

THE IMPORTANCE OF BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY IN INDUSTRIAL WASTE MANAGEMENT

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Abstract: Environment is inseparable from human life. Life creates a different environment and vice versa. Lately, environmental destruction is frequently done by humans for the reason of producing more materials. This indirectly results in the erosion of the environment and threatens human survival. Industrial activity is one of the important elements in supporting development in order to increase economic growth which in turn increases the standard of living of the community. Therefore, in carrying out industrial development the negative impacts that may arise must be noticed. Furthermore, these negative impacts must be minimized. Apart from that, corporate social responsibility towards the environment is needed to maintain a balance between the company's business activities and its business environment. In running their business, companies must also pay attention to ethics that there is a mutually beneficial relationship between the company's business processes and the surrounding community. In its implementation, business ethics has moral values related to the good and bad of business people. This socio-political environment is related to aspects of community life and government regulations that can affect the development of the company. For example, the attitude of local residents to pollution/waste contamination.

Keywords: Economy, Business Ethics, Responsibility, Social, Industry

1. Introduction

In the life of human civilization, environment is very important and inseparable. Humans need the environment and vice versa. Industrial development causes damage to the environment due to changes in land use and the resulting waste. This causes environmental degradation and threatens human survival.

Human negligence in constructing buildings for industry and ignoring the impact of business or industry can slowly and indirectly damage the physical and biological environment. Therefore, it is necessary to make an effort to preserve environmental quality. This can be done in a number of ways, from preparation of regional development plans to after development projects have been implemented. For example, the preparation of a spatial use plan, a regional economic development plan, the determination of projects to be built until the projects run. With planning, things that might anticipate bad impacts on the surrounding environment can be reduced or completely prevented. For this reason, it is necessary to make

an environmental management plan in order to create a balance between human interests and environmental sustainability. One of the efforts for environmental management is the use of technology that is able to directly control environmental sustainability.

Industrial activity is one of the important elements in supporting development in order to increase economic growth, which is expected to improve people's lives. For this reason, in carrying out industrial development the negative impacts that may arise must be prevented and efforts must be made to minimize these negative impacts.

The implementation of sustainable development policies can have positive impacts, including producing goods and services, increasing employment, which in turn can improve the quality of life. The negative impacts of industry are waste and environmental pollution as well as damage to natural resources and a decrease in the quality of life because the environment becomes dirty and polluted. The Indonesian government has made various efforts to reduce the negative impact of industry including advocating clean technology, installing pollution prevention tools, carrying out a recycling process and stipulating mandatory waste treatment for industries. Unfortunately, it has not been responded well by businessman for several reasons like cost, especially for lower middle class industries (small capital) or because of the ignorance of industrial owners.

Besides having a positive impact, industrial activities can also have a negative impact. In its activities, industry is followed by the negative impact of industrial waste on the human environment.

Toxic industrial waste can worsen environmental conditions and affect public health and damage to other environmental components. Industrial wastewater most often causes environmental problems such as fish mortality, poisoning to humans and livestock, plankton death, accumulation in fish and molluscs, especially if the liquid waste contains toxic substances such as As, CN, Cr, Cd, Cu, F, Hg, Pb or Zn. There are still small and medium scale industries that carry out their waste disposal together with municipal solid waste. The problem is there are still many industries in Indonesia that dump liquid waste and waste in the form of sludge directly into rivers without undergoing treatment. Only large and partially medium industries have treated the waste before dumping it into the water. The impact of industrial waste on the environment has proven to have a profound effect on human health. It is very important to treat industrial waste before it is discharged into the environment. In addition to producing waste that can pollute the environment industrial activities can also cause odor, noise, heat, and radiation if proper management is not carried out.

2. Literature Review

Industry and Industrial Waste

Industry in Indonesia

In the last 20 years Indonesia's economic development has led to industrialization. There are more than 30,000 industries operating in Indonesia from year to year and shows an increase from year to year. This increase in number has a side effect of industrialization including an increase in pollution resulting from industrial production processes. Pollution of water, air, soil and disposal of hazardous and toxic waste (B3) is a problem that must be faced by communities living around industrial areas.

Environmental Impact Analysis (EIA)

Environmental Impact Analysis (EIA) is a reaction to environmental damage due to increasing human activities. This reaction has led to a stand against the development and use

of high technology. With this, there has been a paradigm that environmental movement is anti-development and anti-high technology and that environmental activists are the opponents of development executors and planners. Because of this, many also suspect that EIA is a tool to oppose and obstruct development.

Development that does not sacrifice the environment and/or damage the environment is development that takes into account the impacts which may result from the operation of the development. To ensure that a development can operate or is environmentally feasible, it is necessary to carry out a development analysis or feasibility study on its impacts and consequences.

EIA stands for environmental impact analysis. The Government Regulation no. 27 of 1999 concerning analysis of environmental impacts states that EIA is a study of major and important impacts for the decision making of a business and/or planned activity on the environment that is required for the decision-making process regarding conducting a business and/or activity.

Government Regulation No. 27 of 1999, article 1 paragraph 1 stated that EIA is a study of the major and significant impacts of a planned business and/or activity on the environment required for the decision-making process.

As the basis for the implementation of Environmental Audits in Indonesia, the Minister of Environment Decree No.42/MENLH/11/1994 on General Principles and Guidelines for Environmental Auditing were issued. In the Annex to the Minister of Environment Decree No.41 / 94, it is defined that an environmental audit is a management tool which includes a systematic, documented, periodic and objective evaluation of how an organization's performance, management and monitoring systems are aimed at facilitating management control over the implementation of environmental impact control efforts and study of the feasibility of a business or activity against laws and regulations on environmental management.

An environmental audit is a business or activity which is a management tool that is carried out internally by a business or activity as its environmental management and monitoring responsibility. This is not an official examination required by legislation, but rather a proactive conscious effort to identify environmental problems that will arise so that prevention efforts can be made.

EIA di Indonesia

EIA in Indonesia is enforced based on the Government Regulation 51 of 1993 (previously PP 29 of 1986) as a realization of the implementation of Law no. 4 of 1982 concerning the Environment which has now EIA was revised into Law no. 23 of 1997. EIA is an environmental management instrument that is expected to prevent environmental damage and ensure conservation efforts [29]. The results of EIA study are an important part of the project development planning. As a preventive environmental management instrument, EIA must be made at the earliest stage in the planning of development activities, in other words, the process of preparing and validating EIA must be part of the licensing process for a project. In this way the projects can be screened by the extent of their impact on the environment. On the other hand, EIA study can also provide input for efforts to increase the positive impact of the project. In Government Regulation 51 of 1993, four types of EIA studies are defined as :

- a. Project EIA; this applies to an activity under the authority of a sectoral agency. For example, a textile factory activity plan which has the authority to grant permits and evaluate its EIA study lies with the Ministry of Industry.

- b. Integrated/Multisectoral EIA, is an EIA that applies to an integrated development activity plan. there is a linkage in planning, management and production processes, as well as being in a single ecosystem and involving the authority of more than one agency. The example is a unit of pulp and paper mill activities whose activities are related to the industrial plantation forest (HTI) project for the supply of raw materials, a steam power plant (PLTU) to provide energy, and a port for distribution of production. Here, it can be seen that there is involvement of more than one agency, namely the Ministry of Industry, the Ministry of Forestry, the Ministry of Mining and the Ministry of Transportation.
- c. Regional EIA; it is aimed at a development activity plan located in a single ecosystem stretch and involves the authority of one agency. An example is a plan for industrial estate development activities. In this case, each activity within the area no longer needs to make its EIA, because it is already covered in the EIA of the entire area.

As evaluated by many parties, EIA process in Indonesia has many weaknesses :

1. EIA has not fully integrated in the licensing process for a development activity plan, so it is not clear whether EIA can be used to reject or approve a development activity plan.
2. The process of community participation is not optimal. So far, NGOs have been involved in EIA commission sessions, yet their votes have not been fully received in the decision making process.
3. There are various weaknesses in the application of EIA studies. There is no guarantee that the various recommendations that appear in the EIA and UKL and UPL studies will be implemented by the proponent.
4. Weak methods of preparing EIA, especially the “socio-cultural” aspect, so that development activities with important socio-cultural implications do not receive careful study.

Components of Production Waste

The production waste component is the final part of all production processes. To date, the issue of production waste is something that is very serious for all industries. Production waste can be divided into several forms like solid, liquid and gas waste. All forms of waste have the potential to trigger negative impacts, not only for the environment but also for the production process [25]. Therefore, the treatment of manufactured waste is an important component to assess the feasibility of a production process. Production processes that produce the minimum amount of waste are currently getting more attention. However, small-scale industries still face a serious problem about it. The main underlying factor is the limited funds for the construction of a waste treatment plant so that the majority of tofu industrial centers are located in river basins. This reality is related to the ease of disposal of waste into river flow. Apart from that, the condition of limited land is also a factor in the high number of cases of low waste processing units in various tofu industrial centers.

Components of Production Waste Processing

Several aspects must be considered are related to the urgency of processing waste products from production.

Reduce

The principle of reduce is to minimize waste, especially the end result of the production process.

However, this stage can also be done from the raw materials and the production process. This shows that all production processes basically have the ability to produce minimum waste.

This stage is usually carried out with a filtering system so that the higher the level of filtering, the resulting waste automatically decreases, and vice versa.

The real problem in the reduce stage is the lack of entrepreneurial ethos.

In addition, the expectation of optimizing production capacity also sometimes triggers negative sentiment towards the intention to reduce production waste. Therefore, awareness to reach this stage is very important. Factors that support this are the lack of capital and limited land, including the lack of space for the production process of the tofu industry in various regions.

Reuse

The principle of reuse is an effort to reuse waste generated during the production process. This utilization can be in the form of further processing or utilization for activities in other fields, such as animal feed or other uses. Related to this, innovation and exploration of other uses of tofu production process is very important because there are quite a lot of tofu industries in Indonesia. This means that this is an opportunity to seek potential benefits from the abundance of waste from the tofu industry. Many reuse problems are caused by the absence of synergistic interests between the waste produced with the purpose of utilization.

This indicates the importance of an industrial chain that is built from all aspects, especially upstream to downstream.

The industrial synergy from upstream to downstream provides a very big opportunity for the utilization of all the waste produced so that the potential value of each waste can be absorbed and utilized for the benefit of advanced industries without reducing its quantity and quality. Therefore, all industries should think about a pattern like this so that the problem of industrial waste can be reduced and indirectly this synergy model is able to create zero waste at any industrial level. The long-term implication of this synergy model is to create green production.

Recycle

The principle of recycle is the process of recycling the waste that has been generated so that it can be used for other purposes without reducing production. Understanding recycle cannot be separated from the importance of optimizing all the final results of the production process, be it solid, liquid or gas waste.

This can be done by chemical or non-chemical processes. In addition, the recycle process can also be done naturally, although this takes a longer time, especially when to the method that uses an accelerated process. This process is also made possible with non-economic uses. Recycling so far has emphasized the aspect of economic interests, whereas the perception of recycling is not only focused on economic interests but also on benefits for broader aspects. Therefore, utilization that still refers to the tofu industry chain provides positive values, although this can also be related to uses outside the tofu industry chain itself. The potential for recycling all industrial waste is basically capable of providing opportunities so this needs to be studied further.

Concept of Business Ethics

In the business world, ethics is indispensable for managing and running a business. With good ethics, business can automatically grow easier. Business ethics are unwritten rules on how to carry out business activities fairly and in accordance with applicable laws in the state and do not depend on the position of individuals or companies in society. The purpose of business ethics for entrepreneurs is to promote moral awareness and provide boundaries for entrepreneurs and business people to run "good business" and to prevent monkey business or

dirty business which can harm many parties. Below are some definitions of business ethics according to experts as follows:

According to Hill and Jones, business ethics is a teaching to distinguish between right and wrong. According to Muslich, business ethics is a knowledge of the ideal procedures for regulating and managing business that pay attention to norms and morality that apply universally. According to Sumarni, business ethics is related to the issue of assessing business activities and actors who refer to truth and honesty in doing business. Bertens (2000) argued that business ethics is broader than the provisions regulated by law, even a higher standard than the minimum standard of legal provisions, because in business activities there are often gray areas that are not regulated by legal provisions.

In general, the definition of business ethics is the methods a business takes in carrying out its business activities which cover various aspects, both individuals, companies and society.

In its implementation, business ethics is a moral value related to the good and bad of business people. According to Arijanto (7: 2011) in creating business ethics, there are several points that need to be considered including self-control, development of social responsibility, identity and not being easily swayed by the tremendous development of information and technology, creating healthy competition, applying the concept of "sustainable development". In addition, this also includes avoiding the nature of collusion, corruption and nepotism which destroys the moral order. Businessman should be able to state what is true and not true, form a mutual trust between strong businessmen and businessmen down, consistent and consistent with mutually agreed upon rules and develop awareness and ownership of what has been agreed. It is necessary to have some ethics business as set forth in a positive law in the form of regulations and legislation.

With business ethics, businessmen have some rules that can direct them to create a good image and management that can be followed by everyone who believes that the business has good ethics. Having business ethics can also avoid bad images such as fraud, dirty and cunning ways. A business with good ethics does not harm other businesses nor violate applicable laws as well as keeps business conditions conducive and has a business license.

There are three problems a businessman commonly face:

- a. Systematic, problems with economic systems, law, politics and other social systems.
- b. Corporations, issues of morality of activities, policies, practices and organizational structure of individual companies as a whole.
- c. Individuals, issues of morality of decisions, actions and individual character in their activities in the company.

Theory and Concept of Corporate Social Responsibility (CSR)

The current definition of CSR or corporate social responsibility is broad and varied. According to The World Business Council for Sustainable Development (WBCSD), CSR is defined as a business commitment to contribute to sustainable economic development through cooperation with local communities and the general public to improve the quality of life. CSR concept involves a responsible partnership between the government, community resource institutions and local communities. This partnership is not static and passive, yet a shared social responsibility among stakeholders.

Fitria and Hartanti classify the ISR index into six disclosure indicators, each of which contains various items [32], namely: 1) Investment and Finance, items included in the investment and financial indicators are sources of funds for investment and financing activities that are free from elements of *usury*, *gharar*, and transactions that are prohibited by Islam, as well as items regarding organizational policies to deal with problematic customers;

2) Products and Services, the second indicator on the ISR index is about products and services. The items in this indicator focus on the disclosure of customer complaints or complaints; 3) Manpower, on the ISR index these indicator items still emphasize Islamic principles which include worker characteristics, education and training and equality of opportunity in work; 4) Social, social indicators are indicators that are closely related to the concept of social responsibility. Social indicators on the ISR index are mostly focused on disclosures related to Islamic principles such as alms items, waqf, qard hasan, and other charitable activities; 5) Environment, environmental indicators in the ISR index have items that are related in emphasizing the disclosure of activities and the amount of funds spent by the organization for environmental activities; 6) Organizational Governance, the last indicator in the ISR index is an indicator of organizational governance. Disclosure items is related to unlawful transactions

3. Result and Discussion

Company Business Ethics

In the business world, ethics is indispensable for managing and running a business. With good ethics, business will automatically grow easier. The company's compliance with laws and regulations and government regulations in running its business is very influential on the success and sustainability of the company's business and is also very influential and has an impact on the community environment in general. Moral awareness of businessmen will have a positive impact on the company and will create "good business" in running the wheels of the company.

Corporate Social Responsibility

Every company has activities to produce goods and services to get a decent profit. In carrying out its activities, the company must have a sense of responsibility towards environmental and community sustainability. In carrying out company operations, companies must not only get profit but also pay attention to the welfare of the community and the environment.

The chart below shows the stakeholders of company's responsibility.

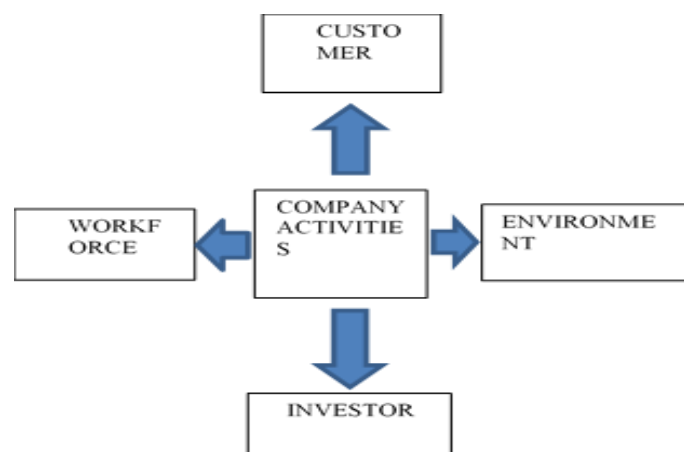


Figure 1. Corporate Social Responsibility

Accountability to Customers

Customers are buyers of products and services produced by the company. In this case the company must strive to be able to satisfy its consumers, so that purchases can be made on an

ongoing basis. Companies must be able to pay attention to aspects of consumerism. Consumerism is a movement to provide information to consumers and protect them from wrong actions. The things that are considered in this consumerism problem are product quality, service quality, misleading advertisements and actions that are considered detrimental to consumers, the right to safety. Consumers must be protected for safety in products and services in order to avoid loss or accidents. Therefore, drugs, cosmetics, food and beverages should be labeled with instructions for use and the substances contained in these products. The safety of consumers must be protected in products and services in order to avoid loss or accidents.

Accountability to Labor

As with consumers, companies must be responsible for the existence of workers who are in the company. Workers are considered in receiving decent wages, comfort in work, job security such as health insurance and other rights.

Accountability to Investors

In principle, investors have an interest primarily in managing funds and profits on shares invested in the company.

Environmental Responsibility

In carrying out its activities, the company must also be responsible for the environment around the company. Companies need to pay attention to the management of waste pollution, air pollution, noise and other aspects of legality required by the company in running the company.

4. Conclusions

In the business world, ethics is needed to manage and run a business. With good ethics, business will automatically grow easier. Business ethics are unwritten rules on how to carry out business activities fairly and in accordance with applicable laws in the State and do not depend on the position of individuals or companies in society. The purpose of business ethics for entrepreneurs is to promote moral awareness and provide boundaries for entrepreneurs and business people to run "good business" and to prevent monkey business or dirty business which can harm many parties.

Every company has activities to produce goods and services to get a decent profit. In carrying out its activities, a company must have a sense of responsibility towards environmental and community sustainability. In running the company's operations, in addition to getting profit, it must also pay attention to the welfare of the community and its environment. A company has socio-political environment accountability, related to aspects of community and government regulations that can affect the development of companies. For example, the attitude of local residents to the existence of pollution/contamination of a production waste company.

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