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CONCEPTUAL MODEL OF CORPORATE SOCIAL RESPONSIBILITY IMPACT ON COMMUNITY WELL-BEING*

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Abstract. Sustainable mining industry contributes to the community well-being and country development. Thus, this research constructs a measurement and model in conducting an empirical study on the corporate social responsibility (CSR) practice and community well-being (CWB) in the mining industry. Accordingly, this study aims to review the structural analysis of CSR and CWB in this particular mining industry. CSR focused on four main dimensions, namely, economic, legal, ethical, and philanthropic. By contrast, CWB is focused on the dimensions of social, economic empowerment, environment, health, service, and facilities. This study also proposes a structural relationship model between CSR practice and CWB in the surrounding mining industry. Research hypotheses were formulated on the basis of the proposed model. This study concludes with a suggested future research.

Keywords: structural equation model, mining industry; corporate social responsibility; sustainable development; community well-being

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1. Introduction

Mining can provide for the welfare of the state and community, but mining activities also have a negative impact on both (Zhao et Al. 2009; Leonard, 2017; Leonard and Lebogang, 2018). Activities result in topsoil erosion, flora destruction, air and water pollution, health difficulties, spoilage of aquatic life species, and social conflict (Kitula, 2005; Corral, Melanie and Earle 2009; Gómez-Álvarez et al., 2011; Gutti et al, 2012; Grozdanovic, Bijelić and Marjanovic, 2018; Katoria et al., 2013). Mining of natural resources requires sustainable management to ensure that society, the economy, and the environment are maintained and conserved (Measham et. al. 2013). The companies in the mining sector can sustainably run in the future if they focus on the role of corporate social responsibility (CSR) on the various dimensions of the people's welfare. Therefore, CSR provides an important role in the process of social development, sustainable development, and community well-being (CWB), mainly of the local communities by considering the expectations of stakeholders (Freeman, 1984; Frynas, 2009; Walton, McCrea and Leonard, 2014); Sarmila et al., 2015) and CSR is able to maintain environmental sustainability and respond positively to the survival of community (Asmeri, Alvionita and Gunardi, 2017).

Previous research has identified the assessment of CSR implementation with various dimensions, such as economic, legal, ethical, and discretionary (Carroll, 1979); economic, social, and environmental (Elkington, 1994); corporate cause promotions, cause-related marketing, corporate social marketing, corporate philanthropy, employee volunteering, and socially responsible business practices (Kotler and Lee, 2005); leadership, vision and values, and stakeholder engagement and marketplace, workforce, supply chain, community, and environmental activities (Researchers from the Ashridge Business School in Danish Commerce and Companies Agency, 2005); economic, social, environmental, stakeholder, and voluntariness (Dahlsrud, 2008). Recent studies that assessed CSR via business excellence models referred to economic, social, environmental, stakeholder, and voluntariness dimensions (Jankalová and Jankal, 2017). CSR dimension has been used to assess the impact of CSR implementations on stakeholders (community, customer, employer, and government) (Ismail, 2009; Lane and Devin, 2018; Rhee, Park, and Petersen, 2018; Phiri, Mantzari and Gleadle, 2019).

As one of the stakeholders, the community requires attention as the recipient of the impact of CSR implementation. Community involvement in CSR practices will help companies build positive perceptions, corporate reputation, trust, and customer loyalty (Deigh, Farquhar, Palazzo, and Siano, 2016). In the case of CSR implementation in the banking Industry, the CSR practice helped enhance overall performance (Narwal, 2007). Similarly, CSR affects financial performance in the European banking industry (Gangi, Mustilli, and Varrone, 2019). In the case of the hotel industry, CSR (responsibility to customers, employees, and society) influences customer behavioral loyalty. Generally, CSR implementation can positively affect the company more than the stakeholder.

Achua and Utume (2015) concluded that CSR impact on the community, from the perspective of the community, was extremely low in all levels. Recent studies from Gaither, Austin, and Schulz (2018) recommended that future research may involve case studies by looking at companies having social and environmental impacts and economic success. Similarly, the study by Hoi, Wu, and Zhang (2018) found CSR activities and the community-level corporate engagement in negative CSR activities. Positive CSR activities enhance a firm's future financial performance. In conclusion, the impact of CSR practice to improve CWB still gains attention in identifying weaknesses and strengths of cases in various countries. Then, the researcher's view is how the CSR dimension can provide a positive impact on the overall dimensions of CWB, such as social, economic, cultural, environmental, and political (McCrea et al., 2014; Walton, McCrea and Leonard, 2014; Lee and Kim, 2015).

In the same context, Arnold (2017) explained that among the initial benefits of CSR is the improvement of the

relationship between companies and communities. Matten and Moon (2008) defined CSR as a policy of action implemented by parties to reflect their responsibility and subsequently advance social interests. Kotler and Lee (2005) believed that CSR improves the people's well-being through the use of company resources. Therefore, each company is expected to create a positive impact on CWB through a CSR program. Murphy (2010) and Hart (1999) stated that CWB is a conceptual framework that incorporates the social, economic, environmental, cultural, and political dimensions identified by individuals and communities. Therefore, the current research aims to form a conceptual model of CSR impact on CWB in the mining industry. The following sections provide the literature review, hypothesis development, proposed research models, conclusions, and future research agenda.

2. Literature Review

The main construct in this research is the company's CSR practice to the community. The company has a legal obligation to socially and economically benefit a community. Accordingly, we adopt "stakeholder theory" because it is rooted in complex business environment relationships (Freeman, 1984, cited in Roberts, 1992, p. 597). This theory explains the nature of the corporation as a legal entity affected by economic and non-economic players with economic and social obligations (Muthuri and Gilbert, 2011). Thereafter, CSR and CWB are explained on the basis of the definition and previous research reports.

2.1 Concept of CSR

CSR can be interpreted as a corporate moral responsibility to the community around the workplace and its operations area. Carroll (1991) defined CSR as economic, legal, ethical, and voluntary aid that organizations provide to a community. Beal (2013) noted that government CSR is a form of commerce that aims to harmonize their values and behaviors against the needs of interested parties, such as users, wholesalers, workers, providers, communities, supervisors, and other interest groups. Dahlsrud (2008) distributed the definition of CSR into five dimensions, namely, environment, social, economic, stakeholder, and volunteer dimensions of philanthropy. In this context, Khoury, Rostami and Turnbull (1999) stated that CSR covers the relationship between government and all stakeholders, such as customers, workers, communities, wholesalers, governments, suppliers, and competitors.

Hopkins (1998) argued that CSR plays a role in morally and responsibly protecting stakeholders to achieve two-sided goals: to retain the benefits of improving the lives of stakeholders within and without the government. Similarly, Basu and Palazzo (2008) defined CSR as a government countermeasure against stakeholders regarding commercial operations and social affairs. The stakeholders include governments, NGOs, and users. In terms of social perspective, Davis and Blomstrom (1975) indicated that CSR should be oriented toward actions taken by a firm to protect and improve social welfare and government interests as well as run the government by maintaining and improving social welfare (Kotler, Saliba, and Wrenn, 1991). The CSR model of Carroll (1991) indicates that CSR comprises four types of social responsibility, namely, economic, legal, ethical, and philanthropic. This model is the most acceptable in measuring corporate responsibility for the implementation of CSR programs (Carroll and Shabana, 2010; Taneja, Taneja, and Gupta, 2011; Carroll and Buchholtz, 2014; Choi and Yu, 2014; El-Garaihy, Mobarak, and Albahussain, 2014; Al-Zyoud, 2017). Table 1 shows the measurement summary of the CSR practice and its dimension.

Table 1. Measurement of CSR Practice and Dimension

Measurement of CSR Dimension	Author
Economic	Carroll (1991); Maignan (2001); Maigan and Ferrell (2004); Pérez and Del Bosque (2013); Ismail, Alias and Mohd Rasdi (2015)
Legal	Carroll (1991); Maignan (2001); Podnar and Golob (2007); Stanaland, Lwin, Murphy (2011); Pérez and Del Bosque (2013); Ismail, Alias and Mohd Rasdi (2015)
Ethical	Carroll (1991); Maignan (2001); Podnar and Golob (2007); Stanaland, Lwin, Murphy (2011); Pérez and Del Bosque (2013); Ismail, Alias and Mohd Rasdi (2015)
Philanthropic	Carroll (1991); Maignan (2001); Podnar and Golob (2007); Stanaland, Lwin, Murphy (2011); Pérez and Del Bosque (2013); Ismail, Alias and Mohd Rasdi (2015); Alvarado-Herrera, et.al (2017).

2.2. Community Well-being Concepts

Communities comprise people who care about one another, co-exist and interact every day (Flint, Luloff and Finley, 2008). That is, society emerges through social interaction. A community may be based on a place (e.g. warehouse, morgue) or determined by interest (Murphy, 2007). For a society based on a place, welfare is often understood as the physical environment, where the welfare dimension is proven and includes the social dimensions (i.e. psychology, culture and spiritual), economics and nature (Christakopoulou, Dawson and Gari, 2001). The City of Calgary (2010) explained that CWB incorporates the economic, social and physical well-being. Furthermore, Murphy (2010) and Hart (1999) argued that CWB is a conceptual framework that incorporates the social, economic, environmental, cultural and political dimensions identified by individuals and communities. Lee and Kim (2015) also defined CWB as a combination of several domain factors, such as social, economic, cultural, environmental and political. Table 2 shows the measurement summary of CWB.

Table 2. Measurement of the CWB dimension

Dimension/Indicator Measurement	Author
Economic Empowerment Dimension	
Income sufficiency	
Financial work	Cristakopoukalis, Dawson and Gari (2001); Ramsay and Smit (2002); Sirgy, Widgery, Lee, Yu (2010); City of Calgary (2010); Forjaz <i>et al.</i> (2011); Marton and Edwards (2012); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014) : Kim and Lee (2015)
Resilient dynamis	
Local economic	
Employment, business opportunities and economy	
Social Dimension	
Personal safety, community spirit and cohesion, trust, participation, social interaction, neighbourhood	Cristakopoukalis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Stedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015)
Social interaction, family and home	Sirgy, Widgery, Lee, Yu (2010); Pope and Zhang (2010)
Environmental Dimension	
Environmental quality	Cristakopoukalis, Dawson and Gari (2001); Cuthill (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz <i>et al.</i> (2011); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015)
Appearance, climate, park	
Environment	
Environmental quality and sustainability	
Green spaces, transportation, air and energy quality	
Political Dimension	

Decision-making process	Cristakopoukalis, Dawson and Gari (2001); Sirgy, Widgery, Lee, Yu (2010); Marton and Edwards (2012); McCrea <i>et al.</i> (2014); Pope and Zhang (2010); Wiseman, J.; Brasher, K. 2008; McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015)
Political leadership and governance	
Democratic and engaged communities	
Decision-making and citizen's voice	
Politics	
Health Dimension	
Health service	Ramsey and Smit (2002); Etches, Frank, Ruggiero, Manuel (2006); Wiseman, J.; Brasher, K. 2008; Sirgy, Widgery, Lee, Yu (2010); Marton and Edwards (2012); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014);
Physical and psychological health	
Services and Facilities Dimension	
Built environment services and facilities	Cristakopoukalis, Dawson and Gari (2001); Sirgy, Widgery, Lee, Yu (2010); Forjaz <i>et al.</i> (2011); Marton and Edwards (2012); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014);
Education	
Transportation and traffic	
Community services	
Sustainable built and natural environment	
Services and facilities Appearance of built environment infrastructure, including roads	

2.3. Proposed Research Models

A well-implemented CSR is expected to create a positive impact on CWB (Kotler and Lee, 2005) and build stakeholder relationships (Knox, Maklan, and French, 2005). The effects of CSR are measured on the basis of Carroll’s pyramid model (1991). In this case, the economic, legal, ethical, and philanthropic dimensions are used to measure the CSR dimensions that have been reported (e.g., Crespo and Del Bosque, 2005; Pérez and Del Bosque, 2013; Ismail, Alias and Mohd Rasdi, 2015). For the CWB dimensions, we relied on collaborations of previous researchers, such as Walton, McCrea, and Leonard (2014); McCrea, Walton, and Leonard (2014); and Kim and Lee (2015). The CWB dimensions are economic empowerment, social, environment, political, health, services, and facilities. Figure 1 presents the proposed conceptual model.

CSR affects community development. Ismail, Alias, and Mohd Rasdi (2015) determined that the majority of CSR-participating corporations had implemented CSR programs from the first decade of the millennium and had their core businesses in diverse sectors. Education-related activities formed the dominant type of CSR contribution. Brew, Junwu, and Addae-Boateng (2015) described CSR activities as related to health, education, community aid, and livelihood. Degie and Kebede (2017) explained that CSR has become an important interface between government and local communities and can be exemplary because it demonstrates that business corporations have the capability to address the pressing needs of communities. Degie and Kebede (2017) also showed that the CSR practice of companies improve the capability of a community and dimension of CWB. Al-Zyoud (2017) indicated that ethical and philanthropic influence in CSR significantly affects sustainability development. Similarly, Sarmila et al. (2015) concluded that a CSR project contributes to the economic welfare of the people through employment opportunities, sources of income, and asset financing. Moreover, Rudito (2014) reported that the CSR practice through community development indicates a positive change in the economic and sustainability aspects. Thus, previous research has shown that direct and indirect CSR practices contribute to CWB. Therefore, the following hypotheses have been developed on the basis of the literature review and research framework:

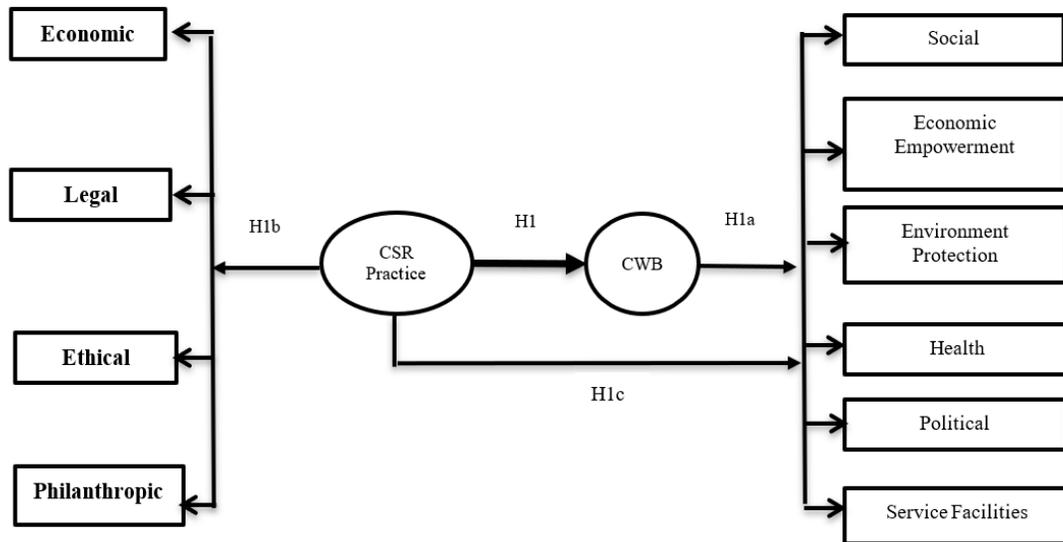


Figure 1. Proposed model of the study

Note: CSR: Corporate social responsibility
CWB: Community well-being

H1: A positive and direct significant relationship exists between CSR practice and CWB.

H1a: A positive and significant relationship exists between CWB dimensions (economic empowerment, social, environment, political, health, services, and facilities) and CWB.

H1b: A positive and significant relationship exists between the dimensions (economic, legal, ethical, and philanthropic) and practice of CSR.

H1c: A positive and indirect significant relationship exists between CSR practice and CWB dimensions (economic empowerment, social, environment, political, health, services, and facilities).

3. Conclusion

The measurement of the CSR dimensions in the adoption of the CSR pyramid is expected to be the standard for companies and contribute to the enhancement of the welfare of society. This measurement is important for the sustainability of the nickel industry of Indonesia and in gaining support from stakeholders, particularly from the community. In the future, the implementation of CSR in the nickel mining companies in Indonesia can improve the CWB. The companies can plan for social, economic, and environmental improvements. This study was also conducted on the basis of the proposed conceptual model, which is a new model based on previous research. In addition, this CSR model analyzes the effects of CSR on CWB and illustrates the contribution of the CSR dimension to CWB. This study is expected to provide a valid and reliable instrument and structural relationship model for CSR practice and CWB. The findings of this study can benefit and contribute to the academe and the industry, particularly to community empowerment practitioners, governments, and NGOs. Generally, the proposed model and research tool can serve as a benchmark and reference source for future research. As a future research agenda, the authors should evaluate the structural relationship between CSR practice and CWB in the Indonesian nickel mining industry.

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Appendix - Questionnaire Design

The questionnaire designed for this study used the Likert-type scale of responses. The respondents were asked to rank their answers to 1= strongly disagree to 5= strongly agree.

CSR Dimensions and Item

CSR Dimensions and Item
Economic Responsibility
It is important for each company to perform in a manner consistent with maximizing its profits.
It is important for each company to be committed to being as profitable as possible.
It is important for each company to maintain a strong competitive position.
It is important for each company to maintain a high level of operating efficiency.
It is important that a successful firm be defined as one that is consistently profitable
Legal Responsibility
It is important for each company to perform in a manner consistent with expectations of government and law
It is important for each company to comply with various federal, state, and local regulations
It is important for each company to be a law-abiding corporate citizen.
It is important that a successful firm be defined as one that fulfils its legal obligations.
It is important for each company to provide goods and services that at least meet minimum legal requirements
Ethical Responsibility
It is important for each company to perform in a manner consistent with expectations of societal morale and ethical norms
It is important for each company to recognize and respect new or evolving ethical/moral norms adopted by society.
It is important for each company to prevent ethical norms from being compromised in order to achieve corporate goals.
It is important that good corporate citizenship be defined as doing what is expected morally or ethically
It is important to recognize that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations.
Philanthropic Responsibility
It is important for each company to perform in a manner consistent with the philanthropic and charitable expectations of society
It is important for each company to assist the arts and cultural activities.
It is important that managers and employees to participate in voluntary and charitable activities within their local communities
It is important for each company to provide assistance to private and public educational institutions.
It is important for each company to assist voluntarily those projects that enhance a community's "quality of life".

Source: Adapted from Ismail, Alias and Mohd Rasdi (2015)

CWB Dimensions and Item

Dimensions and Item	Reference
Social-Culture	
Every member of the community is more willing to help with each other	
Every member of the community has an increasingly friendly relationship	
Every member of society is working together if there is a serious problem	McCrea, Walton and Leonard (2014); Iskandar, Hair and Zaimah (2018).
You often visit someone's house	
Economic Empowerment	
The CSR presence of the company led to reduced unemployment in the village	Cristakopoukalis, Dawson and Gari, (2001).
The collection of businesses in this village is more independent	Sirgy, Widgery, Lee, Yu (2010);
The strengthening of the local economy reduces the crime in this village	McCrea, Walton and Leonard (2014);
My income increased to finance life in this village.	Iskandar, Hair and Zaimah (2018).
My income is more sufficient to finance your lifestyle	

Community rapport program adds farmers / fishermen / industry in this village	
Commerce advantage / industry community in the village is better due to the support of capital and equipment from the company	
Environment	Cristakopoukalis, Dawson and Gari (2001);
The quality of the ground water is getting better for this village	Cuthill (2002);
The quality of river water is good for this village	Salvaris and Wiseman (2004);
The quality of the marine ecosystem is preserved for the future	Wiseman and Brasher (2008);
Noise due to the company operations is increasingly reduced in this village	Sirgy, Widgery, Lee, Yu (2010);
Dust and gas due to the company operations increasingly reduced in this village	Forjaz <i>et al.</i> (2011);
The life of flora fauna has improved in this village	Walton, McCrea and Leonard (2014); Kim and Lee (2015); Iskandar, Hair and Zaimah (2018).
Health	
The community of this village who suffer from serious illness is getting less.	
My home environment is getting more comfortable	McCrea, Walton and Leonard (2014);
I feel optimistic about the village community's cleanliness in the future.	Marton and edwards (2012);
I feel relaxed and no longer stressful	Ramsey and Smit (2002);
I succeeded in overcoming my health problems	Iskandar, Hair and Zaimah (2018).
The health facilities in this village are getting better	
The student's health fitness in this village is getting better	
Education	
Students in this village are more comfortable learning	
Students in this village showed better performance	Iskandar, Hair and Zaimah (2018).
The more students in this village continue their study	
The student attendance in this village is getting better	
Services and Facilities/Infrastructure	
Traffic in this village is more smoothly and regularly	
Access to public transport in this village is getting easier	
The road accident is decreases from time to time	
The community in this village who works outside the village is getting easier and faster	Walton, McCrea and Leonard (2014); Iskandar, Hair and Zaimah (2018).
The farmers' products are more easily transported out to market	
Goods are getting easily transported into this village	
The presence of community members at mosque is getting better	

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