

## **The Effect of Corporate Social Responsibility on The Welfare of The Surrounding Community at PT. Vale Indonesia TBK**

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### **ABSTRACT**

This study examines the influence of corporate social responsibility on the welfare of the surrounding community at PT. Vale Indonesia Tbk. The purpose of this study was to determine of corporate social responsibility at PT. Vale Indonesia Tbk, to determine the level of welfare of the surrounding community at PT. Vale Indonesia Tbk, and to find out the influence of corporate social responsibility on the welfare of the surrounding community at PT. Vale Indonesia Tbk. This research approach is quantitative. This research was conducted at PT. Vale Indonesia Tbk, namely Malili District, East Luwu Regency which is a sub-district area directly affected by the company's operations. The source of data in this research is the surrounding community at PT. Vale Indonesia Tbk from November to December 2023. The sample used was 100 people. Data collection techniques in the form of observation, questionnaires, and documentation. Data analysis techniques include validity test, reliability test, normality test, descriptive analysis, simple linear regression analysis, correlation coefficient analysis, and coefficient of determination analysis. The results of the study show that the indicators used for each of these variables indicate where of corporate social responsibility is in the very good category. Indicators on the community welfare variable are in the very good category. Based on the test of the determinant coefficient, the influence is very strong between the two variables. So it was concluded that the influence of corporate social responsibility on the welfare of the surrounding community at PT. Vale Indonesia Tbk is very strong.

**Keywords:** Corporate Social Responsibility, Community Welfare

### **PRELIMINARY**

Industrial development has had a very good impact on human life. But on the other hand the company also has a negative impact on society such as social and environmental problems. Indonesia is one of the countries in the world that is struggling and yearning for the creation of Good Governance. The company's Corporate Governance can be measured through performance, growth, funding structure, treatment of shareholders and stakeholders, so that it can be used as a basis for analysis in fulfilling transparency and accountability in systematic decision making which can be used as a basis for a more accurate measurement of company performance. (Karmilah, Akib, Guntur, Aslinda, & Cudai Nur, 2022). In the principle of Good Governance, power is no longer solely owned

or a matter for the government, but the emphasis is on implementing government functions jointly by the government, civil society and the private sector, cooperation between each component is needed. One way to realize this cooperation is through the Corporate Social Responsibility (CSR) program.

Since the enactment of Law Number 40 of 2007 concerning Limited Liability Companies) the awareness of carrying out social responsibility or what is known as Corporate Social Responsibility (CSR), in Indonesia has begun to develop supported by Government Regulation of the Republic of Indonesia Number 47 of 2012 concerning Corporate Social and Environmental Responsibility Limited. Social and environmental responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment, which benefits both the company itself, the local community and society in general. PT. International Nickel Indonesia Tbk (PT.Inco) or now known as PT.Vale Indonesia Tbk is a nickel mining company located in Sorowako, one of the areas in East Luwu Regency, South Sulawesi Province. PT. Vale Indonesia Tbk is an international company with the largest operational area in Indonesia which is engaged in nickel ore mining and processing and is one of the companies that has obtained a license to explore, mine, process and produce nickel from the Government of Indonesia. PT. Vale Indonesia Tbk is one of the pillars of economic growth for the people of East Luwu Regency.

PT. Vale Indonesia Tbk as the largest nickel ore mining and processing company in Indonesia, is obliged to carry out Corporate Social Responsibility (CSR) programs as mandated by law. PT.Vale's efforts to show its commitment are by carrying out social roles to the community in order to encourage increased community welfare through sustainable development. Since the issuance of Minister of Energy and Mineral Resources Regulation No. 25 of 2018 concerning Mineral and Coal Mining Business and Decree of the Minister of Energy and Mineral Resources Number 1824 of 2018 concerning Guidelines for Implementation of Community Development and Empowerment and other regulations related to PPM, PT.Vale Indonesia is committed to implementing this policy by harmonizing and adjusting through Community Development and Empowerment (PPM) activities. The company is committed to building the regional economy through various programs for community development and empowerment, the company provides support for improving the welfare of the community, especially those in the four empowerment areas, namely: Nuha District, Towuti District, Wasuponda District, and Malili District. The four areas are directly affected by mining operations and there are several supporting facilities for the company's operations, both environmental and social. In this study, making Malili District a research location with a population of 42,826 people. As for the company's operational activities and company facilities in Malili District, namely mine road access, port facilities, fuel pumping facilities (HSFO), hydropower facilities, employee housing, access to oil pipelines, electricity facilities and others.

As for the indicators of Corporate Social Responsibility according to Unang Mul Khan (2012), namely: Corporate Social Responsibility Goals, Corporate Social Issues

and Corporate Relations Programs. The World Business Council and Sustainable Development (1998) defines CSR Goals as a form of company commitment to a program related to the goals, needs, feasibility and timing of program implementation. The purpose of CSR is always to prioritize vital issues faced by society, including the fields of religion, economy, education and health in improving their welfare. Corporate Social Issues according to Kolk (2004) argues that the main issues that develop around corporate social responsibility generally come from legal issues or issues of government regulations, social issues, economic issues and environmental issues. Corporate Relations Program, namely basically, CSR is an important factor in the context of sustainability, which includes economic, environmental and socio-cultural aspects.

According to Law No. 11 of 2009 concerning Social Welfare, that social welfare is a condition of fulfilling the material, spiritual and social needs of citizens so that they can live properly and be able to develop themselves, so that they can carry out their social functions. The community welfare indicator according to the Human Development Index (IPM) is a benchmark for the welfare rate of a region or country which is seen based on three dimensions, namely life expectancy at birth, literacy rate and average average length of schooling (mean years of schooling), and purchasing power parity. The life expectancy indicator measures health, the adult literacy rate indicator and the average length of schooling measures education and finally the purchasing power indicator measures living standards based on income.

## RESEARCH METHODS

The type of research used in this study uses a quantitative approach. According to (Noor, 2017) quantitative research is a method for testing certain theories by examining the relationships between variables. With this type of survey research to examine the influence of corporate social responsibility on the welfare of the surrounding community at PT. Vale Indonesia Tbk. The population in this study was the entire Malili sub-district community, totaling 42,826 people. According to (Syahrums & Salim, 2014) the sample is part of the population that is the object of research (sample literally means example). Determining the number of sample respondents in this study was carried out using a purposive sampling method with the criteria of (1) local communities who are indigenous people in the research area, (2) people of productive age, and (3) stakeholders and non-governmental organizations that actively provide information to the public, then the sample for this study was 100 people from the total community of the Malili sub-district.

Data collection techniques used in this study were observation, questionnaires and documentation. The data analysis technique in this study is a validity test used to measure the level of error or validity of a research instrument.

According to (Syahrums & Salim, 2014), validity is a term that describes the ability of an instrument to measure what it wants to measure. Reliability Test according to (Siregar, 2017) reliability is to determine the extent to which the measurement results remain consistent, if measurements are taken twice or more for the same symptoms using the same measuring device. The reliability test was carried out using the Alpha Cronbach

technique. Descriptive statistical analysis according to (Sugiyono, 2017) is statistics used to analyze data by describing or describing the data that has been collected as it is without intending to make general conclusions or generalizations. Simple linear regression analysis according to (Misbahuddin & Hasan, 2014) is a linear regression where there are only two variables involved, namely one dependent variable (Y) and one independent variable (X), the purpose of applying this method is to predict or predict the magnitude the value of the dependent variable which is influenced by the independent variable. Product moment correlation analysis is used to test whether there is a significant relationship between variable X and variable Y. Analysis of the coefficient of determination is a number that states or is used to determine the contribution or contribution made by a variable or more X (independent) to variable Y (dependen).

## **RESEARCH RESULTS AND DISCUSSION**

### **1. Corporate Social Responsibility (CSR) at PT. Vale Indonesia Tbk**

Corporate Social Responsibility (CSR) at PT. Vale Indonesia, Tbk is a variable of the three indicators put forward by Unang Mul Khan (2012) in (Sultoni, 2020), namely the objectives of corporate social responsibility, issues of corporate social responsibility, and corporate relations programs. To find out how Corporate Social Responsibility (CSR) at PT. Vale Indonesia, Tbk are as follows: (a) The objectives of corporate social responsibility, seen from the processing score data using the level of reporting scores on the indicators of corporate social responsibility objectives, these results show a reporting rate of 87.73 percent in the very good category. In line with the theory according to the World Business Council and Sustainable Development (1998) defines the purpose of CSR as a form of commitment by a company to a program related to the objectives, needs, feasibility, and timing of program implementation. CSR is carried out in a systematic, structured and periodic manner. The purpose of CSR is always to prioritize vital issues faced by society, including the fields of religion, economy, education and health in improving their welfare. These objectives can be implemented based on the vision and mission of the company. Based on these CSR objectives, the company's CSR program follows the direction of the company's interests in the community environment. This CSR target is within the framework of educational, economic, moral, philanthropic (generosity) and legal responsibility responsibilities. (b) Corporate social responsibility issue, seen from the processing score data using the level of desire score on the corporate social responsibility issue indicator, this result shows a reporting rate of 83.31 percent in the very good category. In line with the theory according to Kolk (2004) explains that the main issues that develop around corporate social responsibility generally come from legal issues or government regulatory issues, social issues, economic issues and environmental issues. Social issues continue to develop following the dynamics of social life. This social issue develops as a form of change in people's outlook on life, and companies must immediately respond to it. The company's inability to capture social issues that are developing in the community will have an impact on conflicts that occur in the social life of the local community. several issues from the implementation of corporate social

responsibility come from stakeholders as stakeholders. (c) Corporate relations program, seen from the processing score data using the level of desire score on the corporate relations program indicator, this result shows a statement level of 84.94 percent with a very good category. In line with the theory according to Solihin (2011) explains that basically CSR is an important factor in a sustainable context, which includes economic, environmental and socio-cultural aspects. In implementing the CSR program, several conditions are needed so that the CSR program can be implemented properly. Ismail Solihin (2011) in (Sultoni, 2020) explains these conditions, namely the implementation of CSR has the support of top management in development programs, the pattern of relationships between the parties involved is clearly visible, and programs can help effect relationships on objects and society.

## **2. Welfare Level of Communities Around PT. Vale Indonesia Tbk**

Welfare Level of Communities Around PT. Vale Indonesia, Tbk is a variable of three indicators based on the Human Development Index, namely life expectancy, literacy rate, and purchasing power. To find out how the level of community welfare around PT. Vale Indonesia, Tbk are as follows: (a) Life expectancy, seen from the processing score data using the level of desire scores on the life expectancy indicator, these results show a sales level of 84.70 percent with a very good category. In line with the Human Development Index, it is explained that life expectancy is a state of physical, mental and social well-being that allows everyone to live a socially and economically productive life. One measure that is often used to compare human resource development between countries is the Human Development Index (HDI) or the Human Development Index (IPM). This index is a composite indicator consisting of health indicators (life expectancy at birth). Education (literacy rate), and the economy (per capita real expenditure). (b) literacy rate, seen from the processing score data using the level of desire score on the literacy rate indicator, this result shows a reporting rate of 84.10 percent with a very good category. In line with the Human Development Index, it is explained that the literacy rate is guidance or assistance provided by adults in the development of children towards maturity with the aim that they can overcome life's challenges alone without the help of others. Most modern societies consider educational institutions to play an important role in achieving social goals, the government together with parents have provided the education budget needed on a large scale for social progress and progress of the nation. (c) Purchasing power, seen from the processing score data using the pressure level score on the purchasing power indicator, this result shows a reporting rate of 82.87 percent in the very good category. In line with the Human Development Index, it is explained that purchasing power or income is the amount of use that can be generated through business. Income is income earned by the community from the income of the head of the household and the income of other household members. This income is usually used for consumption, health and education as well as other material needs.

### **3. The Great Influence of Corporate Social Responsibility (CSR) on the Welfare of Communities Around PT. Vale Indonesia Tbk**

Based on the guidelines for interpreting the correlation coefficient, 0.806 is in a very strong position, namely with a value interval of 0.80 - 0.100, so it can be said that the corporate social responsibility variable (X) has a very strong relationship to community welfare (Y). The R Square value (determinant coefficient) is 0.650, which means that the independent variable (X) has an influence on the dependent variable (Y) or means that the influence of corporate social responsibility (X) on social welfare (Y) is 65 percent, meaning that as much as 65 percent of community welfare (Y) is influenced by corporate social responsibility (X) while the remaining 35 percent is influenced by other factors that have not been examined in this study. The influence of the high and low coefficient of determination is used as a guideline put forward by Guilford quoted by (Supratno, 2001). It can be concluded that the influence of corporate social responsibility (X) on social welfare (Y) is a strong influence.

### **CONCLUSION**

Based on the results of data analysis and the discussion described regarding the influence of corporate social responsibility on the welfare of the community around PT. Vale Indonesia, Tbk, the conclusions in this study are as follows: Corporate social responsibility (X) at PT. Vale Indonesia, Tbk is included in the very good category, where most of the people who were respondents chose to agree with the statement based on three indicators formulated in the corporate social responsibility variable, namely the objectives of corporate social responsibility were in the very good category, the issues of corporate social responsibility were in the very good category, and the corporate relations program is in the very good category. The level of community welfare (Y) around PT. Vale Indonesia, Tbk is included in the very good category, where the community who are the respondents mostly choose to agree with the statement based on three indicators formulated in the community welfare variable, namely life expectancy is in very good category, literacy rate is in very good category, and purchasing power is in very good category. The results of the analysis show that there is an influence of corporate social responsibility on the welfare of the community around PT. Vale Indonesia, Tbk, based on the value of the determinant coefficient which is equal to 65 percent which reveals that the big influence of corporate social responsibility on the welfare of the community around PT. Vale Indonesia, Tbk has a strong influence.

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