

## Social Accounting Accountability for Social Costs in Non-Profit Entities (Study at Muhammadiyah Hospital Surabaya)



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**ABSTRACT:** The business performance of an organization cannot be separated from how to participate in caring for social and environmental responsibilities. This research method uses a descriptive qualitative research type by describing the concept of social accounting as a development of the accounting discipline that leads to social values that have been running at Muhammadiyah Persyarikatan Hospital. The results showed that the performance of social costs from the achievement of profit performance, the performance of benefits and costs on social costs always decreased on the performance of activities related to social interests. This proves that it can be said that Muhammadiyah Surabaya Hospital is not too focused on activities in social interests and is only carried out voluntarily. The performance of benefits and costs on social costs always decreased on the performance of activities related to social interests. The performance of benefits and costs on social costs always decreased on the performance of activities related to social interests. This proves that it can be said that Muhammadiyah Surabaya Hospital is not too focused on activities in social interests and is only carried out voluntarily.

**KEYWORDS:** Social Responsibility, Non-Profit, Social Costs, Benefit and Cost, Social Accounting

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### INTRODUCTION

Non-profit is an organization that was founded with the aim of not being held in order to achieve maximum profit. On the other hand, this non-profit organization is also a self-regulating organization formed to serve the public or membership (Salamon & Anheier, 1996). Organizationally, these are referred to as the non-profit sector, the non-profit sector, the voluntary sector and the non-governmental sector (commonly referred to as NGOs). They are also often considered as part of the social economy that moves with the wheels of the government's economy (Mook, 2014). There are many such organizations, ranging from those aimed at serving the wider community, such as educational and other social service organizations, to non-profit, membership-focused organizations, such as professional associations and other non-governmental organizations. Their common feature is that they are mostly founded and built on the basis of togetherness in carrying out social goals and at the same time must survive under any conditions for social purposes (McLaughlin, 2016). Traditionally, the application of accounting is more helpful in monitoring the financial condition of these non-profit organizations, but does not consider the social goals of these organizations. The existence of social goals with the application of accounting in these organizations gives birth to the existence of social accounting in these organizations. Social accounting, on the other hand, is a tool that can be used to integrate and manage the financial functions of the two lines. Social accounting in this not-for-profit organization is more defined as "a systematic analysis of the effects of an organization on a community of stakeholders or stakeholders, with stakeholder input as part of the data analyzed in statements of generally accepted accounting standards" (Mook & Quarter, 2006).

The existence of social accounting is more about achieving a fairly new development in the existence of the world of accounting, which first appeared in the corporate sector in the mid-1960s era. Since then, the existence of external demands for social and environmental responsibility that often arise on issues in corporations is considered a reaction to labor practices that are sometimes in a position of insecurity and injustice and concerns over environmental degradation that have caused many companies to adapt their business practices and report it. Small and medium enterprises (SMEs) are increasingly considering social and environmental factors in their operations, driven not only by cost reductions and increased spending efficiency, (Kechiche & Soparnot, 2012). In practice, social accounting can be stated that social accounting is an issue that says that social and environmental reporting in an organization. An international survey of the top 100 companies in 41 countries found that 75 percent produced corporate responsibility reports related to social and environmental responsibility whereas in 1995 this number had decreased to 13 percent (in 10 countries). (Bebbington et al., 2004). The database is spread all over the

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world starting with corporate responsibility, especially those related to social and environmental responsibility and sustainability reports (especially this has an impact on non-profit organizations, but it also affects organizations based on the not-for-profit sector and public institutions).

Muhammadiyah Surabaya Hospital as one of the business charities of the Muhammadiyah organization is required not only to prioritize the core business in the health sector with the main goal of providing health services for the people, but also to be required to always develop and pay attention to the social environment related to social and environmental responsibility. . By carrying out social and environmental responsibilities, this will create a balance between business and social or the surrounding environment.

Because to improve the business performance of an organization such as the Surabaya Muhammadiyah Hospital, it cannot be separated from how the participation of RSM Surabaya is in caring for this social and environmental responsibility. This means that if the practice of social and environmental responsibility has been implemented, then the application of social accounting for costs to support the preparation of social and environmental reporting is very necessary for the sustainability of a business organization such as this hospital. Besides the implementation of this arrangement, what is very important is of course how the role of accountability or responsibility for social and environmental reporting has been carried out by the Surabaya Muhammadiyah Hospital to stakeholders in this Surabaya Muhammadiyah Hospital.

In this article, researchers are encouraged to further examine the role of social costs as a form of social care and responsibility at the Muhammadiyah Surabaya Hospital by examining the reporting of social costs on non-profit entities such as hospitals. The purpose of this article is also to study how accountability for social costs in non-profit entities has been running at one of the Surabaya Muhammadiyah Hospitals, so that it can also create sustainability for reporting social costs as one of the scientific developments social accounting.

### **LITERATURE REVIEW**

#### **Social Accounting**

In the previous explanation, social accounting can be defined as recognition of "systematic analysis of the surrounding social conditions as the impact of the effect of the organization on the community of stakeholders or stakeholders with input from stakeholders as part of the data analyzed for social accounting statements" (Mook, 2007). The explanation of this definition can be interpreted that the existence of social accounting is able to expand the range of factors from "what counts" which is used as "consideration" when measuring performance and viewing the organization in relation to environmental conditions, both social and natural. In social accounting rules usually include three factors that are often applied in business organizations; [1]. Finance (to ensure long-term economic and financial performance as a result of the application of social accounting);[2]. Social (creating added value economically for the surrounding community);[3]. Environment (through responsible environmental management and natural resource rebuilding)(Giovannoni & Fabietti, 2013). In taking an approach to the effects of social accounting, an entity will always use and consider the three dimensions above together. So that this will inevitably lead to tensions between one dimension and another, so that it will add to the complexity in the performance management of non-profit organizations. It is necessary to remember that in designing and monitoring social performance systems, of course, there will always be benchmarks on the three dimensions so that social performance between dimensions can work in balance with each other.

From a normative point of view, the purpose of social accounting is to direct the actions and actions of change for the better in using the three social dimensions above. (Osborne & Ball, 2010). Non-profit organizations can be guided and monitored from two main concerns in practice, namely; [1] accomplished their mission and ;[2]. Still economically viable, but the management system of the initial social performance can only deal with financial measures based on traditional accounting systems (Manoochehri, 1999). In using this dimension, this approach has two important drawbacks for nonprofits. One is the traditional accounting framework that was developed for the purposes of nonprofit organizations with different goals in mind. The other is that the system is not too fixated on not recognizing the importance of non-financial performance. This is done by instead imitating the performance style of business organizations. according toMautz (1994) argues that the focus of social accounting on not-for-profit organizations should be focused and devoted to answering other types of questions such as: [1] What does the organization receive and from what sources?; [2]. What the organization does with what it receives; [3] How much is left of the organization; [4] What are his plans for the future with nonprofit sustainability. Whereas in traditional accounting the main objective is to measure profits for owners and shareholders.

These are all included in the Non-profit Integrated Social Accounting (NISA) model. In the case of the NISA model the main question in the integration sequence is used to answer the main question as follows: is the organization moving towards the

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achievement of its mission in an effective and efficient manner, taking into account economic, social and environmental factors? In answering this question, stakeholders are very interested in knowing that resources are being used properly in achieving the mission of a nonprofit organization in an ethical manner. This leads to consideration of the concepts of accountability and allocation of resources.

### **Reporting Accountability**

As an organization that has a bureaucratic structure, the question arises that the organization must be responsible for all actions and behavior in achieving goals. This raises two different things in answering questions related to this; responsible for what? and responsible to whom? As a non-profit organization, this is a new polemic and complex problem because there are many stakeholders from non-profit organizations and this will certainly create many models of accountability paths. according to Fried & Worthington (1995) that each of these stakeholder groups in nonprofit organizations has different interests in the future performance of the nonprofit organization, and that each is affected differently by the charities that serve to oversee the goals of the not-for-profit organization or fulfill their mission.

Conceptually, accountability is a contested space in making and obtaining decisions by involving many stakeholders in the application of this model guided by the multi- constituent theory. This theory states that performance goals such as effectiveness are socially constructed, and that these constructs can differ among stakeholders and over time. (Herman & Renz, 1997). According to Zammuto (1984) Accountability is defined as organizational effectiveness as "a human assessment of the desirability of organizational performance outcomes from the point of view of various constituents who are directly and indirectly affected by organizational performance". So since, there is variability in the way the concept of organizational performance is constructed and assessed, it is important to look at the perspectives of different stakeholder groups separately rather than averaging them. (Herman & Renz, 1997).

Indeed, several studies confirm that there is significant variation in how the effectiveness of accountability can be viewed and evaluated by different stakeholders. As interest in the definition of accountability for non-profit entities has grown, a number of conceptual frameworks have been developed to explain the above-mentioned concept of accountability. The first attempt within the not-for-profit entity accountability framework is to use a four-cell matrix, with reactive and proactive internal response systems on one axis and implicit and explicit mandates for external controls on the other, to identify four dimensions of accountability – negotiable, professional, compliance and anticipatory. (Najam, 1996). According to him, it seeks to broaden the understanding of accountability beyond "accountability to nonprofit donors and mechanistic project evaluation".

By means of the definition for "accountability" according to Schafer (1999), that accountability is "a slippery and ambiguous concept of responsibility and creates the concept of no less responsibility". On the other hand, it also defines that the concept of responsibility is similar to providing the managers with the breadth of not-for-profit entities in carrying out responsible management practices. The nonprofit manager's role as manager is always important in terms of theory (if not always in practice), at least within the organization and for its donors or donors. However, the importance of accountability has increased as non- profit organizations have gone beyond private providers of public goods to become publicly funded providers of public goods.

### **RESEARCH METHODS**

This study uses a qualitative research type design by describing the concept of social accounting that has been running so far, which in this case is the scientific development of the accounting discipline which leads to the social values of one of the Muhammadiyah organization's charitable business entities in the field of Health. In this study, researchers focus more on how the concept of accountability model for the application of social accounting can be used so that the accountability model can be used as a form of accountability from managers to stakeholders. This research approach uses library research based on books.

According to Moelong (2005) Qualitative research methods are often referred to as naturalistic research methods because the research is carried out in natural conditions (natural settings). The analysis is much more qualitative in nature. Bogdan & Biklen (1997) also explained that qualitative research is research that does not use mathematical, statistical or Computer models. Qualitative research is research in which researchers do not use numbers in collecting data and in providing interpretations of other results (Marshall & Rossman, 2014).

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## RESULTS AND DISCUSSION

### Muhammadiyah Hospital Surabaya Social Activities

As one of the charities of Persyarikatan Muhammadiyah, Muhammadiyah Surabaya Hospital realizes that business entities and the surrounding environment are inseparable and influence each other. As an entity based on religious and social values, Muhammadiyah Surabaya Hospital also embodies these values by establishing a harmonious relationship between the two, and is committed to always providing the maximum benefit to the surrounding environment. As one of the Muhammadiyah charities, the Muhammadiyah organization is not profit-oriented but is also required to carry out business activities related to social interests.

One of these business activities is to implement corporate social responsibility (CSR), the CSR program carried out by the Muhammadiyah Hospital Surabaya is a concept that is capable and can provide the role and function of a non-profit business entity as an organization that does not focus on achieving profit in fulfilling on its obligations to the community as a stakeholder. The implementation of these social activities will have an impact on mutually supportive, supportive, strengthening and beneficial relationships between the community and Muhammadiyah hospitals. Muhammadiyah Surabaya Hospital in carrying out several social activities is a form of concern for the environment and is an obligation that must be fulfilled as a form of concern and social responsibility. These social activities are in the form of; [a]. Contribution to Society;[b]. Contribution to the environment.

### Social Cost Performance Measurement

As explained in the previous sub-chapter, this research focuses more on the approach to accountability for the social costs incurred by the hospital. Before entering the realm of accountability, the researcher will first explore the performance of social costs that have been carried out by the Muhammadiyah Surabaya Hospital from the period 2018, 2019 and 2020 and classify them into 2 parts, namely costs related to the community and costs for the environment. From the analysis of the reports of social costs issued for both the community and the environment, accountability for social reporting and the percentage of social costs at Muhammadiyah Hospital Surabaya can be drawn up.

**Table 1. Percentage of Social Costs from Net Profit of Muhammadiyah Hospital Surabaya**

| Tahun | Keterangan                | Biaya Sosial | Laba          | Persentase |
|-------|---------------------------|--------------|---------------|------------|
| 2018  | Masyarakat dan Lingkungan | 161.394.399  | 7.663.946.775 | 2,11%      |
| 2019  |                           | 170.454.850  | 6.489.995.895 | 2,63%      |
| 2020  |                           | 80.016.000   | 5.351.969.932 | 1,50%      |

By referring to the percentage of social costs that have been carried out by the Muhammadiyah Surabaya Hospital above from the period 2018 - 2020, then the performance measurement of these social costs can be carried out as a separate measurement before reporting accountability is carried out. The performance assessment can be seen from the calculation of the Benefit cost ratio (B/C Ratio) which is also called the Profitability Index (PI). According to Higgins & Reimers (1995) the calculation of the B/C ratio can be done as follows:

$$\text{B/C Ratio} = \frac{\text{Cash Inflow}}{\text{Initial Investment}}$$

By referring to the formula for the cost of social performance above, in this study, we will assess the performance of the social cost by using the following formula calculation:

$$\text{B/C Ratio} = \frac{\text{Cash Inflow}}{\text{Social Cost}}$$

**Table 2. Percentage of Cash Inflow and B/C Ratio of Muhammadiyah Hospital Surabaya**

| Tahun | EAT           | Depresiasi    | Cash inflow   | B/C Ratio |
|-------|---------------|---------------|---------------|-----------|
| 2018  | 7.663.946.775 | 1.313.202.706 | 8.977.149.481 | 55,62     |
| 2019  | 6.489.995.895 | 1.831.673.694 | 8.321.669.588 | 48,82     |
| 2020  | 5.351.969.932 | 1.986.283.549 | 7.338.253.481 | 91,71     |

Source: Data processed

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Based on the above calculations, it can be explained that the performance of the Muhammadiyah Surabaya Hospital in 2018 decreased by 6.80 from 2019 (that is, from 55.62 to 48.82). However, in 2020, the B/C Ratio increased by 42.89 from the previous year in 2019, from 48.82 to 91.71. Compared to hospital cash inflows per year with the investment value in the form of social costs, hospitals are able to cover the social costs of cash inflows per year. Hospital cash inflow in 2018 was Rp. 8,977,149,481,- which was greater than the total social costs of Rp. 161.394,399, - , so that the hospital is able to cover social costs as much as 55.62 times. In 2019 the hospital's cash inflow was Rp. 6,489,995,895, - although there was a decrease from the previous year for the achievement of the social cost performance, however, this is still higher than the total social costs of Rp. 170.454.850,-, and from these results it is still considered capable of covering social costs as much as 48.82 times. Meanwhile, in 2020 the cash inflow generated by the hospital was Rp. 7,338,253,481, - although there was a decrease in cash inflow generated by Muhammadiyah Surabaya hospital of Rp. 983,416,107,- but these results are sufficient to cover the social costs generated in 2020 of Rp. 80,016,000, - 91.71 times, although in 2020 there was also a decrease in social costs incurred by Muhammadiyah Surabaya hospital in the previous year. To complete the analysis of social expenditures and performance appraisals at Muhammadiyah hospitals,

**Table 3. Calculation of ROA and ROE at Muhammadiyah Hospital Surabaya**

| Tahun | EAT           | Equity         | Total Assets   | ROA    | ROE    |
|-------|---------------|----------------|----------------|--------|--------|
| 2018  | 7.663.946.775 | 40.319.829.606 | 43.252.460.176 | 17,72% | 19,01% |
| 2019  | 6.489.995.895 | 49.415.295.760 | 51.987.222.819 | 12,48% | 13,13% |
| 2020  | 5.351.969.932 | 42.774.109.101 | 45.769.147.352 | 11,69% | 12,51% |

Source: Data processed

Based on the above calculations in 2018 to 2020, the hospital experienced a decrease in both ROA and ROE performance from 2018 so that it obtained an ROA performance of 17.72% and an ROE of 19.01%. In 2019, there was a decline, as a result of the decline in profit after tax generated by Muhammadiyah Surabaya hospital with an ROA of 12.48% and an ROE of 13.13%. In 2020, the ROA and ROE performance decreased by 11.69% and 12.51%, respectively. The decrease from 2018 - 2020 on the ROA and ROE performance above in table 3, it can be said that the asset performance and equity performance at the Surabaya Muhammadiyah Hospital can be said to be less good.

From this study it can be concluded that as one of the charities of the Muhammadiyah organization, Muhammadiyah Surabaya Hospital, although in carrying out business activities based on religious values, in the implementation of matters related to social costs it can be said to be not good. . This is because the expenditure on these social costs, so far, can still be said to be carried out voluntarily depending on the achievement of the profit performance generated in the current year period. With these results, this proves that Muhammadiyah Surabaya Hospital is not too focused on activities that are oriented to social interests.

### CONCLUSION

Muhammadiyah Surabaya Hospital has carried out several social activities as a form of responsibility for social care for the community and the surrounding environment. These social activities can be divided into 2 (two) namely contributions to the community and the surrounding environment. However, from these social activities, Muhammadiyah Surabaya Hospital can be said to experience a decline in the performance of these social activities. This can be proven by the decreasing performance related to social costs from 2018 to 2020 both from the percentage of social costs on social profits (see table 1), benefits and costs of social costs (see table 2) and performance ROA and ROE (see table 3).

### Limitations and Suggestions

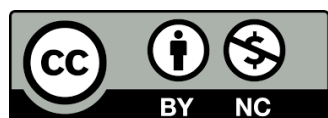
The researcher realizes that there are limitations in this study, where the limitations of this study are that the data and information that are available and have been running at the Muhammadiyah Persyarikatan Hospital do not compare with data and information related to the private sector. Of course, this treatment will be different in terms of policies related to spending on social costs.

Expected to RS. Muhammadiyah Surabaya, it is better if it is related to expenditures on social costs, it is better to make guidelines related to social activities by determining the percentage of profit generated. For example, it is determined by setting 2.5% of profit performance. So that as one of the company's charities, it does not only focus on business activities but also bases it on activities related to social interests.

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