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

Iskandar Zainuddin Rela1*, Abd Hair Awang2, Zaimah Ramli3, Muhammad Rusdan4, Musadar Mappasomba5, Anas Nikoyan6

1,5,6Department of Agricultural Extension, Halu Oleo University, Kampus Hijau Bumi Tridharma, Kendari, Southeast Sulawesi 93132, Indonesia
2,3 Development Studies, Faculty of Social Sciences and Humanities, Universiti Kebangsaan Malaysia (UKM), 43600 UKM Bangi, Selangor, Malaysia
4PT. Antam Pomalaa, Sulawesi Tenggara, Jl. Letjen TB Simatupang No. 1 Lingkar Selatan, Tanjung Barat Jakarta 12530, Indonesia

E-mails: 1*sikkyach@yahoo.com (corresponding author); 2*hair@ukm.edu.my; 3*zaimahr@ukm.edu.my; 4muhammad.rusdan@antam.com; 5musadar@uho.ac.id; 6anikoyan@scf.or.id

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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-Alvarez 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 Ho, 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); Maigan (2001); Maignan and Ferrell (2004); Pérez and Del Bosque (2013); Ismail, Alias and Mohd Rasdi (2015) |
| Legal                        | Carroll (1991); Maigan (2001); Podnar and Golob (2007); Stanaland, Lwin, Murphy (2011); Pérez and Del Bosque (2013); Ismail, Alias and Mohd Rasdi (2015) |
| Ethical                      | Carroll (1991); Maigan (2001); Podnar and Golob (2007); Stanaland, Lwin, Murphy (2011); Pérez and Del Bosque (2013); Ismail, Alias and Mohd Rasdi (2015) |
| Philanthropic                | Carroll (1991); Maigan (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  | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Sirgy, Widgery, Lee, Yu (2010); City of Calgary (2010); Forjaz et al. (2011); Marton and Edwards (2012); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014) ; Kim and Lee (2015) |
| Income sufficiency              | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Siedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Financial work                  | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Siedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Resilient dynamics              | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Siedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Local economic                  | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Siedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Employment, business opportunities and economy | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Siedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Social Dimension                | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Siedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Personal safety, community spirit and cohesion, trust, participation, social interaction, neighbourhood | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Siedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Social interaction, family and home | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Cuthill (2002); Siedman, Parkins and beckley (2005); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Environmental Dimension         | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz et al. (2011); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Environmental quality           | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz et al. (2011); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Appearance, climate, park       | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz et al. (2011); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Environment                     | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz et al. (2011); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Environmental quality and sustainability | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz et al. (2011); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Green spaces, transportation, air and energy quality | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz et al. (2011); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
| Political Dimension             | Cristakopoulakis, Dawson and Gari (2001); Ramsay and Smit (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz et al. (2011); McCrea, Walton and Leonard (2014); Walton, McCrea and Leonard (2014); Kim and Lee (2015) |
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               | Reference                                                                                     |
|---------------------------------------|----------------------------------------------------------------------------------------------|
| **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 fulfills 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 societal moral 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               | Reference                                                                                     |
|---------------------------------------|----------------------------------------------------------------------------------------------|
| **Social-Culture**                   |                                                                                              |
| Every member of the community is more willing to help with each other | McCrea, Walton and Leonard (2014); Iskandar, Hair and Zaimah (2018).                        |
| Every member of the community has an increasingly friendly relationship                    |                                                                                              |
| Every member of society is working together if there is a serious problem                  |                                                                                              |
| You often visit someone's house                                                      |                                                                                              |
| **Economic Empowerment**              |                                                                                              |
| The CSR presence of the company led to reduced unemployment in the village               | Cristakopoulakis, Dawson and Gari, (2001).                                                   |
| The collection of businesses in this village is more independent                          | Sirgy, Widgery, Lee, Yu (2010); McCrea, Walton and Leonard (2014); Iskandar, Hair and Zaimah (2018). |
| The strengthening of the local economy reduces the crime in this village                  |                                                                                              |
| My income increased to finance life in this village.                                      |                                                                                              |
| 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

| The quality of the ground water is getting better for this village |
|---------------------------------------------------------------|
| The quality of river water is good for this village           |
| The quality of the marine ecosystem is preserved for the future |
| Noise due to the company operations is increasingly reduced in this village |
| Dust and gas due to the company operations increasingly reduced in this village |
| The life of flora fauna has improved in this village          |

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### Cristakopoulalis, Dawson and Gari (2001); Cuthill (2002); Salvaris and Wiseman (2004); Wiseman and Brasher (2008); Sirgy, Widgery, Lee, Yu (2010); Forjaz et al. (2011); Walton, McCrea and Leonard (2014); Kim and Lee (2015); Iskandar, Hair and Zaimah (2018).

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### Health

| The community of this village who suffer from serious illness is getting less. |
| My home environment is getting more comfortable                           |
| I feel optimistic about the village community's cleanliness in the future. |
| I feel relaxed and no longer stressful                                     |
| I succeeded in overcoming my health problems                               |
| The health facilities in this village are getting better                   |
| The student’s health fitness in this village is getting better             |

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### McCrea, Walton and Leonard (2014); Marton and Edwards (2012); Ramsey and Smit (2002); Iskandar, Hair and Zaimah (2018).

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### Education

| Students in this village are more comfortable learning                     |
| Students in this village showed better performance                         |
| The more students in this village continue their study                     |
| The student attendance in this village is getting better                   |

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### Iskandar, Hair and Zaimah (2018).

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### 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 |
| 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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### Walton, McCrea and Leonard (2014); Iskandar, Hair and Zaimah (2018).

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Iskandar Zainuddin RELA is a senior lecturer at the Extension Agriculture, Faculty of Agriculture, University of Halu Oleo. Field of expertise and research interest in Corporate Social Responsibility and community well-being.
ORCID ID: https://orcid.org/0000-0001-9645-5170

Abd Hair AWANG an Associate Professor in Development Studies at Faculty of Social Sciences and Humanities, Universiti Kebangsaan Malaysia (UKM).
ORCID ID: https://orcid.org/0000-0002-0837-7975

Zaimah RAMLI is a senior lecturer at the Development Studies, Faculty of Social Sciences and Humanities, Universiti Kebangsaan Malaysia. Her field of expertise and research interest is family economics and management.
ORCID ID: https://orcid.org/0000-0002-0939-5489

Muhammad RUSDAN is as researchers and practitioners in the field of CSR and community empowerment from PT Antam.
ORCID ID: https://orcid.org/0000-0003-0948-2707

Musadar MAPPASOMBA is a senior lecturer at the Extension Agriculture, Faculty of Agriculture, University of Halu Oleo. His field of expertise and research interest in community development.
ORCID ID: https://orcid.org/0000-0003-3684-9738

Anas NIKOYAN is a senior lecturer at the Extension Agriculture, Faculty of Agriculture, University of Halu Oleo. His field of expertise and research interest in agriculture and community development.
ORCID ID: https://orcid.org/0000-0002-5168-1892

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