Government role, BUMDes performance on inclusive growth in coastal village, Badung Regency

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Abstract---This study was conducted to examine and analyze the role of the Government and the performance of BUMDes on inclusive growth in coastal villages of Badung Regency, Bali Province. This study uses primary data involving households in the seaside town of Badung district, with a total of 200 (two hundred) people. The sample of this coastal village was selected using a systematic sampling method. The number of coastal towns chosen as a sample was 8 (eight) villages, and to distribute the number of respondents, this was done using the proportional purposive sample method, i.e., the number of respondents was determined intentionally by 25 percent per year. Sample village. Data analysis was carried out using quantitative methods, using path diagram analysis and structural equation models. Data was collected through interviews related to the prepared questionnaires. Questionnaires submitted by respondents were then tabulated and processed using the SmartPLS 3.0 program. The results found that the role of the Government, and the performance of BUMDes had a positive and significant effect on inclusive growth. The study’s results also prove that the performance of BUMDes significantly mediates the influence of the Government’s role on inclusive growth in the coastal village of Badung Regency, Bali.

Keywords---Government Role, BUMDes Performance, Inclusive Growth.
1. Introduction


In inclusive growth, poverty reduction is the primary goal. To achieve this goal, inclusive growth depends on three critical components: i) success in maximizing economic opportunities or opportunities for all levels of society; (ii) the availability of social safety nets for all levels of the organization; (iii) success in ensuring equitable access to employment opportunities. The three essential components of inclusive development depend on institutional and governance aspects.

Since President Joko Widodo, Indonesia has responded to the conditions mentioned above with the Nawa Cita program, including the development of Indonesia from the periphery, as one of the Government’s tangible manifestations of equitable distribution of products. The Government focuses on equitable distribution of growth in the regions, including Village Funds and Transfer Funds to the Regions. In realizing equitable development, the Government issues a Village Law by setting priorities for the use of village funds, one of which is for establishing and developing Village-Owned Enterprises (BUMDes).

The establishment of BUMDes is an innovative thought to present an inclusive business model. This business model is understood as a sustainable business solution that improves access to goods and services and can create new sources of income for low-income people. In the last decade, Bali’s economic growth has slowed due to global economic uncertainty and natural disasters (the Lombok earthquake and the eruption of Mount Agung). Even the impact of the COVID-19 pandemic is more pronounced on the Balinese economy in 2020, reaching minus, which is more significant than nationally, namely -9.31 percent. Badung Regency is one of the regencies that implement regional autonomy and is the most important contributor to the economic cake in Bali Province, able to play almost a quarter of the overall economy generated in Bali Province. However, since the outbreak of the Covid-19 pandemic in mid-March 2020 in Bali, the contribution of Badung Regency’s G.R.D.P. has plummeted to the economy of Bali Province. The Covid-19 pandemic has significantly impacted economic development, especially in the tourism sector, which is the maximum potential of the Badung Regency.
B.P.S. data - Bali Province (2022) reveals that in 2021 the lowest poverty percentage will be in Badung Regency, followed by Denpasar City, even below the poverty percentage for Bali Province of 4.53 percent. Meanwhile, other districts in Bali still have a rate above Bali Province, and the highest is in Karangasem Regency, reaching 6.78 percent. The poverty data in Badung Regency is 2.62 percent. The regional economy of Badung Regency until 2021 is still dominated by the tourism sector, namely, business field of providing accommodation and food and drink 35.29 percent. Beaches and seas in Badung Regency are strategic in supporting tourism and becoming assets that integrate with Balinese culture.

2. Literature review

2.1 Economic growth and inclusive growth

1) Classical economic growth

Economic growth is defined as an increase in the number of goods and services produced as a result of the development of economic activities carried out by the community (Sukirno and Sadono, 2006) and referred to as growth due to an increase in the ability to produce goods and services from year to year. There are several theories regarding economic growth. One of the theories that emerged first was the classical economic growth theory. Economists developed classical growth theory, now on referred to as classical economists, including Adam Smith, Robert Malthus, David Ricardo, and John Stuart Mill. Based on classical theory, four factors influence economic growth. The four factors include the number of workers seen through the population, the amount of stock of capital goods, land area, and the level of technology (Sukirno and Sadono, 2006).

2) The Government’s Role in Realizing Economic Development

In the modern economy, there is a change in the function and role of the Government. According to Dumairy (1999), the Government has three roles or functions: a) The allocation function, the Government allocates economic resources so that their utilization can be optimal and efficient. Government intervention is necessary in dealing with cases of externalities and market failures. This means that the allocative function also demands budget expenditures by the Government. b) Distributive function, the Government plays a role in distributing economic resources equitably to the entire community so that there are no gaps. In realizing this, the Government uses fiscal policy to distribute people’s income to create an even distribution of income. c) Stabilizing function, the Government plays a role in maintaining economic stability and restoring it if it is in a state of equilibrium.

3) Inclusive growth

As we know, the theory of economic growth is constantly evolving. This development was marked by the emergence of new concepts regarding economic growth. One of the most recent concepts of economic growth is the concept of inclusive economic growth. The concept of inclusive growth is a development of the Pro-Poor Growth concept which first existed as one of the policies
implemented in developing countries (Ali, 2007). If Pro-Poor Growth emphasizes growth that can provide more significant benefits to the poor, the concept of inclusive growth has a more complex scope. The study of inclusive economic growth began to develop in Asia since the emergence of the phenomenon of high economic growth followed by an increase in inequality (Klasen, 2010). The existence of inequality impacts the decline in people’s welfare, even though the welfare of society is the goal of economic development. Under these conditions, it is necessary to change the strategy from Pro-Poor Growth to Inclusive Growth (Ali and Son, 2007).

Thus, it can be stated that inclusive growth is high economic growth and can encourage a decrease in unemployment, a reduction in poverty, and a reduction in social inequality that can be done by increasing human capital and job opportunities for all levels of society regardless of ethnicity, religion, and race.

2.2 Inclusive Growth and the Role of Government

In inclusive growth, poverty reduction is the main goal. To achieve this goal, inclusive growth depends on three important components: i) success in maximizing economic opportunities or opportunities for all levels of society; (ii) the availability of social safety nets for all levels of organization; (iii) success in ensuring equitable access to employment opportunities. The three essential components of inclusive development are highly dependent on institutional and governance aspects.

2.3 Inclusive Growth and BUMDes Performance

Inclusive growth is defined as growth that not only generates economic opportunities, but also ensures equitable access for all members of society to the economic opportunities created. Inclusive growth enables all community members to participate and benefit from economic growth and development on an equal basis regardless of socio-economic backgrounds. Left behind, all are involved in economic growth in the village. Inclusive growth must be accompanied by environmentally friendly and sustainable growth. To create environmentally friendly and sustainable growth, a growth strategy that takes into account the balance of the environment and ecosystem in the long term is needed.

Village local economic development has a positive role in creating inclusive growth. Inclusive development is able to provide equitable development because it involves the community as actors in the economic sector and indirectly will also be able to reduce inequality. Similarly, the development of the local village economy will provide an opportunity for the region to develop the local economy in the area (Blakely & Bradshaw, 2003) and Saragih (2015) explain. There are 6 aspects need to be considered in developing the local village economy: locality, business and economic base, job opportunities, community resources, knowledge, and communication. These aspects are components that are integrated with each other and have a mutually reinforcing role in local economic development. Other considerations in implementing development that prioritize the local potential of the village are also necessary to maintain synergies between economic, social, and environmental aspects that tend to be neglected (Ulfah et al., 2017).
The Village Law mandates that the purpose of village development is to improve the welfare of rural communities and the quality of human life as well as poverty alleviation through the fulfillment of basic needs, development of village facilities and infrastructure, development of local economic potential, and sustainable use of natural and environmental resources (namely; development villages to meet current needs without compromising meeting the needs of future generations of villages).

2.4 The Government’s Role in BUMDes Performance

The work schedule named Nawacita provides fresh air for local governments in Indonesia in seeking a balance in development in villages and cities and eliminating discrimination, the form of village development is in the all-sophisticated realm, which is seen for efforts to subordinate the city to the town, involve technology and maintain national political stability, together with stakeholders from the central Government, and directed at optimizing agricultural production in the village.

In ensuring this balance, it is necessary to issue Law (U.U.) no. 6 of 2014 concerning villages, the existence of the Village Law is important in its implementation because, first, it guarantees or recognizes recognition, subsidies and authority over the village, and secondly, the creation of village democracy, in which community deliberations become the highest council in the village in making strategic decisions, then thirdly, the existence of reliance on supervision carried out by the BPD in its function of supervising the performance of village heads, and fourth, the allocation of funds from the center which is quite large, accompanied by planning and budgeting, lastly, the promotion of village economic independence, which is then realized through BUMDes which The welfare of rural communities is an important focus in achieving state ideals that protect and prosper the community from the large to the smallest scope, village development is the first effort in improving the quality of life for rural communities.

The central government’s role in realizing rural communities' welfare is to provide assistance through the allocation of village funds. As stated in Permendesa No. 6 of 2020 concerning the purpose of village funds, namely creating prosperity, alleviating poverty, public services, original income and most importantly, improving the quality of human life. They are increasing the provision of funds with the aim of providing financial equality of income, employment opportunities, and the existence of an opportunity in running a business for the community, which of course has an impact in supporting the economic activities of rural communities in infrastructure and non-infrastructure. The functions and roles of the Government, both district/city and village governments in assisting BUMDes institutions, are to provide information, become BUMDes facilitators, or provide reports to the wider community. Cooperation between the Government, BUMDes managers, and the community can continue and be maintained to achieve the desired community welfare.
2.4 Research hypothesis

With the meaning of the research findings above, the following is the working hypothesis of this research, as follows:

1) The role of the Government has a positive effect on the performance of BUMDes in coastal villages of Badung Regency.
2) The role of the Government and the performance of BUMDes have a positive effect on inclusive growth in coastal villages of Badung Regency.
3) The role of the Government has a positive effect on village inclusive growth through the performance of BUMDes in coastal villages of Badung Regency.

3. Methods

The research design used is quantitative and uses structural equation modeling analysis. The research was conducted in Badung Regency by taking the location of the sub-district which has a coastal boundary. Furthermore, a coastal village area was selected in each of the selected sub-districts. This study focused on the variable role of Government (X1) reflected in three indicators: regulation (X1.1), service (X1.2), empowerment (X1.3). BUMDes performance variable (Y2): profit (profit) (Y2.1), customer growth (Y2.1), sales growth (Y2.3), additional workforce (Y2.4). Inclusive growth variable (Y3): decrease poor population (Y3.1), increase in income per capita (Y3.2), decrease in unemployment (Y3.3), gender equality (Y3.4). This research was conducted using primary data covering household perceptions in the coastal village of Badung Regency, Bali Province, while the secondary data used consisted of G.R.D.P., per capita income, poverty, open unemployment, and others. The research location was conducted in the coastal village of Badung Regency, with a total of 17 villages. Village samples were taken using a systematic sampling method. The population in this study was 13,730 people and 200 (two hundred) people were taken from the population. Samples were taken using the proportional purposive sample method. Primary data was obtained directly by means of observation, interviews and distributing questionnaires to respondents. This study uses an instrument in the form of a questionnaire.

4. Analysis and Results

4.1 Validity and Reliability

Table 1 Cronbach’Alpha, Composite Reliability, Average Variance Extracted result

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Role (X1)</td>
<td>0.622</td>
<td>0.794</td>
<td>0.564</td>
</tr>
<tr>
<td>BUMDes Performance (Y2)</td>
<td>0.771</td>
<td>0.854</td>
<td>0.594</td>
</tr>
<tr>
<td>Inclusive Growth (Y3)</td>
<td>0.834</td>
<td>0.890</td>
<td>0.668</td>
</tr>
</tbody>
</table>

Source: Data processing results, 2021

The results of reliability testing based on Cronbach’s Alpha and Composite Reliability, as shown in Table 1, show that all Cronbach’s Alpha and Composite Reliability values are greater than 0.70 so they can be declared reliable. In
connection with all research data that is declared valid and reliable, it can be continued in the next process, namely the accuracy of the model and hypothesis testing.

4.2 Evaluation Inner Model

1) Goodness of Fit Test

Table 2 R-square result

<table>
<thead>
<tr>
<th>Construct (Variabel Laten)</th>
<th>R Square</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUMDes Performance</td>
<td>0.472</td>
<td>Moderate</td>
</tr>
<tr>
<td>Inclusive Growth</td>
<td>0.744</td>
<td>Strong</td>
</tr>
</tbody>
</table>

Source: Data processing result, 2021

Table 2 shows the R-square value for each endogenous variable. The R-square value between 0.67 to 1 indicates the structural model is strong, while the R-square range from 0.34 to 0.66 indicates a moderate structural model, and if the R-square is 0.33 and below, the structural model is weak (Ghozali, 2011).

The value of R Square as in table 2 can be used to calculate the value of Q2 or Stone Geiser Q-Square test, namely,

\[
Q^2 = 1 - [(1 - 0.472)(1 - 0.744)] \\
= 1 - 0.135 \\
= 0.865
\]

The results of the Q2 calculation of 0.865 mean that 86.5 percent of the variation of inclusive growth in the Coastal Village of Badung Regency can be explained by variations in the role of the Government, the use of I.C.T. while the remaining 13.5 percent is explained by other variables outside the study.

2) Direct Effect Test

Table 3 Direct Effects between Constructs

<table>
<thead>
<tr>
<th>Variable Relationship</th>
<th>Original Sample</th>
<th>Standard Deviation</th>
<th>T Statistics</th>
<th>P. Values</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 -&gt; Y2</td>
<td>0.306</td>
<td>0.101</td>
<td>3.017</td>
<td>0.003</td>
<td>Significant</td>
</tr>
<tr>
<td>X1 -&gt; Y3</td>
<td>0.253</td>
<td>0.065</td>
<td>3.882</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Y2 -&gt; Y3</td>
<td>0.288</td>
<td>0.076</td>
<td>3.817</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Note: X1 = Government Role, Y2 = BUMDes Performance, Y3 = Inclusive Growth
Source: Data processing result, 2021

Based on Table 3 statistically research hypotheses 1 to 2 have been proven as follows: The role of the Government has a positive and significant effect on the performance of BUMDes and inclusive growth. This means that the better the Government’s role, the better the performance of BUMDes and inclusive growth in the village also increases. BUMDes performance has a positive and significant
impact on inclusive growth. That is, the better the performance of BUMDes causes inclusive growth in the village to also increase.

3) Indirect Effect Test

Table 4 Indirect Effect of an Exogenous Variable on Endogenous Variables through Mediation Variables

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Mediation Variables</th>
<th>Original Sample (O)</th>
<th>Standard Deviation</th>
<th>T Statistics</th>
<th>P. Values</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 -&gt; Y3</td>
<td>Y1</td>
<td>0.248</td>
<td>0.054</td>
<td>4.628</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Note: X1 = Government Role, Y2 = BUMDes Performance, Y3 = Inclusive Growth

Based on the information in Table 4, it can be explained the indirect effect of an exogenous variable on endogenous variables through mediating variables. Based on these statistical results, hypothesis 3 regarding the indirect effect is proven. The role of the Government indirectly has a significant effect on inclusive growth, through the performance of BUMDes, which can be seen as a P-Value of 0.000. This means that the better the role of the Government causes the performance of BUMDes to be better, then with the increase in the performance of BUMDes, inclusive growth in the coastal villages of Badung Regency also increases.

5. Discussion

5.1 Direct Influence of the Government’s Role on BUMDes Performance in Coastal Villages, Badung Regency

The results and analysis of research data indicate that the role of the Government has a positive and significant impact on the performance of BUMDes in the coastal village of Badung Regency. This means that the better the role of the Government, the better the performance of BUMDes will also increase. The role of Government is reflected most dominantly by one of the indicators (latent variable) the role of the Government, namely service, followed by empowerment indicators and finally regulatory indicators.

The results of this study indicate that if the role of the Government, both central, regional and village governments with indicators of regulation, service, and high empowerment, and is able to be implemented by BUMDes managers in coastal villages, Badung Regency, it will be very meaningful in improving BUMDes business performance. This can also be seen from the respondent’s perception which is quite high, which is actualized by giving a fairly high value to the construct of the Government’s role, as indicated by the high overall value of the outer loading factor and the mean (mean) perception of the indicators of the Government’s role construct. This condition reflects the real influence of the role of the Government independently on the performance of BUMDes in the Coastal Village, Badung Regency.

The role of the Government, namely the Village Head of Kutuh Village together with the L.P.D. Chair, BUMDes Chair and community members are united in the use of village funds to be used as BUMDes capital in the development of coastal
tourism objects (Pandawa beach). Their innovative results turned out to be able to improve the performance of BUMDes, namely; absorbing local workers in the development of coastal tourism, supporting facilities such as local transportation by collaborating with Grab on line and developing M.S.M.E.s in beach tourism locations, then BUMDes earned a profit of Rp 13 billion and a turnover of Rp 34 billion in 2018 (Katadata.co.id, 2019).

This study supports Rumaini’s research (2019) on BUMDes Bangun jejama in margodadi village, where the Village Government in managing BUMDes Bangun Jejama plays a significant role in establishing and planning business units but in terms of advisory and monitoring the performance of BUMDes. This study is also in line with Gandhiadi and Kencana’s (2020) research on BUMDes in Jembrana Regency, where the Government’s role directly has a positive but not significant effect on BUMdes business performance in Jembrana Regency.

5.2 The Direct Influence of the Government’s Role on Inclusive Growth in Coastal Villages, Badung Regency

The results of the study and analysis of research data indicate that the role of the Government is influential and significant on inclusive growth in the coastal village of Badung Regency. The construct of the Government’s role is reflected most dominantly by the construct of service, empowerment, regulation while the construct of inclusive growth is most dominantly reflected by the reduction of poverty, followed by an increase in per capita income, a decrease in open unemployment, gender equality.

The results of this study indicate that if the role of the Government, both central, regional and village governments with indicators of regulation, service, and high empowerment, and is able to be implemented by village managers and BUMDes in coastal villages of Badung Regency, it will be very meaningful in increasing village inclusive growth. This can also be seen from the high respondent’s perception which is actualized by giving a high value to the construct of the Government’s role, as indicated by the high overall value of the outer loading factor and the mean (mean) perception of the indicators of the Government’s role construct. This condition reflects the real influence of the role of the Government independently meaningfully on inclusive growth in the Coastal Village of Badung Regency.

This study supports Prasetya, Saleh’s research (2018) where the Government’s role for public investment and access to business credit has a significant influence on growth inclusiveness in reducing poverty in Papua Province.

5.3 The Direct Effect of BUMDes Performance on Inclusive Growth in Coastal Villages, Badung Regency

The results of the study and analysis of research data indicate that the performance of BUMDes has a significant and significant effect on inclusive growth in the coastal village of Badung Regency. The construct of BUMDes performance is reflected most dominantly by the optimistic construct, followed by innovative, and finally collaborative. While the inclusive growth construct is reflected most dominantly by the poverty reduction construct, followed by an
increase in per capita income, a decrease in open unemployment, and gender equality.

The results of this study indicate that the performance of BUMDes with indicators of customer growth, sales growth, employment, and profits, will be meaningful in increasing inclusive growth in the Coastal Village, Badung Regency. This can also be seen from the high respondents’ perceptions which are actualized by giving high scores to the BUMDes performance construct, indicated by the high overall value of the outer loading factor and the average perception of indicators of the BUMDes performance construct. This condition reflects the significant influence of the performance of BUMDes independently on inclusive growth in the Coastal Village of Badung Regency.

This study supports research by Yanuardi (2004), regarding the Impact of Village Owned Enterprises for Community Welfare in Karangrejek Village, Wonosari District, Gunungkidul Regency, Yogyakarta. This study is also supported by Hudyana (2020) which states that the change in the orientation and role of BUMDes from village businesses for village governments to village businesses for village people, synergizing BUMDes with village institutions as an effort to improve community welfare, especially in local economic development, and developing BUMDes that vision of social entrepreneurship.

5.4 Indirect Influence of the Role of the Government through the performance of BUMDes on Inclusive Growth in Coastal Villages, Badung Regency

The results of the research and data analysis show that the role of the Government has an indirect effect on inclusive growth in the coastal village of Badung Regency. The results of the study show that the performance of BUMDes mediates the influence of the Government’s role on inclusive growth in the coastal village of Badung Regency. This is indicated by the significant influence of the Government’s role on the performance of BUMDes and also the influence of the performance of BUMDes on inclusive growth in coastal villages of Badung Regency is significant, then the nature of mediation in the relationship between the Government’s role on inclusive growth in coastal villages of Badung Regency which is mediated by the performance of BUMDes is partial mediation. (partially mediated). Based on the mediation model, the performance of BUMDes can be referred to as partially mediated on the relationship between the role of Government and inclusive growth in the coastal village of Badung Regency (Solimun, 2015).

The existence of an indirect influence on the role of the Government on inclusive growth in the coastal village of Badung Regency, means that the role of the Government has an effect on inclusive growth in the coastal village of Badung Regency, inseparable from the performance factor of BUMDes. The results of this study indicate that by working the Government’s role properly and optimally it will improve the performance of BUMDes in the village so that by increasing the performance of BUMDes it will be able to increase inclusive growth in the coastal villages of Badung Regency. The relationship between the influence of the Government’s role and inclusive growth in the coastal village of Badung Regency
requires mediation in the form of BUMDes performance that is able to move the Government’s role in increasing inclusive growth in the coastal village of Badung Regency.

6. References


