

The Role of Local Government in Fostering the Economic of Community: A Lesson from Tourism Development at Nusa Penida Islands of Bali

Eka N. Kencana

Center of Excellence in Tourism Udayana University

Corresponding author: i.putu.enk@unud.ac.id

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ABSTRACT

For Bali and its administrative territories, tourism and the related sectors are very important for their development agendas. Referring to Bali Statistic Office, the agricultural sector and food and beverages services, contribute more than one-third of Bali's gross regional domestic product (PDRB) for the year 2017. It is not surprising, then, tourism and the related industries have been positioned as the important pillars for the economic development of Bali. Consisting of nine regencies or city, Klungkung, after Denpasar city as the capital of Bali, is the second smallest region with its area is 315 km square or approximately 5.59 percent of Bali area as much as 5,366.66 km square. In the last five years, the local government of Klungkung is intensively developing Nusa Penida district as a marine tourists destination. The aim of this essay is to study the causal relationship between government roles and the economic benefit of tourism for the local people. A hundred and thirteen people of Nusa Penida were questioning their perception regarding the benefits of tourism for their families. Applying variance-based SEM, this work found the roles did not directly affect the economy of local people. However, by the mediation of tourists' behavior as well as the tourism industries at Nusa Penida, the role of Klungkung's government is significantly influence the economy of Nusa Penida people.

Keywords: coastal tourism, economic benefits, Klungkung, PLSc, roles.

INTRODUCTION

Background

Klungkung is the smallest regency amongst nine regencies/city in Bali Province. Its area covers about 5.58 percent of Bali area which is as much as

5,366.66 km squares. Refers to Klungkung Statistic Office, the economic of Klungkung in the year 2017 is dominated by the agricultural sector (BPS, 2018) with its contribution as much as 22.43 percent, then is followed by accommodation services and food and

beverage supplies around 14.44 percent. Comparing to the economic growth of Bali Province, the growth of Klungkung in the year 2017 is slightly less than Bali, i.e. 5.59 percent and 5.34 percent, respectively (BPS, 2018)(BPS Provinsi Bali, 2018). Despite these figures, tourism at Klungkung grows very fast. The number of domestic and foreign tourists visit the destinations at Klungkung increase 41.7 percent for period 2013-2017. In the year 2013, the number of domestic and foreign visitors to Klungkung was recorded 298,979; increase to 423,626 visitors in the year 2017 (BPS, 2018).

Nusa Penida islands of Klungkung is located at the southern part of this regency, is very popular for its beach panorama. In the year 2017, this district contributes almost 70 percent to the total visitors of Klungkung. Besides the beach, Nusa Penida island is well-known for the natural dolphin attraction as well as for other coastal attraction. Based on the three favorite destinations or villages on this island, i.e. Toyapakeh, Lembongan, and Jungutbatu village, tourism at Nusa Penida can generate 1.025 billion rupiahs in 2016 (BPS, 2017).

From the macroeconomic angle, no one doubts the importance of tourism development at Nusa Penida for fostering the economies of the local community.

However, to the best of our knowledge, no research has been conducted to study the influences of tourism at the microeconomic level. In addition, if the effects exist, the mechanism of tourism could give benefits to the economies of local people is still unclear. Noting these facts, our work aims to reveal the role of Klungkung's government in fostering the economies of local people at Nusa Penida islands.

A recent study regarding the effect of local regulation on business behavior showed the local government of Badung, the center of Bali tourism, has been successfully regulated the hospitality businesses at Kuta and Nusa Dua areas. According to the leaders in both areas, tourism industries in Badung have been successful in implementing the philosophy of sustainable tourism development. Through the combination of the community needs and government development goals, by hearing the community voice and as well as in getting the local bodies to involve in local tourism development; the active participation of local people in the development process has been built and promoted (Kencana, 2016).

In accordance with the economic impacts of tourism, many researchers argued, despite the positive influences to increase people income at the destination,

tourism also triggers unfair competition among small-scale businesses and the increasing of consumable prices, as the two dominant negative impacts of tourism from economic views. Okazaki in his research at Palawan, the Philippines, believed the importance of community participation in tourism activities is essential for the community to get more benefits than the burden costs of it (Okazaki, 2008). The community participation as an effect of local government roles and businesses behavior has been proved significantly influence the positive as well as negative impacts the economies of host people (Chiang and Huang, 2012)(Tosun, 2002), with proper and active participation, these positive impacts would increase whilst the negative effects would reduce (Kencana, 2017)(Sanchez, 2009).

Research Objectives

Referring to the paper by Sanchez (Sanchez, 2009), there are four important elements in determining the successfulness of the development process of tourism, namely the communities' attitudes, participation mechanism, tourism benefits, and the challenges in realizing participation. In general, there are exist some push as well as pull factors to make people want to participate and/or barrier

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their participation. In short, economic benefits are argued as the primary motive for positive participation.

Based on those arguments, this work aims to study the roles of local Klungkung government in fostering the economic benefits for people at Nusa Penida islands regarding tourism development at this destination. The primary hypothesis in this work is the roles of local government has impacts on the economy of local people, and two secondary hypotheses are the behavior of tourists' industries and visitors' attitudes contribute to the people income, significantly.

METHODOLOGY

To study the influence of local government roles to the economic benefits for the local community, a hundred and fifteen people of Nusa Penida were selected as the respondents. A tested questionnaire with 5-scaled Likert's items is administered to collect people perception regarding the proposed model which is involved 4 constructs, i.e. (1) the government's role, (2) the businesses' behavior, (3) visitors' attitude, and (4) the economic benefits for the local community. Prior to the distribution, the instrument was tested on a pilot study conducted at Pantai Berawa in the

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southern of Badung regency. This area is relatively homogenous with the beach and people of Nusa Penida. The pilot study is aimed to elaborate on the items' validity and the instrument's reliability.

The data for this work were collected on July 2018 at Nusa Penida by questioning the respondents about the perception regarding the government roles, the attitudes of visitors as well as the businesses' behavior on tourism activities at this destination. They were also asked either tourism gives benefits or not for them and their family as well. The data were analyzed by implementing variance-based structural equation modeling (VB-SEM) technique in SmartPLS 3.2.4 from Ringle et al. (Ringle, Wende and Will, 2017). The structural model for this work that involves four constructs is depicted on fig. 1 with the hypotheses as follows:

- H₁: the local government role in developing Nusa Penida tourism successfully increase the economic benefits for the community;
- H₂: the local government role in developing Nusa Penida tourism is significantly affecting industries' behavior;
- H₃: the local government role in developing Nusa Penida tourism is significantly influencing visitors' attitude;
- H₄: the behavior of hospitality industries or businesses that are operating at Nusa Penida island is significantly contributing to the economic benefit of tourism; and
- H₅: visitors' attitude is significantly contributing to the economic benefit of tourism at Nusa Penida.

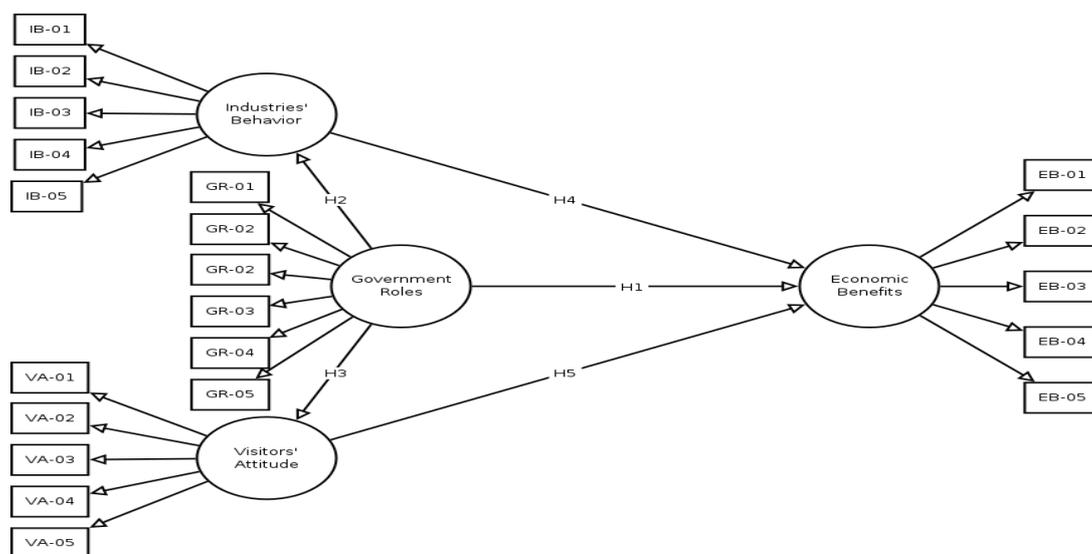


Figure 1. The Operational Model of the Research

RESULTS AND DISCUSSION

Characteristics of Respondents

After careful inspection, two of the 115 questionnaires that are filled were not eligible to be included in the analysis because of incomplete responses. The average age of the respondents is 40 years with the smallest and largest age recorded are 20 and 70 years, respectively. Judging from the length of life at Nusa Penida, on the average the respondents have lived in their village for 37 years, with a standard deviation of 14 years. In addition, most of the respondents have completed a high school or higher education level, and most of them support their families by working on the agricultural sector (7.5 per cent), micro/small industries (12.7 per cent), transportation (10.0 per cent), as well as general trade, hotels and restaurants industries (17.3 percent).

The Structural Equation Model (SEM)

Basically, the SEM consists of two sub-models, the outer or measurement model, and the inner or structural model. Referring to Hair et al. [11], both models must be checked before the inferential

were made. On SEM, the outer model will represent the relationship between a construct with its indicators, and the inner or structural model outlines the causality amongst constructs. For the outer model, the mathematical representation of the relationship between construct and its reflective indicators as follows:

$$x_i = \gamma_{0j} + \gamma_{1j} \xi_j + \delta_i; i = 1, \dots, p; j = 1, \dots, q \quad (1)$$

In equation (1), p and q represent the numbers of indicators of respective latent and the number of constructs on the developed SEM, respectively. At the analysis stage, x_i and ξ_j are stated in the standardized form so that the γ_{0j} is eliminated from equation (1). The summary of the analysis for the measurement model by utilizing SmartPLS 3 (Ringle, Wende and Will, 2017) is shown in Table 1. This analysis is doing by applying the consistent partial least square technique (PLSc) from (Dijkstra and Henseler, 2015) that was proven more powerful than the traditional PLS.

Table 1. The Summary of Measurement Model Analysis

Latent Variable	Code and Item Description	Outer Loading	p-Value
Government Role α Value = 0.809 ρ_A Value = 0.860 CR = 0.805 AVE = 0.432	GR-01 High and clearly commitment	0.741	0.000
	GR-02 Combining top-down and bottom-up approaches	0.547	0.000
	GR-03 Develop effective regulation in sustainable tourism	0.784	0.000
	GR-04 Consistent law enforcement	0.735	0.000
	GR-05 Actively in fostering the local participation	0.588	0.000
	GR-06 Actively in fostering the involvement of local bodies	0.499	0.000
Industries' Behavior α Value = 0.774 ρ_A Value = 0.808 CR = 0.781 AVE = 0.426	IB-01 Prioritizing the local workforce	0.521	0.000
	IB-02 Manage waste properly	0.716	0.000
	IB-03 Respect the local values and traditions	0.820	0.000
	IB-04 Actively in maintaining destination security	0.820	0.000
	IB-05 Contributes financially to traditional activities and rituals held by local communities	0.454	0.000
Visitors' Attitude α Value = 0.820 ρ_A Value = 0.839 CR = 0.820 AVE = 0.484	VA-01 Visitors easily mingle with the local community	0.609	0.000
	VA-02 Visitors are able to communicate with the host	0.698	0.000
	VA-03 Visitors appreciate the traditions and culture of local people	0.852	0.000
	VA-04 Visitors respect the holy areas in the destination	0.756	0.000
	VA-05 Contribute financially to traditional activities	0.515	0.000
Host Perception of Economic Benefit α Value = 0.758 ρ_A Value = 0.881 CR = 0.789 AVE = 0.466	EB-01 Increasing employment opportunities	0.791	0.000
	EB-02 Increasing business opportunities	0.973	0.000
	EB-03 Increasing the income of family members	0.727	0.000
	EB-04 Increasing the quality of public facilities	0.375	0.002
	EB-05 Increasing the number of public facilities	0.297	0.002

Note:

α value = Alpha (Cronbach) coefficient

ρ_A Value = Rho (Dijkstra) coefficient

CR = Composite Reliability

AVE = Average Variance Extracted

The highlighted numbers are below the threshold

Table 1 shows all of the constructs have some invalid items (the outer loading values is less than 0.70 as the lowest threshold (Hair *et al.*, 2014)) and the average variance extracted (AVE's) of all constructs less than suggested as much as 0.50 (Peng and Lai, 2012). Referring to

this finding, the indicator with the smallest outer loading for each respective construct is eliminated, and then the outer model is re-analyze sequentially until the remaining items have values fall within desirable criteria. At the final stage, one indicator of visitors' attitude, two indicators of

industries' behavior and the economic benefit constructs, and three indicators of government roles were eliminated. The

final measurement (after the invalid indicators were eliminated) quality of each construct is depicted in Fig. 2:

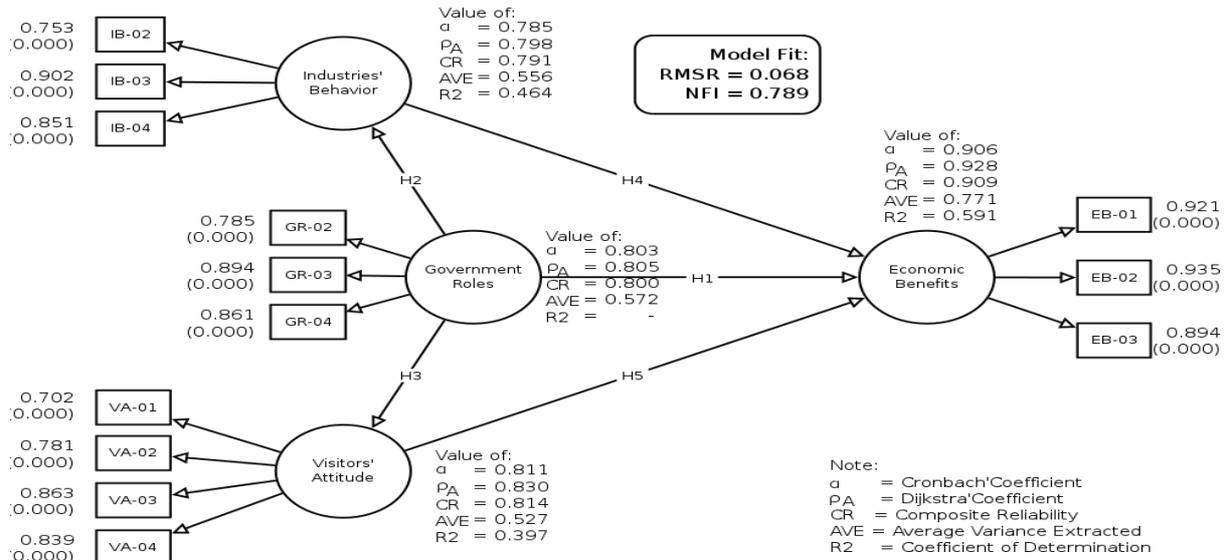


Figure 2. The Measurement Quality of Constructs

For a latent variable or construct with reflective indicators, besides the loading values and the AVE's, the researcher has to validate the composite reliability (CR), the ρ_A or Dijkstra's coefficient, and the discriminant validity of a construct. The lower bound of the CR and ρ_A are 0.70 (Park, 2009) and 0.70 (Dijkstra, Ringle and Henseler, 2015), respectively. As depicted in Fig. 2, all the remaining indicators have outer values above 0.70 and four constructs have the AVE's, the α 's, the ρ_A 's, and the CR's are greater than the thresholds were suggested. From this finding, the inner or structural model is valid to be analyzed.

Utilizing the bootstrap procedure

on SmartPLS that was set to run for 5,000 sub-samples, we checked our structural model. This model represents the significance of the causal relationship between exogenous and endogenous construct, directly or indirectly through mediation or moderation of another construct. The results are listed in Table 2. Referring to Fig. 1 and Fig. 2, there are five hypotheses about the direct effects of an exogenous to its respective endogenous one. Table 2 showed two out of these hypotheses could not be accepted at 5 percent of significance level, namely the direct effect of government roles and industries' behavior on the economic benefits perceived by the local community.

The other three paths demonstrate the significance of exogenous' effect on its respective endogenous construct.

To infer the determination coefficient of an endogenous construct (R^2), we follow the criterion suggested by Chin (1998) in Kencana and Manutami (2017). According to Chin, the threshold values to declare an endogenous construct is weak, moderate, or substantial are 0.19, 0.33, and 0.67. Noting the R^2 s of three endogenous constructs are greater than 0.33 but less than 0.67, we argued all of them have been moderately explained by its exogenous one.

The last step in conducting SEM is assessing the model fit. Some criterion has been proposed to approximate the fitted model. According to Henseler, Hubona and Ray (2016), currently, the only available model criterion fit is the standardized root mean square residual (RMSR) with the cut-off value of 0.08 is accepted for stating the PLS model has an adequate power to explain the causal relationship amongst constructs. For the final model, we got the RMSR of 0.068, is less than the cut-off value. This finding assures us to go further in establishing the interpretation of the hypotheses.

Table 2. The Summary of Structural Model Analysis

Type of Effect	The Constructs			Hypothesis	Path value	p-value
	Exogenous	Mediation	Endogenous			
Direct Effects	Visitors' attitude	–	Economic benefits	H5	0.529	0.000
	Industries' behavior	–	Economic benefits	H4	0.192	0.141
	Government roles	–	Visitors' attitude	H3	0.515	0.000
	Government roles	–	Industries' behavior	H2	0.546	0.000
	Government roles	–	Economic benefits	H1	0.023	0.855
Indirect Effects	Government roles	Industries' behavior	Economic benefits	–	0.105	0.149
	Government roles	Visitors' attitude	Economic benefits	–	0.272	0.008
Total Effects	Visitors' attitude	–	Economic benefits	–	0.529	0.000
	Industries' behavior	–	Economic benefits	–	0.192	0.141
	Government roles	–	Visitors' attitude	–	0.515	0.000
	Government roles	–	Industries' behavior	–	0.546	0.000
	Government roles	Industries' Behavior <i>and</i> Visitors' Attitude	Economic benefits	–	0.400	0.000

Source : own calculation (2018)

Note : the highlighted numbers showed an insignificant effect

Discussion

Our work revealed the direct effects of the government roles and industries' behavior did not significantly contribute to the economic benefits of tourism at Nusa Penida islands, as perceived by the local communities (H_1 and H_4 could not be accepted). However, contrary to these findings, the local people perceived the visitors of Nusa Penida brought some positive effects on their economic (H_5 is accepted).

Fig. 2 showed, from the economic perspective, the local people perceived tourism activities at their villages increase the business as well as job opportunities as the dominant impacts. The outer values for both indicators (EB-02 and EB-01) are 0.935 and 0.921, respectively.

However, by looking at the dominant reflective indicator of the industries' behavior with the biggest outer loading is the industries respect the local values and traditions (IB-03), it is clear that local people did not perceive the significant effect of the tourism industries' existence. An analogous explanation can also be made to reveal the insignificant effect of government roles in enhancing the local economies. The greatest value for the outer loading of three reflective indicators of the roles is found in developing effective regulation to assure tourism at Nusa Penida sustain (GR-03).

The insignificant effect of the local government roles in enhancing the economies of local people, directly, can not be separated from the characteristic of this research is conducted in a short time manner. Referring to Mansuri and Rao (2004), to develop community-based driven tourism, a long time horizon is needed so that the local people get the economic benefits as well as socio-cultural and environmental benefits. Meanwhile, the regulations in the short run, directly and significantly, affect industries' behavior and visitors' attitude. Through the power 'to control and manage' the tourism resources, the local government has been perceived successful in building sustainable tourism of Nusa Penida islands by developing effective business regulations and law enforcement. However, our work showed the direct (significant) effect of visitors' attitude on the local economies. The appreciation of visitors to local traditions and/or culture in the 'entrance fee' as well as donation, people feel the tourists have made a direct contribution to their economies.

Despite the insignificant effect of government roles to enhance the economies of local people directly, the roles are effectively regulated the industries' behavior as well as visitors' attitudes in tourism activities at Nusa Penida islands. Noting these facts, H_2 and

H₃ cannot be rejected. Furthermore, through the roles were developed to regulate industries' behavior and visitors of Nusa Penida, the roles of Klungkung government in fostering the economies of people at Nusa Penida have a significant effect.

In addition, by combining top-down and bottom-up philosophies to the development of the destination, the people of Nusa Penida believe their voices will be recognized and be considered in tourism planning. Leksakundilok in his research stated that combining the power of local government, tourism industries, and the capacity of local people is necessary to improve the positive impacts of tourism for the community (Leksakundilok, 2004). By the mediation of tourists' attitudes and industries' behavior, the effect of local government roles on the economic benefits of tourism become significant with the path value of 0.400.

CONCLUSIONS AND FURTHER RESEARCH

This work reveals the insignificant effect of business' behavior and government' roles, directly, in improving the economic benefits of people at Nusa Penida islands regarding the tourists' activities in their own yards. The immediate effects of tourism at this

destination especially for the improvement of economic benefits have come from visitors' activities. However, to make it sustainable, the local people must also empower their capacity as well as their competencies in providing qualified tourism products/services. The collaboration works amongst industries, government, the local bodies, and the other stakeholders are important to realize Nusa Penida as a community-based sustainable destination. In addition, another important finding of this work is the ability of local government roles to foster the economic benefits of tourism for people of Nusa Penida islands, in the short-run, only by the mediation of visitors' attitude and tourism-related businesses' behavior.

The limitation of this work is the assumption about people's perception of villages with massively tourist's activity is indifference from the villages that are newly developed as tourism destinations. Future researches should consider this assumption by differentiating the people according to the development phase at their village. In addition, future research is also suggested to categorize the respondents according to their status in the community. Community leaders might have a different opinion regarding the impact of tourism when it is compared to the opinion from community members.

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