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Correlation regulation comply, accountability, and CSR on palm oil plantation profitability

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Abstract. Palm oil Plantation Company as a business entity that aims to gain profits, in addition to pay attention to the principles of accountability as the application of Good Corporate Governance (GCG), also has the responsibility to implementation CSR in its operations based on applicable regulations. So it is interesting to conduct a study of the impact between company compliance with the rules, the application of accountability principles and the implementation of CSR to the company's profits. This research type is normative research, and the data used for this research are some legislations, documents and books related to this research. The result of this research revealed that The palm oil plantation company as a corporate entity has responsibility in implementation of CSR in the company management by applying the accountability principle as part of the Good Corporate Governance principle, which is the implementation of CSR is not only a responsibility that owned by the company, but also as a promotion media in gaining profits.

1. Introduction

Company as business entity, in its management generally refer to the Good Corporate Governance principles (GCG), among others, the principle of transparency, accountability, responsibility, independence and fairness, which is the implementation of GCG serves to foster investor and market confidence in general towards the company. In this regard, in the globalization era, the increasing amount of companies were the impact of the economy global growth, so companies that operating in Indonesia today are not only companies that are domestic investors but also the foreign investors. One of the business sector that was in demand is in the palm oil plantation sector. The increase in the number of palm oil plantation companies certainly has an influence on the environment and the community,



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especially the community around the company are located. Meanwhile, according to Molengraaf, companies are all actions carried out continuously, acting out to get income, by trading goods or holding trade agreements [1].

The increasing number of companies has led both of socially and environmentally changed, by the increasing number of companies certainly supporting economic growth and opening employment, but not infrequently also by the increasing number of companies also caused negative impacts on the environment as an examples are the pollution from company activities which is reducing the quality of the environment and decreases the quality of communities life and conflicts between the company and the community around the company that feel the presence of the company does not bring benefits to the community, but instead the community feels the company presence actually has a negative impact. So that the increasing number of companies besides having a positive impact, also has the potential to have-on a negative impact on both the social and environmental aspects, so that the company has responsibilities in the social and environmental aspects, so that it can minimizing the potential negative impacts from the company's activities. Verb (ETS)

The responsibility of the company as described above shows that in the business world, a company must pay attention to business ethics. It means that the company managed by observing the principles of Good Corporate Governance (GCG) was created with the aim of gaining profit, should pay attention to the environment and society, too. It is expected that a company can play a role in improving the quality of the community life and the environment known as Corporate Social Responsibility (CSR) based on applicable regulations.

This study is normative, because it uses secondary data, or often called the literature. Secondary data used in this study include legislation on Corporate Social Responsibility (CSR), documents and writings relating to the cases studied. Furthermore, the purpose of this research is to find out how is the correlation between the compliance of palm oil plantation companies with the applicable rules, the application of the accountability principle and the implementation of CSR to the company's profits.

Based on the description above, it can be seen that every company in addition to pay attention to the principles of accountability as the application of Good Corporate Governance (GCG), the company also has the responsibility to implement CSR in its operations based on applicable regulations. So that the authors was interested in conducting research in the form of a scientific paper titled "Correlation Regulation Comply, Accountability, and CSR on Palm Oil Plantation Profitability".

2. Research method

This study is normative, because it uses secondary data, or often called the research literature. Normative legal research is legal research laying down the law as a system of building norms. Norm system in question is about the principles, norms, and rules of legislation, court decisions, agreements and doctrines [2]. Secondary data used in this study include legislation relating to Corporate Social Responsibility (CSR), documents and writings relating to the cases studied. (ETS)

Methods of data analysis used in this research is descriptive qualitative, meaning authors will present and explain the data obtained from the study of literature, which is manifested in a logical and systematic description. Once the ingredients necessary legal collected, the next step was made an analysis to clarify the settlement of the problem, then the conclusions drawn deductively, from things that are common to the things that are special. At this stage the legal material worked on and utilized in such a way to successfully conclude the truth of which can be used to address the issues raised in the study.

3. Results and discussion

The concept of CSR can be interpreted as an activity to participate in overcoming social problems with economic improvement, improving the quality of the community life and reducing various operational impacts on the environment, following applicable laws and regulations, which in the long run have benefits for the company and community development [3]. Furthermore, according to Suharto Prawirokusumo; Social responsibility is a broad concept that relates to the company's obligation to

maximize positive impact on its community [4], while based on The World Bank Business Council for Sustainable Development (WBCSD) what is meant by corporate social responsibility is [5]:

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

Globalization has aroused a growing awareness of business responsibility for the community and corporate social responsibility (CSR) is widely regarded as a bond of responsibility that is feasible to ensure the creation of sustainable benefits for companies and society [3]. The social and environment responsibility of the company or Corporate Social Responsibility has been strictly regulated in Indonesia, in Article 15 letter (b) of Law Number 25 on 2007 concerning Investment, which requires every investor to carry out corporate social and environmental responsibilities and in Article 1 point 3 of Law Number 40 on 2007 concerning Limited Liability Companies which states that social and environmental responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the Company itself, the local community and the community in general.

Furthermore, Sony Keraf divides the contents of corporate social responsibility into two categories, namely [4]:

- In primary relations; for example fulfilling contracts that have been done with other companies, fulfilling promises, paying debts, providing services to consumers and customers satisfactorily, being responsible for offering goods and services to the community with good quality, paying attention to employee rights, welfare of employees and their families, improving skills and employee education.
- In secondary relations; responsible for operations and the impact of business on society in general, on social issues, such as: employment, education, social infrastructure and taxes.

The scope of the implementation of Corporate Social Responsibility (CSR) can be divided into 2 (two), namely in the narrow sense and in the broadest sense. CSR in a narrow sense, namely:

3.1. Corporate social responsibility to the company

Based on the provisions in Article 1 point 1 of Law Number 3 on 1992 concerning Workers' Social Security stated that labour social security is a protection for workers in the form of compensation in the form of money in lieu of part of lost or reduced income and services as a result of events or conditions experienced by workers in the form of workplace accidents, illness, pregnancy, maternity, old age, and death. Furthermore, in Article 163 paragraph (1) of Law Number 13 of 2003 concerning Labour, states that employers can terminate employment of workers / labourers in the event of changes in status, merger, consolidation, or changes in company ownership and workers are unwilling to continue employment relationship, then the worker / labourer has the right to severance pay in the amount of 1 (one) time in accordance with Article 156 paragraph (2) of Law Number 13/2003 concerning Labour, the 1 (one) time work period stipulated in Article 156 paragraph (3) and compensation rights according to the provisions in Article 156 paragraph (4) of the Manpower Act. Based on the provisions in the law as described above, it can be known that a company in addition to pursuing profits must also pay attention to the welfare of its employees.

If it is associated with the concept of CSR as improving the quality of life of workers and their families, the laws and regulations concerning labour in Indonesia can be said to have met these criteria even though until now in its implementation it is still considered not optimal [6].

3.2. Social responsibility to stakeholders

As for external parties (stakeholders) that influence the company operation, among others:

3.2.1. *Consumer*. The legal relationship between consumers and companies is a contractual relationship, where consumers as users or consume goods and or services from companies as producers. In Article 19 paragraph (1) of Law Number 8 on 1999 concerning Consumer Protection, states that business actors are responsible for providing compensation for consumer damage, pollution and / or loss resulting from consuming goods and / or services produced or traded. If you look at the provisions under the consumer protection law, it focuses more on the company's responsibility towards consumers if there is a violation of the law. But more than that, the concept of CSR in consumer protection is a moral obligation to provide the best for consumers, of course without going against the law [6].

3.2.2. *Work partners (partners, creditors, suppliers)*. Similar to the relationship between companies and consumers, the relationship that exists between companies, especially large companies and their partners, creditors and suppliers is based on the contractual relationships that exist between them. In the context of CSR, the relationship between principals and local companies as suppliers or partners is not only based on contract clauses and economic calculations. But the issue of socio-economic impacts must also be considered [6]. However, regarding this matter, it is very difficult to expect that the big companies also take responsibility for the employees of companies that act as partners or suppliers, this can occur because of the legal provisions in Indonesia, namely in Article 64 of the Manpower Act which states; "The company can surrender a portion of its work to other companies through an agreement to contract work or provide workers' services in writing."

Furthermore, in Article 66 paragraph (2) letter c Law Number 13 on 2003 concerning Labour, states; "Wage and welfare protection, work conditions, and disputes that arise are the responsibility of workers/service provider companies."

Based on these provisions, it can be seen that it is very difficult to expect concern from the company to employees of partner companies or suppliers, because clearly based on the provisions of the legislation it is not the responsibility.

3.3. *Social responsibility to the community (public)*

The next scope of CSR is the company's responsibility towards building local communities. The understanding of community development according to the United Nations is as follows [6]: Community development is a process that is a community effort that is integrated with government authorities to improve socio-economic and cultural conditions of the community, integrate community into national life and encourage more community contributions optimal for the progress of the nation.

In the concept of implementing CSR, a company has a role in community development. The development of the community itself is considered an effective way of implementing CSR, with the following considerations [6]:

- First, according to its characteristics through community development programs can be developed and utilized elements of social capital both owned by the business world and the community. The business world can build an image so that it can have an impact on network expansion and increased trust. Meanwhile for the community, especially the local community, social solidarity, collective awareness, mutual trust, and reciprocity can be developed and utilized to encourage joint action to improve the economic, social and cultural conditions of society.
- Second, through community development it is hoped that there will be a synergistic relationship between the powers of the business world through various forms of assistance with the potential that exists in society. Thus, CSR is not merely charity, but an effort to develop the capacity of the community in a sustainable and institutionalized manner.
- Third, joint activities between the business community and the community, especially local communities through community development can be used as a means of communication. If communication has been institutionalized, various problems in business relations with the

community can be discussed through an elegant dialogue process to accommodate the interests of all parties.

Every company has a goal to get profits by always trying to make efficiency in the cost (cost), and if it is associated with it basically the implementation of social responsibility and environmental company or CSR contradicts the principle of efficiency of a company. So that it can be known that a company certainly has a reason or motive in implementing CSR. According to Philip Kotler and Nancy Lee, there are at least 6 choices as a corporate motive for carrying out CSR, namely [6]:

3.3.1. *Causes promotion.* Providing assistance to the community in the form of sponsors and promotions.

3.3.2. *Causes of marketing.* Contributions or donations to the community based on specific issues regarding the use and sale of their products.

3.3.3. *Corporate social marketing.* Providing support for the development of changes in social behaviour through campaigns, such as healthy living, or creating a comfortable living environment.

3.3.4. *Corporate philanthropy.* Make direct donations (donations), without being associated with promotions or other corporate interests.

3.3.5. *Community volunteering.* Providing support in the form of assistance to empower the community, such as skills training.

3.3.6. *Socially responsible business practice.* Providing support in development tailored to the business or business activities of the community.

Based on the motive for CSR implementation as described above, it is known that the reasons (motives) of the business are included in the consideration in implementing the CSR. Furthermore, according to Mc Oliver - EA Marshal, CSR aims to [7]:

- Providing a portion of the Company's profits to the community and the environment,
- Involving sources and personal The company holds special training (special training) and non-profit activities (non-profit) to the surrounding community,
- Taking a responsibility for protecting the environment (environmental protection) around it.

Based on the description, it can be seen that the palm oil plantation sector companies in implementing CSR can take advantage of the implementation of CSR as a promotion for company, so that it can be used as a means in the company's efforts to obtain profits. For example, McDonald created social programs that provide health care facilities at their McDonald's Houses for chronically ill children, where their parents, family and friends can visit there during the treatment period. Here the company carries out CSR activities that at the same time make the target market in the form of publications that end with the creation of McDonald's Image Brand [8].

Furthermore, the responsibility of the company in implementing the CSR, should apply the principle of accountability in the form of clarity of functions, system structure and corporate organ accountability so that the implementation of CSR as part of the company's management becomes effective. Where basically things are the application of the principles of Good Corporate Governance (GCG) which have been regulated in Article 60 paragraph (1) of the Law concerning Limited Liability Companies which states that the directors have the obligation to submit annual reports to the GMS after being examined by the commissioner, one of which is report on the implementation of CSR, but in the provision does not provide an obligation to provide reports to the general public.

The regulation of CSR in the legal system in Indonesia as described above, as stipulated in the Law on Limited Liability Companies and the Law on Investment raises several problems, namely in the Law on Investment does not provide limits on business fields for investors who has an obligation to implement CSR, while in the Law on Limited Liability Companies states that the company which is obliged to implement CSR is a company that runs its business activities in the field of natural resources. In addition, there are still many laws and regulations that are related to the implementation of CSR, each of which has different provisions. Of course this issue will lead to normative conflict and obstacles to law enforcement.

4. Conclusion

The palm oil plantation company as a corporate entity has responsibility in implementation of CSR in the company management by applying the accountability principle as part of the Good Corporate Governance principle, which is the implementation of CSR is not only a responsibility that owned by the company, but also as a promotion media in gaining profits.

However, on the other hand, the company's compliance in implementing CSR has a problem with the number regulations governing CSR, and each regulation has different provisions, so the regulation on CSR should be based on a market system where each company is given the authority to regulate CSR implementation independently by giving a report to the community (market), so that the community (market) will provide an assessment that will certainly affect to the company's image in community (market).

Acknowledgments

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