

The Influence of Corporate Social Responsibility and Tourism Development Towards Regional Financial Independence and Regional Development in Berau District

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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. Recommends the results of research, namely the corporate social responsibility program and tourism development towards regional financial independence and regional development in Berau district, 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 more than or equal to three variables. WarpPLS is multivariate based and can analyze structural equation modeling (SEM). The results of the research show that corporate social responsibility (CSR) has a negative and significant effect on regional financial independence, PT Berau Coal's CSR program has a positive and positive effect. significant impact on regional development, tourism development that has been carried out has 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 regional original income (PAD) contributes to funding, regional development is getting bigger.

Keywords: CSR, Tourism, Regional Financial Independence, Regional Development

INTRODUCTION

Corporate social responsibility (CSR) is a concept or action carried out by a company as a sense of corporate social responsibility towards the population and environment around which the company is located, such as carrying out activities that can improve the welfare of the surrounding community and protect the environment, providing scholarships for underprivileged children in the area. These include funds for maintaining public facilities, donations for building villages/community facilities that are social and useful for the community, especially the community around the company.

In the context of regional, regional and regional development, corporate social responsibility (CSR) is very important to support this development partially, even though the value of the funds disbursed is still relatively small compared to the disbursement of funds from the government through the State Revenue and Expenditure Budget (APBN), Revenue and Expenditure Budget. Regional Expenditures (APBD) as well as from other legitimate funding sources.

Berau Regency, which is part of the province of East Kalimantan, can be found with many business actors or companies operating in various business sectors ranging from the forestry, plantation, mining and other service sectors. All companies are obliged to comply with and implement Company Law Number 40 of 2007, especially Article 74, which contains the obligation to carry out a corporate social responsibility (CSR) program.

Among some of the largest companies operating in Berau district is PT. Berau Coal, which to this day remains committed to implementing corporate social responsibility (CSR) programs since 2000 as mandated and stated in this law. This company considers that the corporate social responsibility (CSR) program is not just a philanthropic or caritas program, but the corporate social responsibility (CSR) program is interpreted as an absolute indicator of the company's participation in playing a role in regional development which is realized by paying attention to sustainability aspects, from its CSR program scroll.

Literature Review

Firm Location Theory

The regional development model inspired by company location theory assumes that regional development is highly dependent on the presence of companies in the region. Company location theory was first introduced by Alfred Weber in 1910, developed by Andreas Predohl in 1920, and finally by August Losch in 1940.

Firm location theory is modeled as a transportation cost minimization problem. Therefore, transportation costs are a central element of a firm's location decision model. Most regional development models, inspired by location theory and developed before 1960, adopt a transport cost minimization framework.

Keynesian Theories

In contrast to the neoclassical view, which emphasizes factors influencing supply capacity as the main determinants of regional development, Keynesian theory assumes that regional development is largely driven by demand. The two main regional development theories included in this framework are as follows:

- 1) *export-base theory*;
- 2) *input-output theory*.

Neoclassical Endogenous Growth Theories

These theories rely on different mathematical formulations and have assumed different simplifying hypotheses in an attempt to conceptualize regional characteristics, which may lead to technological change. The conceptualization includes 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) technological spillovers.

Definition of Regional Financial Independence

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

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

Theories of Corporate Social Responsibility

Corporate Social Responsibility has two meanings. First, is the general name for any corporate theory that emphasizes the responsibility to make money and the responsibility to interact ethically with the surrounding community. Second, corporate social responsibility is also a specific conception of the responsibility to make a profit while simultaneously playing a role in broader societal welfare issues.

METHOD

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 they are formative in nature. Apart from being able to be used as confirmation of theory (hypothesis testing), PLS can also be used to build relationships for which there is no theoretical basis or to test propositions, Solimun et al. (2017).

SEM can be described as an analysis that combines factor analysis approaches, structural models 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 unobservable latent variables. Using a measurement model that defines latent variables using one or more observed variables (indicators), and a structural model that takes into account the relationship between latent variables, Kline and Rex (2011). SEM includes confirmatory

factor analysis, confirmatory composite analysis, path analysis, partial least squares path modeling, and latent growth modeling.

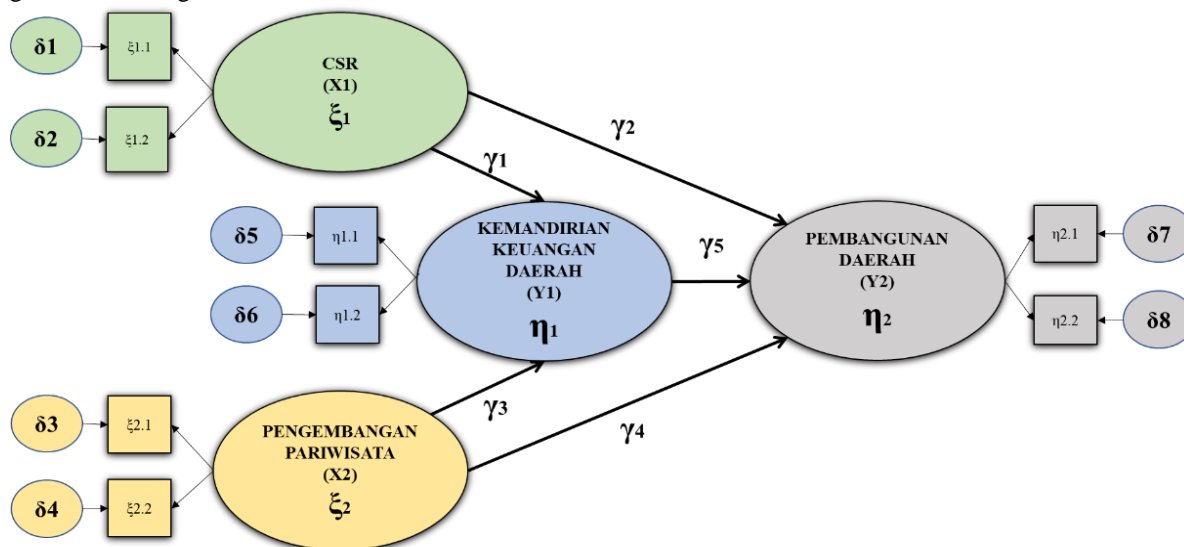


Figure 1. Relationship between PLS Model Variables

RESULTS AND DISCUSSION

The analysis results show that the Conformity Index and Model Quality have met the requirements. Ten parameters have met the terms and conditions stated by Kock (2015b) 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 average adjusted R-squared (AARS) was also significant ($P < 0.05$), with an AARS value of 0.926. The average block variance inflation factor (AVIF) is 1,722 with the ideal category. The average full collinearity VIF (AFVIF) is 1.539 with the ideal category. Tenenhaus GoF (GoF) value 0.913 in the large category. Simpson's paradox ratio (SPR) is 1 in the ideal category. The R-squared contribution ratio (RSCR) is 1 in the ideal category. The statistical suppression ratio (SSR) value is 1,000 in the accepted category, and finally the nonlinear bivariate causality direction ratio (NLBCDR) value is 0.9 in the accepted category. The coefficient of determination (R Square) value of the two endogenous latent variables, each of; Regional Financial Independence (Y1); 0.961, and for the latent variable Regional Development (Y2); 0.946.

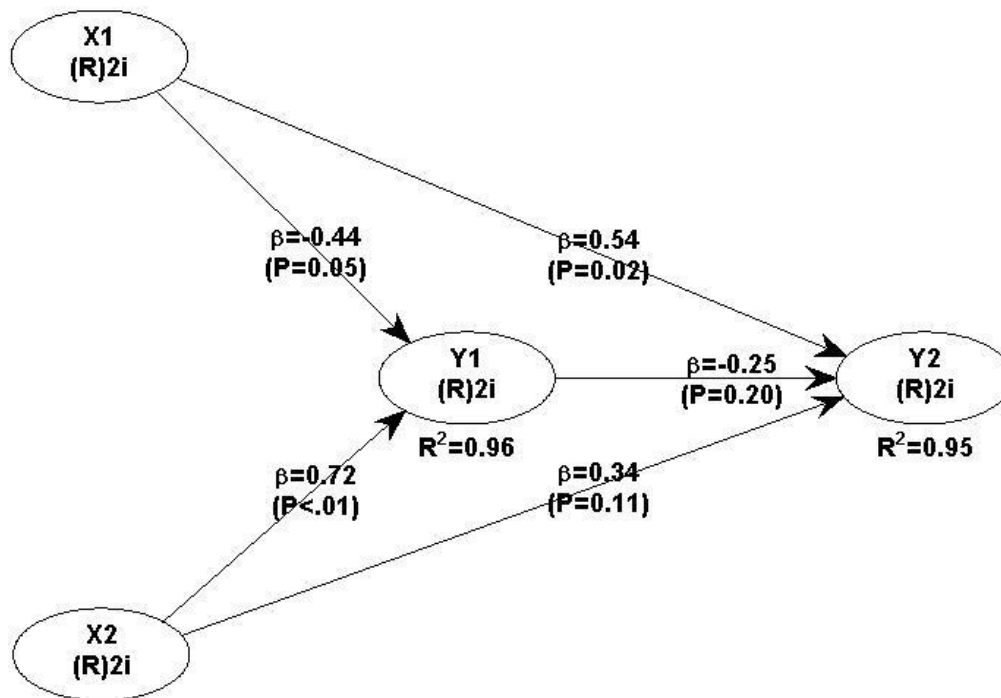


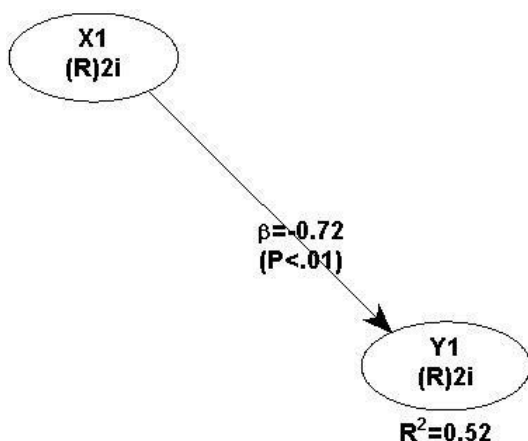
Figure 2. General results of model analysis

Notation Description:

X1: Corporate Social Responsibility (CSR) X2: Tourism Development

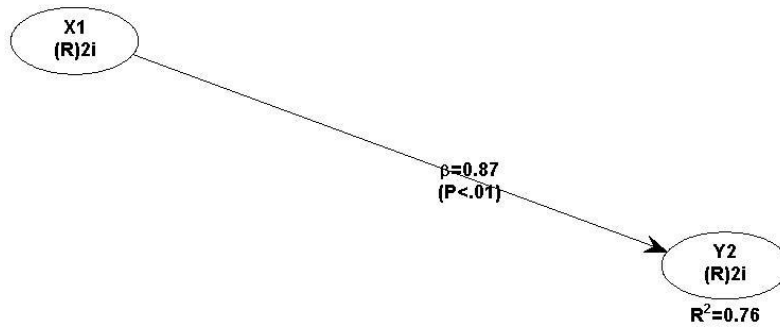
Y1: Regional Financial Independence Y2: Regional development

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



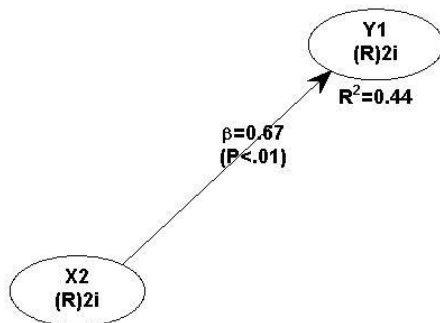
The effect of the relationship between Corporate Social Responsibility (CSR) (X1) on Regional Financial Independence (Y1) is negative and significant ($P < 0.001$), and has a path coefficient of -0.72. The Coefficient of Determination (R^2) value is 0.52 or 52%. The hypothesis is accepted on the relationship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

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



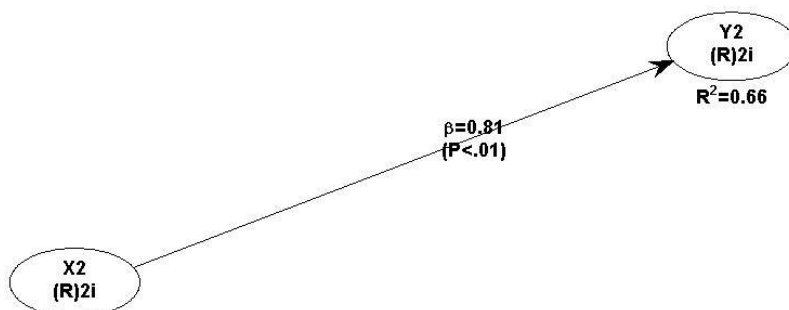
The influence of corporate social responsibility (CSR) (X1) on regional development (Y2) is positive and has a path coefficient of 0.87, and is significant ($P < 0.001$). The Coefficient of Determination (R2) value is 0.76 or 76%. The hypothesis was accepted ($1.817 < 1.96$), which means that there is a significant positive relationship between corporate social responsibility (CSR) (X1) and regional development (Y2).

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

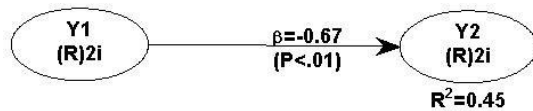


The effect of the relationship between Tourism Development (X2) on Regional Financial Independence (Y1) is positive and has a path coefficient of 0.67, and is significant ($P < 0.001$). The Coefficient of Determination (R2) value is 0.44 or 44%. The hypothesis was accepted ($3.564 > 1.96$), which means, there is a significant positive relationship between Tourism Development (X2) and Regional Financial Independence (Y1).

Tourism Development (X2) to Regional Development (Y2)



The influence of the relationship between Tourism Development (X2) on Regional Development (Y2) is positive and has a path coefficient of 0.81, and is significant ($P < 0.001$). The Coefficient of Determination (R2) value is 0.66 or 66%. The hypothesis was 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 the relationship between 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) value 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) and Regional Development (Y2), however, the results of this research are evident from the existing graph, in the next phase (scale 0.35 – 1.52), it can be seen that the more independent the Regional Financial Independence, the more Regional Development will increase.

Discussion

This research analyzes PT Berau Coal's commitment in the form of a corporate social responsibility (CSR) program towards Regional Financial Independence and Regional Development which carries out its business in Berau district, East Kalimantan province. The next analysis is to analyze Tourism Development in Berau district towards Government Financial Independence and Regional Development in Berau district, East Kalimantan province.

The main theories used are two Regional Development theories from the nine Regional Development Theories that exist 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 (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. Apart from that, there is a corporate social responsibility program from PT Berau Coal, in the form of the CSR Infrastructure program, so that CSR and Tourism Development in Berau district always intersect with the people of Berau district, so in this research an analysis is carried out as to what CSR and Tourism Development are. affecting Regional Financial Independence and Regional Development of Berau Regency, East Kalimantan Province.

The conceptual model that is built can provide scientific accountability based on empirical results. The model produces coefficient of determination (R^2) values for two endogenous variables, namely regional financial independence and regional development, respectively: R^2 for regional financial independence is 0.96 or 96%, and R^2 for regional development is 0.95 or 95%.

In general, this model can provide an illustration that regional development has been empirically proven to be influenced by corporate social responsibility programs and tourism development and regional financial independence of 95%.

CONCLUSION

After analyzing the results of this research, the following conclusions can be drawn:

1. Corporate social responsibility (CSR) has a negative and significant effect on regional financial independence. This can be understood and explained, that according to government regulation (PP) number 93 of 2010, there are several types of CSR costs that can be used as deductions from gross income in calculating taxable income for taxpayers, so that local original income (PAD) from the sector will decrease, and in the end regional financial independence will become less and less independent. The research results also strengthen regional development theory, namely the new economic geography theory which postulates that regional development occurs as a result of a balance between centripetal (agglomeration) and centrifugal (dispersion) forces in determining the level and form of regional concentration of economic activity. and it is proven that the existence of the PT Berau Coal Company, not only as an agglomeration force, but also as a centrifugal force or the spread of regional economic activities with its CSR program, although the CSR program causes regional financial independence to become less independent, the CSR program is direct and within a period of time. short, felt directly by the surrounding community in their economic activities.
2. PT Berau Coal's CSR program has had a positive and significant impact on regional development. These results prove that the firm location theory which postulates that regional development is very dependent on the existence of the company, in this case PT

Berau Coal, is proven or strengthened by this theory from the results of this research. The CSR program carried out by PT Berau Coal has been empirically proven to increase the growth of the human development index

(HDI) and economic growth in Berau district.

3. The tourism development that has been carried out has proven to have a positive and significant effect on regional financial independence. In accordance with regional development theory, namely functional development theory, regional development can be achieved by utilizing selected regional resources to create generative growth, and the tourism sector by utilizing its natural resources and being able to turn its natural resources into destinations or destinations. tourism in Berau district, East Kalimantan province, as well as making a significant contribution to the local income of Berau district, so that in the end, the greater the contribution from the tourism sector, the more PAD will be increased and in the end the financial independence of the Berau district, Kalimantan province will be greater. East.
4. The existence of the tourism industry in Berau district has increased regional development. This is in accordance with functional development theory, utilizing selected regional resources to create generative growth both in terms of growth in the quality of society and economic growth.
5. Regional financial independence will become more independent if the contribution of regional original income (PAD) to funding regional development is greater, so that it can gradually reduce balancing funds from the central government, and result in regions becoming more independent in managing existing funds for the welfare of their communities and remaining maintain economic growth.

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