

Political Economy of Accounting Study on Profit, Selling Price, Cost of Goods, and Imports: Lessons of Salt Farmers in Indonesia

Bambang HARYADI^{1*}, Tulus SURYANTO², Imam MUKHLIS³, Merry Satya ANGGRAIN⁴

^{1,4} Faculty of Economics and Business, Univesity of Trunojoyo Madura, Indonesia, E-mail: bambangharutm@gmail.com

²Faculty of Islamic Economics and Business, Universitas Lampung, Indonesia, email: tulus@radenintan.ac.id

³Faculty of Economics and Business, Universitas Negeri Malang, Indonesia, email: imam.muklis.fe@um.ac.id

*Corresponding Author

Received: 19.05.2022

Accepted: 12.08.2022

Published: 07.02.2023

DOI: 10.47750/QAS/24.193.40

Abstract

The salt issue seems inexhaustible in a public discussion on the national and local scale. Issues and problems with the salt trade system in Indonesia, which have not been well managed until now, seem to be protracted. The problem of the salt trade system has occurred during the last decade, coloring various national and regional reports. The purpose of this research is to find empirical evidence (1) determining the cost of production, (2) selling price, (3) the level of profit (profit), and (4) analysis of the fairness of salt import policies in the perspective of the Political Economy of Accounting (PEA). The results showed that (1) the cost of production of salt farmers ranged from Rp. 821 to Rp. 1,028 per kilogram (2) Farmers do not have the power to determine the price. Because it turns out that it is the middlemen and wholesalers who can determine, which is Rp. 400 – Rp. 500 per kilo gram (3) the government's price fixing has never been carried out and has been defeated by pressure from middlemen and traders (4) farmers have never enjoyed profits. While the only ones who benefit are middlemen and wholesalers (5) PT Garam can still make profits (profits) even though farmers continue to lose (6) The salt import policy by the government has never been in favor of farmers' interests (7) many facts reveal that salt imports are forced and never coordinated with other ministries and local governments.

Keywords: PEA, production price, selling price, profit, salt farmers

Introduction

The problem of the salt trade system has not yet been adequately managed (Baihaki, 2013). At least the last decade of chaos regarding the salt trade system has permanently colored various national reports (Masatoshi Sasaoka, 2018). Research (Pangestu, 2018) describes the condition of the salt trade system, which is still uncertain and without clarity.

As is known, the realization consumption of salt imports until 2020 continues to increase. Behind this phenomenon is the reality that the total production of people's salt in quantity and quality seems to be still lagging behind the national demand, where the production of local farmers is only able to contribute as much as 30% to 35% of the total national demand. On the other hand, local farmers are given less opportunity to contribute to trade (Silva, 2017); (Kurniawan, 2013).

Almost all research and seminars conclude that the government has not succeeded in coordinating with local governments to assist salt farmers. Another conclusion is that the alleged funds allocated for the salt farmer group seem to have fallen to other parties who are inappropriate and cannot even be used to empower the salt farmer community. The impact is, of course that the national salt production does not experience

a significant increase and the welfare of salt farmers is increasingly marginalized (Magnus, 2021); (Abdullah, Fazli Rabbi, 2019); (Harman, 2018) ; (Hidayat, 2016); (Fauzin, 2019) (Amami, 2016).

Furthermore, salt farmers suffered tremendous losses due to the drastic decline in salt prices during 2020. You can imagine that the price of salt per kilogram only reached Rp. 200 - Rp. 300. Whereas the price of salt could reach Rp. 1000 to Rp. 1500 per kilogram for the same year. Then, Madura's salt farmers in various cities (Sampang, Pamekasan, and Sumenep) experienced a welfare crisis. Their suffering increased again along with the very cheap price of salt, ranging from Rp. 550 per kilogram for quality one and Rp. 450 per kilogram for quality two, whereas the previous year, it could reach Rp. 1,200 per kilogram for quality one (Junaidi, 2020); (Idham, 2021).

Imagine the amount of salt stock is abundant because the market has not absorbed it. In the end, prices dropped drastically and made farmers or farmers in several areas discourage their intention to produce salt for several seasons. The fate of farmers is increasingly vulnerable to decline due to the salt import policy adopted by the government.

GENERAL MANAGEMENT

Kind of Quality	Number of Tons	Percentage
Production Quality (KP) 1	2,700.000	94 %
Production Quality (KP) 2	152.265	5,2 %
Production Quality (KP) 3	15.511	0,5 %

Table 1 Kind and Number of Production Salt

Source: Department of Marine Affairs and Fisheries of East Java Province

Data from the Department of Maritime Affairs and Fisheries (DKP) shows that the current salt stock has almost reached 2.9 million tons. Salt with production quality (KP) 1 is extensive, around 2.7 million tons or 94 percent. Furthermore, salt with KP 2 quality is 152,265 tons (5.2 percent), and next is salt with KP 3 quality, as much as 15,511 tons (0.5 percent).

Of course, the salt import policy has never been separated from the political economy problems of policymakers in the central government (Douglas A. Irwin, 1994; GaneshanWignaraja, 2003). Of course, everything is loaded with extensive business interests, and there will be parties who are harmed. The existing data shows that there has been synchrony between the data presented by each relevant ministry.

In this polemic, the question then is the extent to which the government has taken steps to develop salt processing technology in Indonesia independently. Wouldn't the application of more up-to-date technology increase the domestic production quota and double the profits for the state, which would later have implications for the welfare of the people, especially salt farmers. Until now, there has been no significant effort from the government to upgrade salt processing technology.

Previous research has been carried out, only focusing on studies to explore information about the form of "accounting practice". Then research that examines the factors that affect the price of salt in Indonesia. Meanwhile, research on salt import policies was carried out by (Natasa, 2021); (Bambang and Pramesti¹, 2017) show that the Indonesian government's policy is to choose to import salt compared to increasing the productivity of salt farmers. The government does not seem serious in trying to increase the productivity of salt farmers. This can be seen from the lack of coordination between the central government and local governments in assisting salt farmers.

Literature Review

Legal Protection for Small Business Actors in Indonesia

Legal protection for small business actors has been regulated in Article 8 of the Law of the Republic of Indonesia Number 9 of 1995 that: The government fosters a business climate in the aspect of competition by establishing laws and regulations and policies to (a) Increase cooperation among small businesses in the form of cooperatives, associations, and associations of business groups to strengthen the bargaining position of small businesses. (b) Prevent unfair business competition in the form of monopoly, oligopoly, and monopsony. Those all are detrimental to small businesses, (c) Prevent the occurrence of market domination and concentration of business by specific individuals or groups that are detrimental to small businesses(The Republic Indonesia, 1995).

The Concept of Economic Democracy: The Principle of "Justice Efficiency" of the 1945 Constitution

Conceptually, law enforcement's essence lies in harmonizing the relationship of appropriate values and describing attitudes and actions that, in the end, can create and maintain a peaceful social life(United Nation, 1990)(Perez, 2003). Ernest Barker expressed the same opinion that upholding justice and law covers all the state's goals. It does not only mean upholding justice in general but also "Social justice," also called "Economic Democracy." The Quality of law is found in justice (Wijaya, 2020). Distributive justice as equal treatment of the same thing and unequal treatment of different things.

Previous Research

Several studies on the salt trade system, including by (Karin Bencala, Jim Palmer, 2018)(Higway, 2015) ; (Rusdi, 2018); (Iffah; Wirjodirdjo, 2020); find the factors that partially affect the price of domestic salt, namely the variable price of imported salt, the amount of production, and the amount of consumption. All of these variables affect the price of domestic salt. The research (Rochwulaningsih, 2013) shows that the structural trading system has placed the position of salt farmers at a fragile stage.

Research by (Naveen et.al.2020); and (Representative, 2021) ; (Baihaki, 2013) shows that the salt import policy is the result of a conflict of interests between the Ministry of Trade, Ministry of Industry, Ministry of Maritime Affairs and Fisheries, and PT. Cheetham Garam Indonesia, and the Association of Indonesian Salt Farmers. Research (Kurniawan, 2013) shows differences in the calculation of salt production data between the Ministry of Maritime Affairs and Fisheries of the Republic of Indonesia (KKP) and national data, which impact the accuracy of salt imports. Industrialization of production and imports has an impact on product initiatives and the welfare of salt farmers.

Research by (Hale, 2017) dan (Nongtji, 2013) shows that economic status, education level, land ownership status, political interest, and political efficacy significantly influence tobacco farmers' participation in social protest movements. The concept of economic democracy that is just for business actors is not following its implementation due to the implementation of economic democracy based on the principle of fair efficiency.

Political Economy of Accounting (PEA)

Political Economy of Accounting (PEA) is one of the critical theoretical approaches. The PEA analysis aims to eliminate the influence of marginalists who are very detrimental and do not care about the environment around accounting practices. PEA is an approach to explaining and interpreting the role of ac-

counting in the distribution of income, wealth, and power in society.

The initiator of PEA, (M.Tinker, 1980) believes that the theory will always influence accounting theory and practice. However, accounting theory and practice are only seen from the economic aspect, while other aspects are not involved. Situations and conditions do not only occur within the company's internal but also external to the company that, affect both directly and indirectly.

Methodology

The Quantitative paradigm research is believed to be insufficient to answer research questions (Brazil, 2022); (Khaldi, 2017); (Siregar, 2014). The qualitative paradigm is a humanistic research model which places humans as the main subject in social or cultural events. The humanist nature of this school of thought can be seen from the view of the human position as the primary determinant of individual behavior and social phenomena.

The approach used in this research is critical theory. Critical theory is a methodology that stands within the dialectical tension between philosophy and science. Critical theory wants to penetrate social reality as a sociological fact, to find transcendental conditions that go beyond empirical data (Strydom, 2019); (Emanuel, 2019).

PEA tries to present a study that connects economic and political perspectives in analyzing the company's reality based on the accounting information presented in the company's financial statements. PEA (M.Tinker, 1980)(G.Hopwood, 1978); and (Tinker, 1986) seeks to understand and evaluate the function of accounting in the context of the economic, social, and political environment in which accounting is applied.

The object chosen in this study is salt farmers on the island of Madura. The selection of farmers on the island of Madura is because this island is the largest salt producer in Indonesia and is known as the island of salt. The next consideration in determining the object of research is based on data that salt farmers in Madura are farmers who feel the impact of the chaotic salt trade system that has occurred for a long time until now.

This study's participants, including salt farmers, traders, and middlemen, were related to this problem. According to data needs, interviews were conducted with several related figures, such as salt experts, salt observers, and community leaders, to complete the data for this research further.

Analysis of Cost, Selling Price and Profit (Loss) in PEA Perspective

The PEA analysis tool in this study is used to understand and at the same time assess the profit (loss) figure based on the context. Several steps of analysis are carried out as shown in Figure 1, namely: first, understanding in two stages: (i) revealing the meaning and importance behind the figures for the cost of goods, selling prices, profits from the informants based on their understanding, feelings, visions, experiences, assessments, and perception. The next stage (ii) the revealed meanings serve as a guide in the analysis of understanding the figures for the cost of goods, selling prices, and profits which are related to the context of the power of the parties concerned.

The second step is to assess the prevailing justice practices in shaping the economic reality. The value of justice in question is justice that includes all parties without exception, including nature and the environment. Justice in all aspects of life.

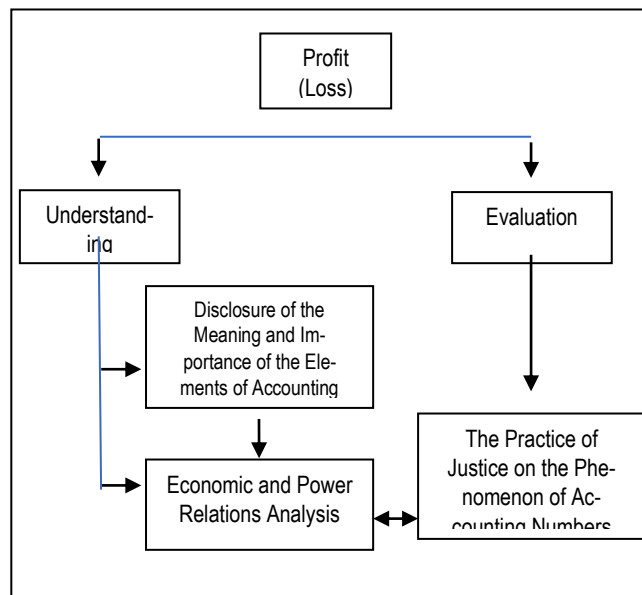


Figure 1. PEA Analysis Model

GENERAL MANAGEMENT

Results and Discussion

The object of this research is the farmers in Bangkalan, Sampang, Pamekasan and Sumenep regencies. As the largest salt producer in Indonesia, this district reaches 400,000 tons

per year (NenengZubaidah, 2018). The area of salt ponds in the four regencies reaches 15,000 hectares. Meanwhile, the number of salt farmers reached 12,600 people, or 62% of all farmers in Indonesia (Muhammad Choirul Anwar, 2021).

Cost Structure	Amount (Rp)	Percentage	
Initial cost of cultivation:			
Cost of land use	9.500.000	29,82%	44%
Cost of land improvement	3.500.000	10,99%	
Cost of land leveling	400.000	1,26%	
Cost of Consumption	550.000	1,73%	
	13.950.000		
Cost of Production:			38%
Diesel fuel	90.000	0,28%	
Cost of transportation at harvest	2.700.000	8,48%	
Cost of sack and rafting	1.800.000	5,65%	
Cost of On site supervision	7.500.000	24%	
	12.090.000		
Cost of equipment:			18%
Small cart	83.333	0,26%	
Paralon	1.920.000	6,03%	
Windmill	300.000	0,94%	
Diesel pump	833.333	2,62%	
Polybag	2.500.000	7,85%	
Crusher	10.000	0,03%	
Scavenger	100.000	0,31%	
Slamming	50.000	0,16%	
Mop	16.667	0,05%	
	5.813.333		
The amount of costs	31.853.333	100,00%	
Per Kg (30.000 kg)	1.028		

Table 2: Farmers' Cost of Salt Production (One Season – 30 Tons)
Source: Farmer Interview Data processed

From this description, the cost per ton of salt can be calculated as Rp. 1,061,777. Meanwhile, the cost of production per

kilogram of salt reached Rp 1,061.

Cost Structure	Amount	Percentage
Land lease	357,10	37,5%
Cost of harvest	125	13%
Cost of transportation	125	13%
Wages	154	16%
Cost of sack and rafting	60	6%
Equipment, Land Improvement, HDPE Plastic Investment	129,6	14,5%
Amount	950,7	100%

Table 2: Farmers' Cost of Salt Production (Association of Indonesian People's Salt Farmers (APGRI))
Source: Calculation of CGP APGRI 2019, processed

As a forum for salt farmers, the Indonesian People's Salt Farmers Association (APGRI) Madura has also calculated the cost of salt production for farmers, as presented in Table 2. Not much different from the calculations obtained from farmer information, the total cost of salt production reached IDR 950.7

per kilo. The most significant cost structure is land rent, which reaches Rp. 357.10 per kilo or about 37% of the total cost.

The Naivety And Dilemma Of Determining The Cost Of Good Production (CGP)

The theory of cost of goods production/CGP(Garrison, 2013); (Edward J.Vanderbeck, 2015), must include all costs in the CGP calculation. These costs are not only closely related to paying these costs. Also, costs that do not result in cash disbursements (accrual based). So CGP covers all costs, whether there is or there is no consequence of paying money from the beginning of production preparation until the goods are ready to be sold.

Either because of ignorance (innocence) in CGP calculations or sincerity in doing business. However, the fact is that farmers often do not include non-monetary costs in CGP calculations (Harper, 2019); (Duffy, 2009). So in the view of the farmers, the cost is synonymous with spending money. If there is no spending money, then it is not a cost. For example, the labor of farmers and their families is never considered in the CGP, including the provision of food and drink when working on salt on their land, all of which are considered mandatory and inherent in business.

The costs are only in the form of money that we spend to buy tools and fuel and pay for the coolies who help us when working on the land and harvesting. The cost in the form of money that I have spent for salt business capital is quite a lot.

The informant's statement above is corroborated by research (Simnitt, 2022); (Singh, 2006) and (Umi, 2014), which state that for farmers and their families, the concept of farming costs is a cost calculated from the amount of money spent by

families. Then, the working time required for one season of salt making is 45 days, so that it can be calculated as in the table below.

Description	Amount
Number of people	3
Number of days in a season	45 days
Daily wage payment	50.000
Wages for family	6.750.000
Production quantity one season	30.000 Kg
Wages for family per kilo	Rp 225

Table 3: Estimated Wage Costs for Farmers and Families
Source: Farmer interview data, processed

Cost Structure	CGPPerkilo	(+) Wages Farmer and Family Rp 225
Farmer	1.028	1.253
APGRI	950	1.175
Indramayu	821	1.046
Pati	968	1.193

Table 4: CGP Estimation (Including Wages for Farmers and Families)
Source: Farmer interview data, processed

Based on the simulation in Table 4, if there is an increase in the cost of labor wages for farmers and their families, it will significantly change the calculation of CGP per kilogram of salt. From initially Rp 1,028 to Rp 1,253 based on farmers' calculations. Then from Rp. 950 to Rp. 1,175 based on APGRI calculations, while the calculation outside is Indramayu from Rp. 821 to Rp. 1,046, while in Pati city from Rp. 968 to Rp. 1,193.

farmers and their families to finance farming work. These costs sometimes include production costs, external labor costs, and other costs. If you don't spend money, it's not a cost but an obligation. As stated by a farmer informant, Pak Yanto said that his own and family workers do not need to be counted, the main thing is external workers.

As usual, my wife and children worked in this salt field. There are three families in total and five neighbors or acquaintances who I pay every day. I paid external workers 50 thousand per day, and they were asked to help me when harvesting in the salt fields.

The above was confirmed by another informant, Mr. Hasan, who stated that personal and family labor is not a cost but a must in work.

Yes, external workers must be counted as costs. But if my energy and family do not have to. Who will pay? That's my family and me. Alright, don't count. That's a must, if you want to earn money, you must work alone.

In line with the informants' statements above, research results (Umi, 2014) also state that farmers, in calculating labor costs, only count expenditures in the form of money, for example, paying for labor outside the family, buying fertilizer, tractor rental, and others. Therefore, the highest labor cost is the cost of the seedling process because it involves a lot of labor from outside the family.

If calculated correctly, the labor costs of farmers and families are relatively high and must be included in the CGP calculation. Imagine if, on average, they work every day with three

Selling Price

The selling price, according to (Amstrong, 2008)(Garrison, 2013); and (Mulyadi, 2016), is the cost of production plus the profit margin expected by the producer or seller. The producer or seller determines the selling price based on obtaining profits

GENERAL MANAGEMENT

from several previous processes, namely the cost of goods or services produced.

Selling Price Calculated Excluding Farmers and Families

Salt farmers in Madura and outside Madura certainly hope

Cost Structure	CGP Include Wages Farmer and Family	Selling Price (30%)
Farmer	1.253	1.629
APGRI	1.175	1.528
Indramayu	1.046	1.360
Pati	1.193	1.551
	Average	1.516

Table 5: CGP Estimation of Wage Costs for Farmers and Families
Source: Farmer interview data, processed

The industry average for a business's gross profit margin is 30% of the cost of production (Mulyadi, 2016). If applied to farmers' CGP and other data, the ideal amount of profit is shown in Table 6. The average selling price of all the data above is IDR 1,516 per kilogram of salt. If you use the basis of farmers' CGP figures without including the wages of farmers and their families, then the selling price reaches Rp. 1,336 from the existing CGP of Rp. 1,028 per kilogram of salt.

In practice, the farmers offer the selling price of salt to buyers or consumers of IDR 1,336 per kilogram. This price is because, in the farmer concept, labor wages are not included in the cost of their work (Umi, 2014). This statement is in line with what the informant stated below:

We have a subscription (trader) who will buy this salt. Usually, they always come and buy the salt I made. Although sometimes, We receive the money a few days later. However, already trust each other and know each other. Regarding the purchase price of salt, we have completely surrendered to the buyer at a price that is often done.

If it has to be increased by 250 per kilo, it is cumbersome, and We are worried that he will not buy our salt.

Already we have often sold to the merchant. Later if we increase the price plus our family's wages, he might not want to buy our salt anymore. We will be the ones who will be bothered and lose more because no one wants to buy our salt. There is nothing wrong with the price without including the wages. Our salt already has someone who wants to buy it, it is good, and we already feel lucky.

The same thing was conveyed by another salt farmer informant, namely Mr. Hafid. He has concerns that if wages are included in CGS, then the salt will not be bought by traders.

Some buyers come here. And then we are grateful and grateful to the merchant. We do not have to bother looking for and offering our salt anymore. We accept what they pay to us, and the main thing is that our salt sells and does not pile up in the warehouse. If we bargain again, usually, the merchant does not want to and does not want to buy our salt anymore.

to benefit from selling their salt to consumers. Ideally, the selling price proposed by farmers is above the cost of production (Mulyadi, 2016). Based on informant data from salt farmers in Table 1 and Table 5, it can be concluded that farmers practically offer selling prices below the cost of production. This is because farmers ignore the cost of labor wages for themselves and their families in calculating the cost of production, which is Rp. 225.

Farmers are Powerless Against Middlemen in Selling Prices

The selling price in the market mechanism is usually set by both parties, namely the buyer and seller, by negotiating (Negenborn, 2015)(Amstrong, 2008). Sellers will offer a high price according to the return they expect to receive. Meanwhile, the buyer will bid a lower price to the seller. So they carry out a bargaining mechanism so that a mutual price agreement will be reached and mutually beneficial for both parties.

Pricing in conventional economic or Islamic law turns out to be no different (Rozalinda, 2014). Where the price is created by a balance mechanism between supply and demand, this balancing mechanism can occur if the two parties, namely the seller and the buyer, are sincere and trust each other. This sincerity is reflected by the seller and the buyer in the agreed price.

The pricing mechanism between the seller and the buyer should fulfill the principle of fairness for both. This principle of justice is important because it contains the principles of all existing legal principles. Creating a fair price will undoubtedly be the primary reference in conducting a transaction (Nasution, 2017) ; (Rozalinda, 2014). So a fair price is a price created based on the strength of the law of supply and demand.

If this mechanism is disrupted due to an error from several parties, then the equilibrium price point will be problematic. The problem is in the form of injustice or should, so the government, in this case, is obliged to play the role of taking policy by setting the equilibrium price. Thus the purpose of determining a fair price is to maintain fairness in the transaction for both parties. So in the concept of a fair price, both parties feel justice, and it does not only happen to one party.

In buying and selling salt crops, of course, the condition involves both parties, namely farmers as sellers and traders (middlemen) as buyers. However, the two parties' positions did not experience a balance of interests. The salt farmers, as sellers, experience pressure and cannot negotiate for various reasons. One of them is that farmers are very dependent on mediators. Moreover, this buying practice has been going on for a long time. The farmers depend on them and are almost powerless to determine the price, especially if the middleman

threatens not to buy the salt. As stated by the informant:

The direct sales system to mediators in this area has been going on for a long time. Almost all salt farmers do the same thing. Our family and we find it helpful because we do not have to worry about looking for sellers. Just place them, and they will come by themselves. Moreover, they have known us for a long time, even since our parents used to be.

So the presence of this middleman has become a habit. Especially for farmers whose capital is also provided by mediators, it is inevitable that they cannot escape the influence of mediators. The only thing that can be done is surrender and hand over the salt at a price determined by the mediators. Whatever the price is determined, the farmers will hand over the salt to him. Although often far below the cost of goods sold or even far below the cost of production.

We were given capital by Pak Rifa'i (middlemen), so there was an agreement to sell our salt to him. Because he is the land owner, the price he charges will be accepted at any rate. It cannot be helped, and there is already an agreement. Sometimes, the purchase price to us is meager. It can go up to Rp. 320 to Rp. 400 per kilogram for quality 1. As for salt below quality 1, the price is relatively low, namely Rp. 250 - Rp.300 per kg.

If observed, farmers' selling price to mediators does not follow the norms and rules in economic theory. It is explained that the price is determined by a bargaining mechanism between the two parties. We can imagine the price given by the buyer (middleman) is far from the introductory price (cost of goods manufactured), which is only Rp. 1,028. However, this price does not include the wages of farmers and their families. There is a reasonably vast difference between the cost of production and the price from mediators, which can reach a difference of Rp. 628 per kilogram of salt.

The government has regulated the selling price of salt through the Regulation of the Director General of Foreign Trade of the Republic of Indonesia number 02/DAGLU/PER/5/2011 concerning the determination of the selling price of salt at the level of salt farmers in 2011. In this provision, it is stated that the lowest price for quality salt is up to Rp. the price is Rp. 750,000.00/ton or Rp. 750/kg of salt. Meanwhile, the lowest price of salt for quality 2 is Rp. 550,000.00/ton or equivalent to Rp. 550/kg.

Based on this, it can be said that the pricing mechanism for the salt case does not fulfill the principle of justice. The principle of justice, which expects the creation of a fair price for both parties, does not work as it should (Nasution, 2017); (Rozalinda, 2014). The problem happened because agriculture could not be separated in the village from the mediators. The middleman has become the main and only party who buys the farmers' crops. The involvement of mediators also lies not only as buyers, but mediators also have an essential role as providers of capital for farmers. The diverse roles of mediators cause farmers to be dependent. This dependence is caused by the existence of social relationships that are solidarity and symbiotic so that farmers cannot get out of these bonds. This dependence ultimately impacts the lack of information known by farmers, making it challenging to access high selling prices.

This statement is supported by research results (Oguoma, ; Nkwocha and Ibeawuchi, 2010); (MZYECE, 2016); and (Sutisna, 2015), which state that the existence of mediators is very detrimental to farmers because they buy very cheaply and are full of injustice. Mediators can arbitrarily set a purchase price for farmers for their crops. And then, the mediator can even

make a purchase based on a slashing system where this system means buying crops based on the size of the farmer's land, not on the quantity or weight of the harvest produced by the farmer.

The Powerlessness Of Setting The Selling Price Of The Government

The government's role in economic development is to create a prosperous, just, and prosperous society. To achieve developed and developing countries, the government must be able to control its economy (Oecd, 2020). Furthermore (Delirarnov, 2018a) states that the government is one of the economic actors and has a significant role and function in the economy. This step is taken so that no party has bad intentions, for example, mediators who usually buy farmers' products at meager prices and even far below the prices set by the government.

The price set by the government for salt products through the Regulation of the Director General of Foreign Trade No. 02/Daglu/PER/5/2011 is Rp. 750 per kg. The price is for quality I (K1) salt and Rp. 550 per kg for quality II (K2) salt. However, it turns out that the price never happened at the farmer level. Even the prices that arise in the salt business practice are far below the prices set by the government. As stated by the following two informants:

We have never seen a government act with such a low price. We have known that there have been regulations since 2011, but in reality, the government has not helped us. We are confused. Where is the government? Why not defend the little people? The price of salt I bought was only Rp. 400 to Rp. 500 per kilo. It costs around Rp. 700 to Rp. 1,000 to produce. We are tired of reporting and demonstrations to the government, sir, in the district and the province we have carried out, but the results are zero (Mr. Samsul - Informant).

Yes, sir, the government does not care and ignores us. The government is present, at least when there is a general election. They come and only give promises. The proof is that since the regulation was in place in 2011 until now, it turns out that there has been no realization. We have never been able to sell salt at government prices. At most, the price is always below the government price. If not, it is IDR 450. The maximum is IDR 500, so what do we want to get? (Mr. Yanto' - informant) descriptive statistics, it is known that the average FDI in 9 ASEAN member countries amounting to 409,224,6816 USD. The highest FDI was 24,93,551,748 USD in Indonesia in 2019, while the lowest of -150,550,827.3 USD occurred in Brunei Darussalam in 2016. The average value of economic freedom was 60,86889 points. Economic freedom of was 74.5 points in Malaysia in 2018 and the lowest economic freedom was in Myanmar in 2015. The average value of natural resources rents was 5.33%. The highest natural resource rent is in Brunei Darussalam in 2018 and the lowest at 0.61% was in the Philippines in 2016. The country with the highest political stability or 78.77 points was in Brunei Darussalam in 2018 and the least political stability was in Myanmar, especially in 2019. The average economic growth in 9 ASEAN countries is 6.3% with the highest economic growth in Singapore and the lowest in Myanmar.

After conducting the Chow and Haussman tests, the best and most suitable model to express this economic phenomenon is the Random Effect Model (REM), with the following equation:

$$\text{LogFDIit} = 16,85252 + 0,078340\text{EF}^*\text{it} + 0,016950\text{SP}^*\text{it} - 0,054348\text{NR}^*\text{it} + 0.057707\text{PE}^*\text{it}$$

From the results of these equations, it can be interpreted that simultaneously economic freedom and political stability are 2 elements in institutional factors in ASEAN countries as well as natural resource rents and economic growth have a significant (*) influence on the entry of foreign investment which is proxy by the value of FDI to 9 ASEAN countries. While partially, it is known that economic freedom is able to increase the interest of foreign investors to enter 9 countries in ASEAN. If economic freedom in the ASEAN region is increased by 1 point, *ceteris paribus*, then foreign investment that will enter the 9 ASEAN countries will increase by 0.078 million US\$. Economic freedom is able to provide a wide space for investors, entrepreneurs and the public to work, produce goods and services, trade, and invest according to personal choices. The government can reduce control over economic activity by liberalizing trade through various regulations and laws that are conducive but still provide protection for private property rights, business investment and trade growth. The results of this study are supported by Duarte et al. (2017) who found that the lack of government intervention and free markets and fair competition provide great opportunities for investors and entrepreneurs to try new ideas. Economic Freedom Published by Heritage Foundation based on elements including Property Right, Government Integrity, Tax Burden, Government Spending, Business Freedom, Labour Freedom, Monetary Freedom, Trade Freedom, Investment Freedom, Financial Freedom. According to Heritage Foundation/Wall Street Journal (2003) to attract investors, the host country government must improve the investment climate in the country with various economic freedom policies such as lowering average tariffs, eliminating non-tariff barriers, reducing tax rates, reducing government ownership of businesses and industries, suppress inflation, lift restrictions on foreign ownership of resources, liberalize the banking and financial sector enabling wages and market prices, secure private property rights and an independent judicial system, reduce excessive regulatory burdens, and disrupt black market activity.

Apart from economic freedom, partially, the relatively stable condition of political stability in 9 ASEAN countries is able to influence the interest of foreign investment to enter this region. Investors are very sensitive to political issues in a country Jafari Samimi et al. (2013), when political stability in a country increases, by 1 point, it will encourage the flow of foreign investment into 9 ASEAN countries by 0.0169 million dollars. Unstable politics will reduce investor distrust as Kurecic & Kokotovic (2017) found that political instability in a country will reduce investor confidence and to regain it, government should be able to create political stability throughout stable, safe and conducive government through consistent and sustained investment policies. In Institutional Economic It is happened in Myanmar in which political stability is low. Theory by North stated that other formal institutional factors including political stability and handled corruption have an important role in increasing investor confidence and influencing investment inflows, even Shahzad et al. (2012) added that corrupt behaviour will exacerbate the entry of investment into a country. According to Jiang & Martek (2021) political risks in developing countries such as ASEAN tend to be greater than in developing countries but with varied effects.

The results of this study also found that investors are less interested in investing in Brunai Darussalam in which the rental price for natural resources is relatively expensive compared to other regions plus with the low quality of natural resources. One of the motives for investors to enter a country is motivated

by the natural resources seeking motive, where the motivation of investors to invest their capital in a country is to obtain relatively cheap natural resources with high quality. If the natural resource lease in 9 ASEAN countries increases by 1 US\$, the inflow of foreign investment will increase by 0.05 million US\$. The results of this study are in accordance with the Rodrigo Paton (2018) which also found the same thing that the rental price of mineral resources is negatively correlated with the entry of foreign investors. even according to Elheddad, (2016) the abundance of natural resources in a country causes symptoms of Dutch disease which has an impact on investment in non-natural resource sector hampered. The failure of government institutions that cannot maintain natural resources and manage budget allocations efficiently causes the benefits of the existence of natural resources to be low even if allowed to continue, the country is headed for severe natural resource damage. The results of this study are supported by Ndikumana & Sarr (2019) who found that when the quality of institutions in a low country, due to high corruption, investors tend to exploit natural resources and this high exploitation activity will result in high costs of natural resource recovery.

The results of the study also found that high economic growth in 9 ASEAN countries was able to increase the interest of foreign investors to enter this region. With a high level of per capita income as a result of growth, it will affect people's income, purchasing power and aggregate production. These factors will increase the aggregate demand for goods and services. The profit of entrepreneurs and the rate of return on investment will increase along with the high demand for goods and services and the economic progress of a country.

Conclusion

The result of this study shows that the strategic posture can make it easier for companies to carry out activities and corporate social responsibility. The existence of this strategic unit that handles social activities becomes smooth. This for the company will be a motivation to report its activities to fulfill the company's obligations for its business which has an impact on the environment. Therefore, the company tries to maintain professionalism in its activities.

The result of this study indicates that good economic performance will facilitate the implementation of the company in operation. This is because companies that have good performance will be able to increase company profits. The company's profit can finance all activities including social responsibility activities. Therefore, the company always strives to achieve good performance and good performance will increase its social responsibility activities and disclosures.

The result of this study shows that the disclosure of corporate social responsibility can be increased by assessing the special interest groups. Because this assessment will be used by the company to carry out several activities that must be carried out to meet stakeholder interests.

The result of the study concluded that the strength of stakeholders, namely creditors, reduces the company's ability to carry out activities and disclose corporate social responsibility. This shows that companies that have high obligations or debts to creditors must pay principal and interest which will reduce profits. Therefore, companies that have high debt will reduce the implementation of corporate social responsibility disclosures. Furthermore, the company needs to consider maintaining debt properly.

References

- [1] Asiedu, E. (2013). Foreign direct investment, natural resources and institutions. In Working Paper International Growth Center (Issue 3).
- [2] Azman-Saini, W. N. W., Baharumshah, A. Z., & Law, S. H. (2010). Foreign direct investment, economic freedom and economic growth: International evidence. *Economic Modelling*, 27(5), 1079–1089. <https://doi.org/10.1016/j.econmod.2010.04.001>
- [3] Bengoa, M., & Sanchez-Robles, B. (2003). Foreign direct investment, economic freedom and growth: New evidence from Latin America. *European Journal of Political Economy*, 19(3), 529–545. [https://doi.org/10.1016/S0176-2680\(03\)00011-9](https://doi.org/10.1016/S0176-2680(03)00011-9)
- [4] Busse, M., & Hefeker, C. (2011). Political Risk, Institutions and Foreign Direct Investment. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.704283>
- [5] Dkhili, H., & Dhiab, L. (2018). The Relationship between Economic Freedom and FDI versus Economic Growth: Evidence from the GCC Countries. *Journal of Risk and Financial Management*, 11(4), 81. <https://doi.org/10.3390/jrfm11040081>
- [6] Duarte, L. D. R. V., Kedong, Y., & Xuemei, L. (2017). The Relationship between FDI, Economic Growth and Financial Development in Cabo Verde. *International Journal of Economics and Finance*, 9(5), 132. <https://doi.org/10.5539/ijef.v9n5p132>
- [7] Dunning, J. (1997). The European Market Program and Inbound Foreign Direct Investment. *JCMS: Journal of Common Market Studies*, 35, 1, 1–3.
- [8] Elhaddad, M. M. (2016). Natural Resources and FDI in GCC Countries. *International Journal of Business and Social Research*, 6(7), 12. <https://doi.org/10.18533/ijbsr.v6i7.977>
- [9] Gwartney. (2009). Institute Economic Freedom and Cross-Country Differences in Performance. *Southern Economic Journal*, 75 (4), 937–956.
- [10] Habibi, A., & Hidayat R, W. (2017). Analisis Pengaruh Economic Freedom Terhadap Foreign Direct Investment di Negara ASEAN. *Jurnal Ekonomi Pembangunan*, 15, No.01.
- [11] Haksoon, K. (2010). Political stability and foreign direct investment. *International Journal of Economics and Finance*, 2(3), 59–71.
- [12] Heritage Foundation/Wall Street Journal. (2003). Index of Economic Freedom.
- [13] Imtiaz, S. (2017). Economic freedom and foreign direct investment in South Asian countries. *Theoretical and Applied Economics*, XXIV(2), 277–290.
- [14] Ito, T., & Krueger, A. O. (2000). Introduction to “Role of Foreign Direct Investment in East Asian Economic Development, The (NBER-EASE volume 9)” and “The Role of Foreign Direct Investment in East Asian Economic Development (pp. 1–8). National Bureau of Economic Research, Inc. <https://ideas.repec.org/h/nbr/nberch/8493.html>
- [15] Jafari Samimi, A., Sadeghi, S., & Sadeghi, S. (2013). The Relationship between Foreign Direct Investment and Tourism Development: Evidence from Developing Countries. *Institutions and Economies (Formerly Known as International Journal of Institutions and Economies)*, 5(2), 59–68. <https://econpapers.repec.org/RePEc:umk:journl:v:5:y:2013:i:2:p:59-68>
- [16] Jhingan, M. L. (2012). *Ekonomi Pembangunan dan Perencanaan*. Jakarta: Rajawali Pers.
- [17] Jiang, W., & Martek, I. (2021). Political risk analysis of foreign direct investment into the energy sector of developing countries. *Journal of Cleaner Production*, 302, 127023. <https://doi.org/10.1016/j.jclepro.2021.127023>
- [18] Jude, C., & Leveuge, G. (2017). Growth Effect of Foreign Direct Investment in Developing Economies: The Role of Institutional Quality. *World Economy*, 40(4), 715–742. <https://doi.org/10.1111/twec.12402>
- [19] Kok, R., & Ersoy, B. A. (2009). Analysis of FDI Determinants in Developing Countries. *International Journal of Social Economics*, 36, No. 1-2.
- [20] Krugman, P. R., & Obstfeld, M. (2003). *Ekonomi Internasional (Edisi Kedu)*. Jakarta: PT. Raja Grafindo Persada.
- [21] Kurecic, P., & Kokotovic, F. (2017). The Relevance of Political Stability on FDI: A VAR Analysis and ARDL Models for Selected Small, Developed, and Instability Threatened Economies. *Economies*, 5(3), 1–21. <https://econpapers.repec.org/RePEc:gam:jecomi:v:5:y:2017:i:3:p:22-d:102241>
- [22] Marin, D., & Schnitzer, M. (2011). When is FDI a capital flow? *European Economic Review*, 55(6), 845–861. <https://doi.org/https://doi.org/10.1016/j.euroecorev.2010.09.010>
- [23] Ndikumana, L., & Sarr, M. (2019). Capital flight, foreign direct investment and natural resources in Africa. *Resources Policy*, 63(C). <https://doi.org/DOI:10.1016/j.resourpol.2019.>
- [24] Olson, M. (1982). *The Rise and Decline of Nations*. Yale University Press. <http://www.jstor.org/stable/j.ctt1nprdd>
- [25] Plano, J. C. (1982). *The dictionary of political analysis (Clio dictionaries in political science)*. ABC-Clio.
- [26] Poelhekke, S., & van der Ploeg, R. (2012). Do Natural Resources Attract FDI? Evidence from Non-Stationary Sector Level Data. *SSRN Electronic Journal*, 8079. <https://doi.org/10.2139/ssrn.1950092>
- [27] Ratna Fitri Anjani, H. S. F. D. M. G. (2017). Pengaruh Hukum dan Politik terhadap Perkembangan Investasi Asing di Indonesia. *Serambi Hukum*, 10(02), 69–90.
- [28] Rodrigo Paton. (2018). *The Effects of Natural Resource Rents on FDI Inflows*. University of Colorado Boulder.
- [29] Rugman, A. M. (1981). A test of internalization theory. *Managerial and Decision Economics*, 2(4), 211–219. <https://doi.org/10.1002/mde.4090020402>
- [30] Sachs, J. D., & Andrew M, W. (1995). Natural resource abundance and economic growth. In *NBER Working Paper (Vol. 5398)*.
- [31] Samimi, A. J., Monfared, M., Moghaddasi, R., & Azizi, K. (2011). Political Stability and FDI in OIC Countries. *Journal of Social and Development Sciences*, Vol 1, 18–23.
- [32] Sarwedi, S. (2002). *INVESTASI ASING LANGSUNG DI INDONESIA DAN FAKTOR YANG MEMPENGARUHINYA*. Jurnal Akuntansi Dan Keuangan, 4.
- [33] Shahzad, A., Mithani, D. A., Al-Swidi, A., & Fadzil, F. H. B. (2012). Political Stability and the Foreign Direct Investment Inflows in Pakistan. *British Journal of Arts and Social Sciences*, 9(II), 2012.
- [34] Tullock, G. (1980). *Towards a theory of the rent-seeking society, chapter Efficient rent seeking*. Edward Elgar Publishing.
- [35] UNCTAD. (1998). *World Investment Report 1998 Trends and Determinants*.
- [36] Wei, S.-J. (2000). How Taxing is Corruption on International Investors? *Review of Economics and Statistics*, 82(1), 1–11. <https://doi.org/10.1162/003465300558533>
- [37] Woodward, D. P., & Rolfe, R. J. (1993). The Location of Export-Oriented Foreign Direct Investment in the Caribbean Basin. *Journal of International Business Studies*, 24(1), 121–144. <https://doi.org/10.1057/palgrave.jibs.8490228>
- [38] Yustika, A. E. (2008). *Desentralisasi Ekonomi di Indonesia Kajian Teoritis dan Realitas Empiris*. Malang: Bayumedia.
- [39] Zghidi, N., Mohamed Sghaier, I., & Abida, Z. (2016). Does Economic Freedom Enhance the Impact of Foreign Direct Investment on Economic Growth in North African Countries? A Panel Data Analysis. *African Development Review*, 28(1), 64–74. <https://doi.org/10.1111/1467-8268.12167>