik with 20% share ownership on September 14, 1983. Along with the development of PT Petronika, Mitsubishi Group's 80% shareholding was sold to Globe Chem International Corp Co. Ltd. As a corporate entity in the chemical industry sector, PT Petronika plays an active role in building the social environment of the community and maintaining the preservation of nature through the implementation of CSR programs. The implementation of CSR certainly requires costs and will affect the financial performance of PT Petronika (Agnelia et al., 2019).

Referring to the background above, researchers are interested in conducting research entitled "Implementation of Corporate Social Responsibility (CSR) and Its Effect on Corporate Financial Performance (Case Study at PT Petronika)".

## LITERATURE REVIEW

### *Corporate Social Responsibility (CSR)*

According to Fahmi (2014: 81) *Corporate Social Responsibility (CSR)* is the dedication of an entity in a business context in contributing to achieving sustainable economic growth by considering the balance between economic, social, and environmental aspects. *Corporate Social Responsibility (CSR)* is integrating the company's conscious concern for the social environment with *stakeholders* in prospering the community and fulfilling responsibilities to the government.

According to *the Prince of Wales International Business Forum* there are five CSR activities as follows:

1. Building Human Resources, companies must focus on developing competent Human Resources (HR) internally and externally empowering the community.
2. Strengthening the Economy, businesses must not only enrich themselves, but must also strive to strengthen the surrounding economy.
3. Assessing Social Cohesion, companies must make efforts to maintain harmony with the surrounding community to prevent conflicts.
4. Encouraging Good Corporate Governance, companies must run their business with the guidance of Good Corporate Governance (GCG).
5. Protecting the Environment, companies must be committed to safeguarding and protecting the environment by making appropriate efforts. (Azheri, 2011:28).

### Financial Performance

According to Rudianto (2013,189), financial performance is the result of achievements achieved by the management of a company when carrying out its responsibility to effectively manage company assets over a specified period of time. Financial Performance can also be defined as achievements that have been achieved by the company in accordance with its responsibility in using available financial resources to carry out various aspects of activities. Financial performance in the form of all inputs in the company in the form of Human Resources (HR), technology, along with capital managed to generate output, namely profits for the company. Companies in a competitive industry have an advantage by engaging in social responsibility to gain competitive advantage (Gupta & Krishnamurti, 2021). If the company's performance is good, it is directly proportional to its profits.

## RESEARCH METHODS

The data collection method in this research is a qualitative method which is divided into two categories of data, namely primary data obtained through interviews and secondary data obtained from the disposition list of letters and financial statements of PT Petronika. The resource person in this research is the Head of the

CSR team in the Human Resources (HR) department. This study used semi-structured interview methods, observation, and documentation in its data collection.

## **RESULT AND DISCUSSION**

After conducting interviews conducted at PT Petronika, it can be seen that PT Petronika has implemented a Corporate Social Responsibility (CSR) program. The HR staff in charge of CSR programs (Mr. Fatqur), said that:

"Actually, the CSR program started since this factory was established, there have been social activities in the surrounding area which are now often called CSR. It started around 1985 or one year later. Here the mention of CSR-related social activities we name it sponsorship and do not label or name it specifically. We implement CSR, of course, according to the regulations of the law outside of the company's initiative."

Based on the information provided by the resource person, it can be concluded that PT Petronika has implemented CSR since 1986. The implementation of CSR programs at PT Petronika is in accordance with the regulations of the CSR program for Limited Liability Companies, namely Law No. 40 of 2007 concerning Limited Liability Companies (UUPT) and Government Regulation No. 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies.

Based on the results of interviews conducted at PT Petronika, it can be known what factors encourage the implementation of the Corporate Social HR Staff program in charge of CSR programs (Mr. Fatqur), said that:

"Actually, we implement CSR because of the provisions of laws and regulations. But besides that, we also want to participate for the surrounding community and think about long-term benefits and of course want to create a good reputation for the company".

Based on the results of the interviews conducted, it can be concluded that the factors that encourage PT Petronika in implementing CSR are: (1) The company's desire to create a better social environment, (2) Consideration of the long-term benefits obtained by the company, (3) and creating and maintaining the company's good name through CSR programs.

Based on the results of interviews conducted at PT Petronika, it can be known which guidelines or foundations PT Petronika uses in implementing CSR programs. The HR staff in charge of CSR programs (Mr. Fatqur), said that:

"We do not have a specific basis for the implementation of CSR but we only race on the rules of law. In the application of this CSR, we certainly focus on the environment or social field only as a form of tolerance for each other. For example, in the field of education, we fill seminars, open job fairs, accept internship students in our company. For religion, we donate sacrificial meat to local residents. If welfare and social are usually in terms of assistance to orphans to local residents, earth alms for the local wisdom of the surrounding village. In the health sector, we also hold blood donation programs and health socialization to employees."

From the results of the interview, it can be concluded that PT Petronika's CSR implementation is carried out in the social sector, including:

1. Education  
Receive field work practice (PKL) programs starting from vocational to tertiary levels, receive industrial visits from schools and universities, conduct socialization to schools about the world of work, and open job fairs.
2. Health  
Medo blood donation, routine gymnastics every Friday, and conduct health socialization and regular check-ups with doctors to all employees.
3. Social welfare  
Provide support for related citizen programs and orphan benefits.

### **CSR Impact on PT Petronika's Financial Performance**

The interview results show the funding sources used by PT Petronika to implement CSR programs. As stated by the HR Staff who manages CSR programs (Mr. Fatqur), that:

"The funding for the CSR program is from our own budget that has been set. We do not have donors from external parties, but usually from friends, employees or internally, usually after we are informed that they will carry out CSR programs, they entrust more or less assistance to this program".

Based on the results of an interview with Mr. Fatqur as the HR Staff who manages PT Petronika's CSR program above, it can be concluded that CSR funding comes from the company's budget that has been determined for this program as well as donations from internal parties only.

The interview results show the influence of CSR on financial performance at PT Petronika. As stated by the HR Staff who manages CSR programs (Mr. Fatqur, that:

"If asked to explain its effect on financial statements, of course there is. Because basically CSR itself is a positive activity so that the impact given is also positive for the company. With the good reputation that the company has, we attract the attention of customers because they will refer directly to Petronika for our product needs. In addition, through CSR programs, we also provide motivation to employees so that they work with high enthusiasm and their health is more guaranteed. This is certainly beneficial for our company, because both external and internal parties support the company to manage and control the resources owned in achieving our goals, which is to achieve maximum sales and profits without interference from other parties".

From the results of the interview above, it is concluded that the CSR or social responsibility program carried out by PT Petronika has a positive impact on the company's financial performance. This can be seen from sales that increase every year, affecting PT Petronika's profit level.

### **CONCLUSIONS**

Based on the increase in the number of products sold from time to time, it affects the company's revenue and the level of net profit obtained by PT Petronika. In this study, it can be concluded that the implementation of Corporate Social Responsibility (CSR) programs has a positive impact on PT Petronika's financial performance, seen from the company's good reputation in the eyes of the public who provide support for the company's survival. In addition, employees' views of the company are also increasingly positive which results in higher motivation to work more diligently. As long as CSR programs are carried out effectively, there are never significant problems that occur from the community, employees, and stakeholders.

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