

+62 813 8765 4578 +62 813 8765 4578 <https://dinastipub.org/DIJEMSS> dinasti-info@gmail.com 

A MODEL HOW TO CREATE SOCIAL VALUE ADDED FOR COMPANY IN INDONESIA

Maharani Rahma

Padjadjaran University, Indonesia

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Corresponding author:

Maharani

E-mail:

maharani.rahma69@gmail.com



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Abstract: The purpose of establishing a company can be divided into two, economic goals and social goals. Economic goals regarding the company's efforts to maintain its existence, the company's social goals are expected to meet the desires of investors, employees, providers of factors of production and the wider community. Both of these goals support one another, the company will not be able to realize its social goals if the company has not been able to achieve the company's economic goals. Social Value Added (SVA) which is an adaptation of Economic Value Added (EVA) is one of the tools to assess a company's performance to achieve social goals. The positive SVA shows that the social influence created by the company has yielded results in excess of the capital costs that must be incurred, which will later be proven by obtaining "social profitability". SVA is in line with what scientific progress is saying that perceptions about company value have changed. which at first a company was judged by its ability to generate profits, but a good company is a company that is able to produce high profitability and high social responsibility as well. Corporate social responsibility (CSR) is intended to create harmony between the interests of the company's management and the interests of its stakeholders. Corporate social responsibility is one of the strategic plans implemented by organizations with regard to sustainable social which companies consider their involvement in social activities, and also decrease the destructive effects of business on society and the natural environment. In Indonesia, corporate social responsibility is no longer voluntary. The company is responsible for holding company activities accountable,

	<p>but now it is mandatory for some companies to implement them. This is regulated in Act Number 40 of 2007 concerning Limited Liability Companies (UU PT), which was passed on July 20, 2007. Based on this, As a novelty, we need a model to evaluate the social responsibility that has been done in order to generate social profit for the company. as well as being a model of how companies can achieve Social Value Added.</p> <p>Keywords: Social Value Added, Corporate Social Responsibility, Economic Value Added</p>
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INTRODUCTION

Financial performance measures that are based on accounting profit (accounting profit), such as earnings , earnings pershare ratio and return on equity, are considered inadequate to evaluate the effectiveness and efficiency of the company. At present, many companies use performance measures that emphasize value based management (VBM). The VBM concept encourages management to be more motivated and focus on creating future cash flows for shareholders. VBM which is applied continuously, in an efficient market condition will reflect the performance and good prospects of the stock price. VBM has two key elements: first, the creation of shareholder value as the company's main goal. Second, as a measure of the company's internal performance that is able to motivate management to pursue the goals of maximizing the above objectives.

Economic Value Added (EVA) is a concept in assessing a company's financial performance in relation to investment valuations found in the late 1980s. Where in the measurement focus attention on the creation of corporate value by calculating the cost of equity (Cost of Capital) as a result of investments made. EVA will increase, if operating profit can grow without increasing the cost of equity (Utama and Shidarta, 1997).

EVA calculates economic profit not accounting profit. Value Added is created, if the company gets a profit (profit) above the cost of capital of the company. Mathematically, EVA is calculated from profit after tax minus the annual cost of capital. If EVA is positive, it shows that the company has created wealth. EVA is positive in this context is an act of economic performance, which informs that the company has been able in the real sense the company has created wealth for its stakeholders, and also how the company efficiently utilizes capital from various stakeholders. If a company creates positive EVA, the company must be able to carry out corporate social responsibility (Mittal, 2008). Therefore, based on theory and theory development, EVA is thought to have a positive effect on the implementation of CSR in companies. Increasing the EVA Value of a company must be able to be accompanied by the company carrying out its social responsibility obligations (Corpporate Social Responsibility).

Corporate social responsibility (CSR) is one of the strategic plans implemented by organizations related to sustainable social benefits and benefits. In fact, corporate social responsibility refers to activities where companies consider their involvement in social activities, and also reduce the destructive effects of business on society and the natural environment. Organizational social responsibility means the requirements to respond and meet the expectations of external stakeholders such as customers, suppliers, distributors, environmental guards and local residents of the production / service unit activities, while maintaining the interests of internal stakeholders, including owners or shareholders and employees (Andrea et al, 2015). a model for evaluating social responsibility by using social value added (SVA).

LITERATURE REVIEW

Economic Value Added (EVA)

Economic value added is one of the performance measurement that suitable with the value based management. This terminology is introduced by Stern Steward Management Service, the consultant firm from USA. EVA indicates that the firm have value creation from the investment in the current period. Positive EVA reflects that a company able to create the value to the shareholder. EVA positive reflect performance more than profit because it calculate economic profit not just accounting profit.

The formula used to calculate EVA (Stewart, 1991; 137)

$$\text{is } \text{EVA} = \text{NOPAT} - (\text{C}^* \times \text{Capital})$$

$$\text{EVA} = (\text{r} - \text{C}^*) \times \text{Capital}$$

Where:

NOPAT = Net operating profit after tax.

C * = weight average cost of capital.

Capital = Amount of funds consisting of interest bearing debt and stock equity available at the company to fund the company's business.

r = NOPAT: Capital, where r shows the actual value creation

Corporate Social Responsibility (CSR)

Nowadays the demands on the company are getting bigger. The company is expected not only to prioritize the interests of management and capital owners (investors and creditors) but also to pay attention to employees, consumers and the community. Sometimes many companies do not pay attention to this and neglect it, without realizing that the role of the environment will greatly affect the company's going on.

Communities need information about social activities carried out by the company, so that people can find out what contribution the company makes to the community. Many private companies are now developing what is called Corporate Social Responsibility (CSR). Implementation of CSR is no longer considered as a cost, but rather a corporate investment (Erni, 2007 in Sutopoyudo, 2009).

CSR can be seen through two perspectives, including corporate social responsibility based on theory and corporate social responsibility based on reality or facts that occur (Syafudin, 2010). CSR is disclosure in the annual report that does not only stand on a single bottom line, namely the value of the company (corporate value), but also rests on triple bottom lines namely financial, social and environmental (Daniri, 2008) cited in Machmud and Djakman (2008). This demand arises because of the development of existence in a sustainable manner (sustainability). Sustainability of the company's value is expected so that the company can obtain profits / profits for the long term.

In general, in the discussion of the concept of Corporate Social Responsibility, there are five models of CSR:

1. Carrolls Social Responsibility Model
2. Denison's Model
3. Berin's model
4. Lanto's Social Responsibility Model
5. Davi's Model

Of the five models, Carroll's Social Responsibility Model is the concept in evaluating CSR based on Social Value Added (SVA) (Clair and Brad,2004). Carrol in the model presents the SCR and four dimensions:

1. Economic Responsibility

This is described as basic. the basis of all dimensions in the Pyramid of corporate social responsibility. according to Carroll, it is the most important dimension, because organizations must have profitability and productivity in order to maintain the company in the market (exist) and be useful in the community. economic responsibility is to lead to the achievement of profitability through the production of good quality products and fair prices for consumers (competitive prices).

2. Legal Responsibility

Legal responsibility reflects the principle that every business requires compliance with rules and regulations given for the public good.

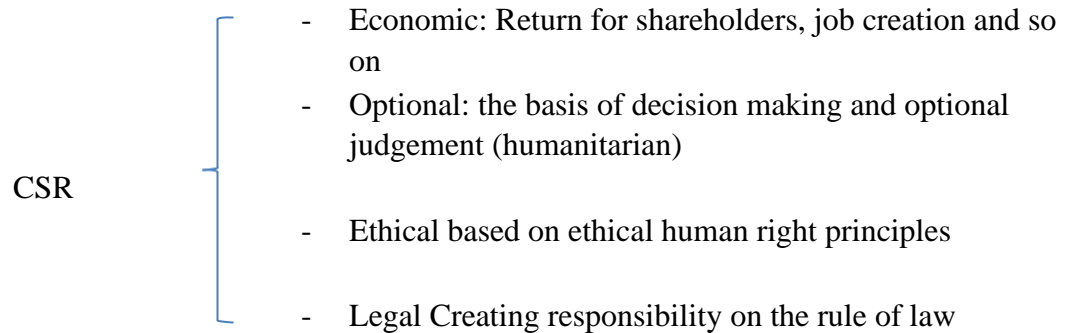
3. Ethical responsibility

Ethical responsibility: according to Carrol this is the most important part. refers to the contribution and activities carried out by the organization / company to the community without direct legal constraints.

This dimension is seen as people's expectations of an organization and is based on the fact that the organization considers respecting community values and norms (unwritten law) is important. Ethical responsibilities include adherence to ethics, good deeds, justice, and respect for community rights. Those who accept ethical responsibility prevent themselves from doing harm to society. Ethical responsibility is a policy, principle, decision or action expected by members of the public to the organization / company to increase positive activities or prevent negative activities, or those that do not conflict with the law.

4. Optional Responsibility

Optional responsibility: this is a dimension which is a set of tasks and commitments that must be carried out by the organization in order to maintain its existence and help the community with a comprehensive attitude and respect for the preservation of public unity and interests in a country. This responsibility is to refuse bribes for services to be provided and voluntary donations



Social Value Added

Social Value Added (SVA) is the amount of tangible (Economic Value Added) and the amount of intangible (social values) created added to society by businesses through the development of technology / changes in knowledge about manufacturing engineers and managers (Carrolls in Clare and Brad,2004).

whereas according to Pawet Wnunczak, 2017, Social Value Added (SVA) is an adaptation of Economic Value Added (EVA), a tool to measure social value added. SVA represents the difference between the social impact of the institution being evaluated and the cost of social capital involved in the activities carried out. A positive SVA value indicates that the company in each of its activities has received a good social award (Socially Viable). A positive SVA value also means that the social impact of the activities carried out exceeds the cost of social capital incurred by the company so that the company can generate social profit (Social Profitability).

The evaluation model of corporate social responsibility based on social value added is divided into three levels, each level indicating a certain level of corporate compliance with their environmental and community responsibilities.

The first level of corporate social responsibility is the calculated social value equals economic added value. the product produced does not have a surplus of added value in Economic Value Added and serves the interests of shareholders only.

According to the CSR evaluation model proposed by Carroll's, at this level, the first level, is at a weak level and creates value only for owners of companies, employees, lending institutions, and the government in relation to taxes and insurance.

First level of CSR: If $SVA=0$ So CSR is on a weak level (according to economic section of the Carroll's model)

The Second Level of the Corporate Social Responsibility is not only in line with shareholder approval, for the benefit of shareholders, but also includes all social stakeholders (government, community, etc.).

At this SVA level, companies and commercial entities provide added value, ethics and humanity to produce products and create added value for society. at this level the company not only satisfies the interests of shareholders, but also for the benefit of the community (including elements of tika and humanity)

Second level of CSR: If $0 < SVA \leq 50$ So CSR is on an Average level (according to philanthropic and ethical section of the Carroll's model).

The third level of the Corporate Social Responsibility , there is law enforcement from within the company in the form of regulations if the company deviates in making a product that provides social added value to the community.

Third level of CSR: If $SVA > 50$ So CSR is on a Strong level (according to legal section of the Carroll's model).

In this level it can be said that the company has reached the third level of the CSR model built by this SVA, the company has been able to produce added value for internal stakeholders (making profits, satisfying the interests of shareholders, human resources within the company) external stakeholders in the company and the community as the outer environment of the company.

Model Of Evaluating Corporate Social Responsibility Using Social Value Added

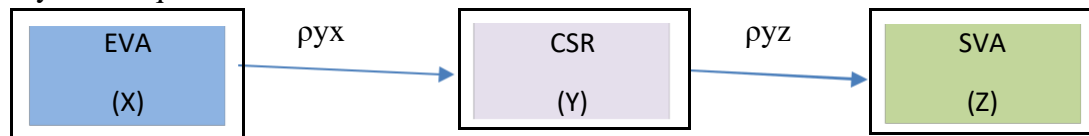
	Social Value Added	According to the Carroll's Model	The rate of social responsibility evaluation	Related Stakeholders (directly)	Formulation of the law to comply with environmental indicators
First Level	$SVA=0$	Economic	Weak	Shareholders	None
Second Level	$0 < SVA \leq 50$	Ethical and Philanthropic	Average	All Stakeholders	None
Third Level	$SVA > 50$	Legal	Strong	All Stakeholders	Yes

(Carols Model in Clair and Brad,2004)

The positive impact of achieving a strong SVA, companies will be able to develop technology for the development of their products and increase the knowledge of managers.

RESEARCH METHODS

This type of research in its implementation is descriptive-verification with the method used is a method using a census. namely research that aims to interpret the relationship between variables by first interpreting the conclusions that will be obtained through the submission of hypotheses. This study intends to examine the effect of structure between variables hypothesized using an analysis tool by using the Analysis Tool with Path Analysis by fulfilling the Normality and Linearity Test requirements.



FINDINGS AND DISCUSSION

Relationship of Economic Value Added (EVA) to Corporate Social Responsibility (CSR)

EVA is positive in this context is an act of economic performance, which informs that the company has been able in the real sense the company has created wealth for its stakeholders, and also how the company efficiently utilizes capital from various stakeholders. If a company creates positive EVA, the company must be able to carry out corporate social responsibility (Mittal, 2008). Therefore, based on theory and theory development, EVA is thought to have a positive effect on the implementation of CSR in companies. Increasing the EVA Value of a company must be able to be accompanied by the company carrying out its social responsibility obligations.

Relationship of Corporate Social Responsibility (CSR) to Social Value Added

Based on the findings of previous research, it can be explained that the company's CSR program is aimed at increasing the company's role in the social community. This is important, because as a business entity the existence of a corporation cannot stand alone without the support and support of the community. Economically, the philosophy of profit maximizing companies will not be achieved when the products sold in the market do not sell. In this case the role of consumers as part of the community is very important in supporting the sustainability of the company. On the other hand it can also be explained that, the existence of a company in a community environment will feel comfortable and calm in its operational activities when the community around the company is cooperative with the company. That is why the company's CSR role is very important when the company still wants to carry out its business functions.

Companies can carry out social responsibility, the company focuses its attention to three things, namely profit, the environment and society. In relation to the corporate CSR function, these three things constitute a unified corporate activity that can be carried out simultaneously in accordance with the developing socio-social conditions (Susanto, 2007).

By carrying out its social responsibilities the company is expected to not only pursue its profits, but also be able to contribute wisely and wisely in improving the welfare of the

communities around the company. So hopefully when the company has been able to run its CSR properly in accordance with the demands of the three pillars in CSR, the company will benefit because CSR is actually a company's investment in the long run. That's when the company will achieve social added value (Social Value Added). When the company has achieved social added value (social creation) due to the implementation of its CSR it means that the company has been able to achieve Social Profit. Social Profit can only be generated when the company has made economic profit.

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