

The Effect of Corporate Social Responsibility and Tourism Development on Regional Development in Berau Regency

*Corporate Social
Responsibility,
Tourism Development,
Regional Development*

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ABSTRACT

The aim of the research is to test the truth of regional development theories, namely firm location theory and new economic geography theory, as well as functional development theory, with the research object being the PT company. Berau Coal in Berau district, East Kalimantan province. It recommends the results of research, namely the corporate social responsibility program and tourism development, towards regional development in Berau Regency, East Kalimantan Province. The method used in this research is a quantitative research method. Multivariate analysis is used in analyzing research, involving variables in a number greater than or equal to three variables. WarpPLS is multivariate-based and can analyze structural equation modeling (SEM). The results of the research show that PT Berau Coal's corporate social responsibility (CSR) program has a positive and significant effect on regional development. The tourism development that has been carried out has been proven to have a positive and significant effect on regional financial independence. The existence of the tourism industry in Berau district has increased regional development. Regional financial independence will become more independent if the contribution of regional original income (PAD) to funding regional development is greater.

Keywords: Corporate social responsibility, tourism, regional finance, and regional development.

ABSTRAK

Tujuan penelitian adalah Menguji kebenaran teori pembangunan daerah, yaitu teori lokasi perusahaan (firm location theory) dan teori geografi ekonomi baru (new economic geography theory), serta teori pembangunan fungsional (functional development theory), dengan objek penelitian adalah perusahaan PT. Berau Coal, di kabupaten Berau, provinsi Kalimantan Timur. Merekomendasikan hasil penelitian, yaitu program corporate social responsibility dan pengembangan pariwisata terhadap pembangunan daerah di Kabupaten Berau, provinsi Kalimantan Timur. Metode yang digunakan dalam penelitian ini adalah metode penelitian kuantitatif. Analisis Multivariat digunakan dalam menganalisis penelitian, melibatkan variabel dalam jumlah lebih dari atau sama dengan tiga variabel. WarpPLS dengan berbasis multivariat

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dan dapat menganalisis sebuah pemodelan persamaan struktural (*structural equation modeling* (SEM). Hasil penelitian menunjukkan bahwa program corporate social responsibility (CSR) PT Berau Coal yang dilakukan, berpengaruh positif dan signifikan terhadap pembangunan daerah, pengembangan pariwisata yang telah dilakukan, terbukti berpengaruh positif dan signifikan terhadap kemandirian keuangan daerah, Adanya industri pariwisata di kabupaten Berau, menjadikan peningkatan terhadap pembangunan daerah, Kemandirian keuangan daerah akan semakin mandiri apabila pendapatan asli daerah (PAD) kontribusinya untuk pendanaan pembangunan daerah semakin besar.

Kata kunci: Corporate social responsibility, Pariwisata, Keuangan Daerah, Pembangunan Daerah

INTRODUCTION

Corporate social responsibility (CSR) is a concept or action taken by the company as a sense of corporate social responsibility towards the population and the environment around the company, such as conducting activities that can improve the welfare of the surrounding community and protect the environment, providing scholarships for underprivileged children in the area, funds for the maintenance of public facilities, donations to build villages / community facilities that are social and useful for many people, especially the community around the company.

In the context of regional, regional and area development, corporate social responsibility (CSR) is very important to support the development partially, although the value of funds disbursed is still relatively small compared to the disbursement of funds from the government through the State Budget (APBN), Regional Budget (APBD) and other legal sources of funds.

Berau Regency, which is part of the East Kalimantan province, has many business actors or companies engaged in various business sectors ranging from forestry, plantation, mining, and other service sectors. All these companies are required to comply with and implement the Company Law No. 40/2007, especially Article 74, which states that they are required to implement corporate social responsibility (CSR) programs.

Among the largest companies operating in Berau Regency is PT Berau Coal, which has remained committed to implementing corporate social responsibility (CSR) programs since 2000 as mandated by the law. The company considers that the corporate social responsibility (CSR) program is not just a philanthropic or charity program, but the corporate social responsibility (CSR) program is interpreted as an absolute indicator of the company's participation in participating in regional development, which is realized by paying attention to the sustainability aspects of its CSR program.

LITERATURE REVIEW

Firm Location Theory

The regional development model inspired by firm location theory assumes that regional development is highly dependent on the presence of firms in the region. Firm location theory was first introduced by Alfred Weber in 1910, developed by Andreas Predöhl in 1920, and finally by August Lösch in 1940 (Barnes & Abrahamsson, 2015; Bieri, 2019; Sandelin & Trautwein, 2008). Firm location theory is modeled as a transportation cost minimization problem. Therefore, transportation costs are a central element of the location model of firm decisions. Most regional development models, inspired by location theory and developed before 1960, adopted a transportation cost minimization framework.

In contrast to the neoclassical view, which emphasizes factors affecting supply capacity as the main determinant of regional development, Keynesian theory assumes that regional development is largely demand-driven (Capello, 2011; Cochrane & Poot, 2021; Ribeiro et al., 2017). The two main regional development theories included in this framework are Export-base theory and Input-output theory.

The theory relies on different mathematical formulations and has assumed different simplifying hypotheses to conceptualize regional characteristics, which may lead to technological change (Petrakis, 2020; Tavani & Zamparelli, 2018). Such conceptualizations include modeling technological change as a function of (1) human capital - stock and/or accumulation over time, (2) Research and Development (R&D), (3) innovation, (4) knowledge spillovers, and (5) technology spillovers.

The independence of a region is inseparable from how much the ability of the region's financial resources to develop the region. If the financial resources are high then the region can be said to be independent, and vice versa if the regional financial resources are low then the region is not independent. The high and low level of regional financial resources shows the ability of local governments to finance their own government activities.

A region can be said to be independent if the region is able to finance its government and development activities independently without relying on funds from the central government. Regional independence is the goal of regional autonomy. The ratio of regional independence can be seen from local revenue compared to total regional revenue (Bustani et al., 2022). the higher the independence ratio, the lower the level of local government dependence on the central government. Conversely, the lower the ratio of regional independence, the higher the level of regional dependence on central government assistance (Djpk-Kemenkeu, 2014).

Corporate Social Responsibility has two meanings. First, it is a general name for any theory of the corporation that emphasizes both the responsibility to make money and the responsibility to interact ethically with the surrounding society (Brin & Nehme, 2019; Crane et al., 2014; Lee, 2008). Secondly, corporate social responsibility is also a specialized conception of the responsibility to earn profits while playing a role in broader issues of societal well-being (Adeleye et al., 2020; Lantos, 2001; Vogel, 2007).

METHODS

In analyzing the data, researchers used the WarpPLS software program. This data analysis technique model was developed as an alternative for situations where the theoretical basis for design is weak or has not been found and or there are indicators that do not meet the reflective measurement model, so it is formative. Besides being able to be used as theory confirmation (hypothesis testing), PLS can also be used to build relationships for which there is no theoretical basis or for proposition testing, Solimun et al. (2017).

SEM can be described as an analysis that combines the approaches of factor analysis, structural modeling, and PLS analysis (Partial Least Square Analysis). SEM is a combination of separate statistical methods, namely factor analysis and simultaneous equation modeling.

Structural Equation Modeling

Structural equation models are often used to assess latent variables that cannot be observed. Using measurement models that define latent variables using one or more observed variables (indicators), and structural models that account for the relationships between latent variables, Kline (2011). SEM includes confirmatory factor analysis, confirmatory composite analysis, path analysis, partial least squares path modeling, and latent growth modeling.

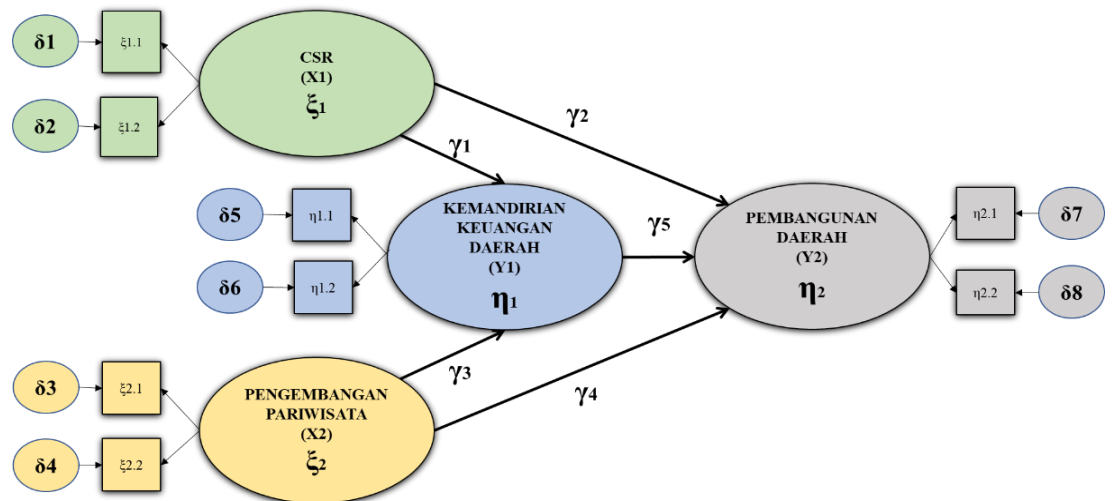


Figure 1. Relationship between PLS Model Variables

RESULTS

The analysis showed that the fit index and model quality met the requirements. Ten parameters have met the terms and conditions presented by Kock (2015) and Tenenhaus et al. (2005).

The Average Path Coefficient (APC) is Significant ($P < 0.05$) with an APC value of 0.460. The Average R-squared (ARS) is also Significant ($P < 0.05$) with an ARS value of 0.954. The adjusted average R-squared (AARS) is also significant ($P < 0.05$), with an AARS value of 0.926.

Average block variance inflation factor (AVIF) of 1,722 with ideal category. Average full collinearity VIF (AFVIF) of 1,539 with ideal category. Tenenhaus GoF (GoF) value of 0.913 with a large category.

Simpson's paradox ratio (SPR) value 1 with ideal category. The squared R-contribution ratio (RSCR) is 1 with the ideal category. The statistical suppression ratio (SSR) values 1.000 with an acceptable category, and finally the nonlinear bivariate causality direction ratio (NLBCDR) values 0.9 with an acceptable category.

The coefficient of determination (R Square) of the two endogenous latent variables, respectively; Regional Financial Independence (Y1); 0.961, and for the latent variable Regional Development (Y2); 0.946.

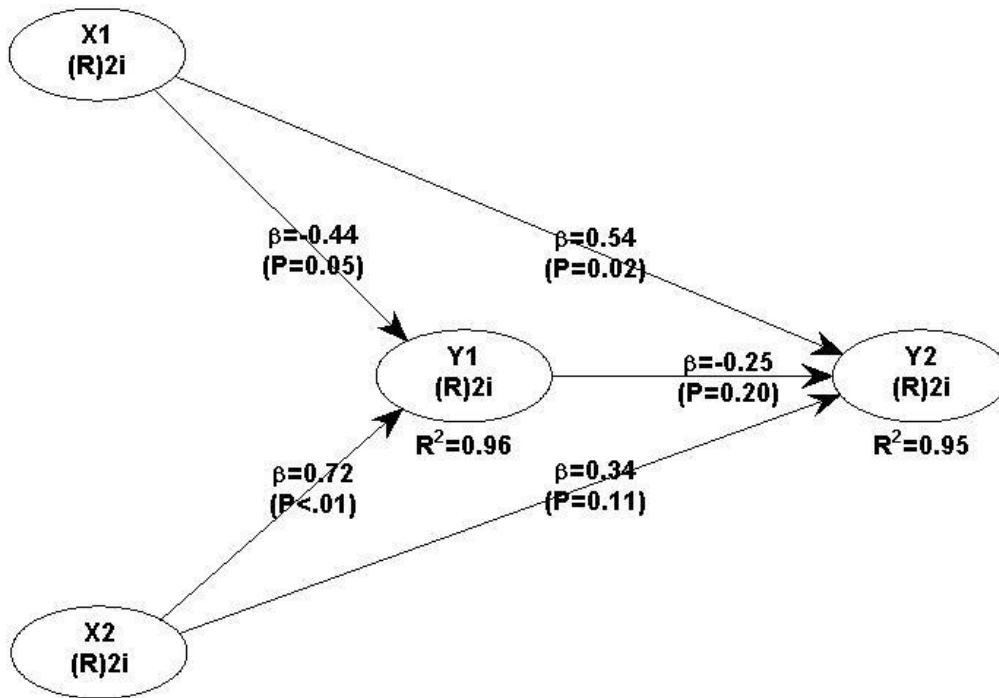


Figure 2. General results of Model Analysis

Notation Description:

X1: Corporate Social Responsibility (CSR)

X2: Tourism Development

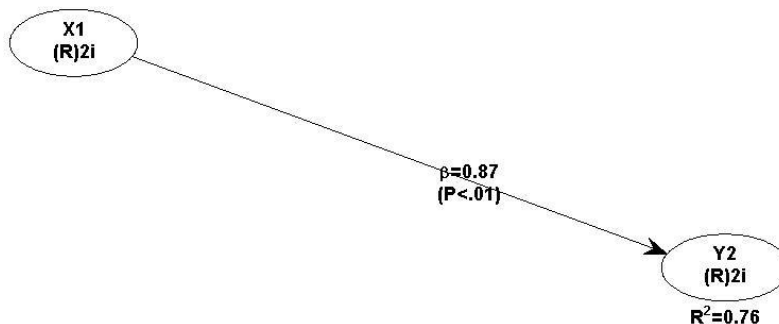
Y1: Regional Financial Independence

Y2: Regional Development

Corporate Social Responsibility (CSR) (X1) on Regional Financial Independence (Y1)

The effect of the Corporate Social Responsibility (CSR) (X1) relationship on Regional Financial Independence (Y1) is negative and significant ($P < 0.001$) and has a path coefficient of -0.72. The coefficient of determination (R^2) is 0.52 or 52%. The hypothesis is accepted on the relationship of CSR (X1) to Regional Financial Independence (Y1), ($-4.057 < -1.96$), which means, there is a significant negative relationship between Corporate Social Responsibility (CSR) (X1) to Regional Financial Independence (Y1).

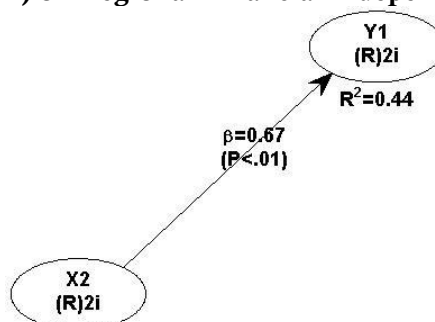
Corporate Social Responsibility (CSR) (X1) on Regional Development (Y2)



The influence of Corporate Social Responsibility (CSR) (X1) on Regional Development (Y2)

The effect of the relationship between corporate social responsibility (CSR) (X1) on Regional Development (Y2) is positive and has a path coefficient of 0.87 and is significant ($P < 0.001$). The coefficient of determination (R^2) is 0.76 or 76%. The hypothesis is accepted ($1.817 < 1.96$) which means, there is a significant positive relationship between corporate social responsibility (CSR) (X1) on Regional Development (Y2).

Tourism Development (X2) on Regional Financial Independence (Y1)



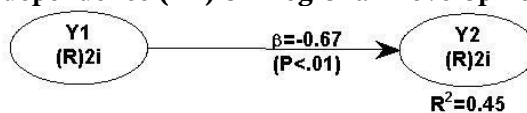
The Effect of Tourism Development (X2) on Regional Financial Independence (Y1)

The effect of the Tourism Development (X2) relationship on Regional Financial Independence (Y1) is positive and has a path coefficient of 0.67 and is significant ($P < 0.001$). The coefficient of determination (R^2) is 0.44 or 44%. The hypothesis is accepted ($3.564 > 1.96$), which means, there is a significant positive relationship between Tourism Development (X2) on Regional Financial Independence (Y1).

Tourism Development (X2) on Regional Development (Y2)

The effect of the Tourism Development (X2) relationship on Regional Development (Y2) is positive and has a path coefficient of 0.81 and is significant ($P < 0.001$). The coefficient of determination (R^2) is 0.66 or 66%. The hypothesis is accepted ($5.008 > 1.96$), which means, there is a significant positive relationship between Tourism Development (X2) and Regional Development (Y2).

Regional Financial Independence (Y1) on Regional Development (Y2)



The Effect of Regional Financial Independence (Y1) on Regional Development (Y2)

The relationship effect of Regional Financial Independence (Y1) on Regional Development (Y2) is negative and has a path coefficient of -0.67 and is significant ($P < 0.001$). The coefficient of determination (R^2) is 0.45 or 45%. The hypothesis is accepted ($-3.608 > -1.96$), which means, there is a significant negative relationship between Regional Financial Independence (Y1) on Regional Development (Y2), but in the results of this study, it is evident from the graph, in the next phase (scale 0.35 - 1.52), it can be seen that the more independent Regional Financial Independence, the more Regional Development increases.

DISCUSSION

This research analyzes the commitment of PT Berau Coal in the form of corporate social responsibility (CSR) programs to Regional Financial Independence and Regional Development that conducts its business in Berau Regency, East Kalimantan province. The next analysis is to analyze Tourism Development in Berau Regency on Government Financial Independence and Regional Development in Berau Regency, East Kalimantan province.

The main theories used are two of the nine existing theories of regional development to date, namely Firm location theory and New economic geography theory.

The common thread of PT Berau Coal's corporate social responsibility (CSR) program with Tourism Development in Berau district is that in the corporate social responsibility program there are 4 sector pillars, namely, the Education and Science and Technology sector, the Health and Nutrition sector, the Social and Cultural Environment sector, and the Economic Development sector. In addition, there is a corporate social responsibility program from PT Berau Coal, in the form of the CRS Infrastructure program, so that between CSR and Tourism Development in Berau Regency, always intersect with the

people of Berau Regency, so that in this study an analysis is carried out, whether CSR and Tourism Development affect Regional Financial Independence and Regional Development of Berau Regency, East Kalimantan Province.

The conceptual model built can provide scientific accountability based on empirical results. The model produces a coefficient of determination (R²) value for two endogenous variables, namely Regional Financial Independence and Regional Development, respectively: R² for Regional Financial Independence is 0.96 or 96%, and R² for Regional Development is 0.95 or 95%.

In general, this model can provide an overview, that Regional Development is empirically proven, influenced by corporate social responsibility programs (corporate social responsibility) and Tourism Development and Regional Financial Independence by 95%.

CONCLUSION

Based on the results of this research analysis, several significant conclusions can be drawn. First, corporate social responsibility (CSR) has a negative and significant influence on regional financial independence. This phenomenon can be explained by legislation that allows some types of CSR costs to be deducted from gross income in the calculation of taxable income, resulting in reduced regional own-source revenue (PAD) and negatively affected regional financial independence. However, the CSR program can also be interpreted as a centrifugal force or spread of regional economic activity, although it directly reduces regional financial independence.

Second, PT Berau Coal's CSR program has a positive and significant effect on regional development. This finding supports the company location theory that emphasizes the important role of companies in regional development. The CSR program conducted by PT Berau Coal is empirically able to increase the human development index (HDI) and economic growth in Berau Regency.

Third, the development of the tourism sector is proven to have a positive and significant effect on regional financial independence. This is in line with functional development theory that suggests the utilization of regional resources to create generative growth. The tourism sector, by utilizing its natural resources, is able to increase local revenue (PAD) and its contribution to the financial independence of Berau Regency.

Fourth, the existence of the tourism industry in Berau Regency has a positive impact on regional development, creating growth both in terms of community quality and economic growth. This is in accordance with the concept of functional development theory that emphasizes the utilization of regional resources for generative growth.

Fifth, regional financial independence will increase if the contribution of regional own-source revenue (PAD) in financing regional development is greater. This can reduce dependence on balancing funds from the central government, proving that regions are increasingly independent in managing funds for the welfare of the community and maintaining economic growth.

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