American Journal of Humanities and Social Sciences Research (AJHSSR)
e-ISSN : 2378-703X
Volume-6, Issue-5, pp-190-201
www.ajhssr.com
Research Paper Open Access

Analysis of Factors Affecting Economic Growth and Community Welfare in Regency/City of Bali Province

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ABSTRACT: *The purpose of this study is to analyze the direct effect of Original Local Government Revenue , Regional Expenditures , and Investment on economic growth , to analyze the direct effect of Original Local Government Revenue , regional expenditures , investment , and economic growth on community welfare , as well as to analyze the role of economic growth in mediating the effects of Original Local Government Revenue, regional expenditures, and investment in the community welfare of the* regency/city *in the Bali. This study uses panel data with time-series data for 8 years from 2012-2019 and cross-section data for 9 regency/cities in Bali Province so that the total observations are 72 observations points. The data used is secondary data with the data collection method, namely non-participant observation. The data collected was then analyzed using descriptive analysis techniques and inferential analysis techniques (path analysis). The results showed that Original Local Government Revenue and investment had a positive and significant effect on economic growth , while regional expenditures had no significant effect on economic growth ; Original Local Government Revenue , investment , and economic growth have a positive and significant effect on community welfare, while regional expenditures have a positive but not significant effect on community welfare; and economic growth mediates the effect of Original Local Government Revenue and investment on the community welafre, while economic growth does not mediate the effect of local expenditures on the community welfare in Bali Province.*

Keywords: *community welfare, economic growth, original local government revenue, regional expenditures, investment.*

I. INTRODUCTION

The goal of economic development is to improve people's welfare (Maipita, 2014). The three dimensions of sustainable development that are the focus are environmental, social, and economic (Pisano et al, 2015). The Human Development Index is referred to as an indicator of community welfare through the value of life expectancy at birth, expected years of schooling, the average length of schooling, and expenditures (Grubel, 1998). The United Nations Development Programs (UNDP) compile indicators of community welfare known as the Human Development Index (HDI). This index is a very useful tool to measure the level of welfare between countries and regions (Todaro, 2009:57).

Original Local Government Revenue can be used as a measure of the independence of a region in financing the development of the region itself. The increase in regional income can allow for an increase in community welfare as measured by the HDI if the funds are allocated on target. Setyowati and Suparwati (2012) state that local governments should be able to change the proportion of spending allocated to more important and useful things related to public interest programs such as carrying out development activities as an effort to improve the quality of public services which have an impact on improving people's welfare.

Community welfare is a goal to be achieved by each region, especially the Province of Bali. One of the main goals to be achieved by each region, is to increase the level of community welfare. The province of Bali as a world tourism destination is the main capital for improving people's welfare. Becoming a world tourism destination has made Bali Province as one of the developed regions which are reflected in the level of community welfare which can be seen from the high HDI. The development of regency/city community welfare levels in Bali Province can be observed from the regency/city HDI in Table 1 below.

Table 1. Regency/City Human Development Index (HDI) in Bali Province 2012-2019 (Points)

Regency/City	2012	2013	2014	2015	2016	2017	2018	2019
Jembrana	67,94	68,39	68,67	69,66	70,38	70,72	71,65	72,35
Tabanan	71,69	72,31	72,68	73,54	74,19	74,86	75,45	76,16
Badung	77,26	77,63	77,98	78,86	79,80	80,54	80,87	81,59
Gianyar	73,36	74,00	74,29	75,03	75,70	76,09	76,71	77,14
Klungkung	67,64	68,08	68,30	68,98	69,31	70,13	70,90	71,71
Bangli	64,53	65,47	65,75	66,24	67,03	68,24	68,96	69,35
Karangasem	62,95	63,70	64,01	64,68	65,23	65,57	66,49	67,34
Buleleng	68,29	68,83	69,19	70,03	70,65	71,11	71,70	72,30
Denpasar	80,45	81,32	81,65	82,24	82,58	83,01	83,30	83,68
Bali Province	71,62	72,09	71,39	73,27	73,65	74,30	74,77	75,38

Source*: Central Agency on Statistics of Bali Province, 2021*

Based on Table 1 shows that the Human Development Index (HDI) from 2012-2019 in regency/city in Bali Province has increased despite a decrease in 2014, which indicates that the welfare of the people in Bali Province continues to increase. From 2012 to 2019 the HDI level in Denpasar City was the highest, while the HDI level in Karangasem Regency was the lowest, resulting in inequality in community welfare among other regencies/cities because development in each region was still uneven due to the lack of potential utilization. Rising inequality can result in violent protests and other collective actions such as behavior that can hinder economic growth (De Silva and Sudarno, 2014).

Table 2. Regency/City Economic Growth Rate in Bali Province in 2012-2019 (Percent)

Regency/City	2012	2013	2014	2015	2016	2017	2018	2019
Jembrana	6.11	5.69	6.05	6.19	5.96	5.28	5.59	5.56
Tabanan	6.12	6.45	6.53	6.19	6.14	5.37	5.71	5.59
Badung	7.64	6.82	6.98	6.24	6.81	6.08	6.73	5.81
Gianyar	7.08	6.82	6.80	6.30	6.31	5.46	6.01	5.61
Klungkung	6.25	6.05	5.98	6.11	6.28	5.32	5.48	5.42
Bangli	6.20	5.94	5.83	6.16	6.24	5.31	5.48	5.46
Karangasem	5.93	6.16	6.01	6.00	5.92	5.06	5.44	5.50
Buleleng	6.78	7.15	6.96	6.07	6.02	5.38	5.60	5.53
Denpasar	7.51	6.96	7.00	6.14	6.51	6.05	6.42	5.82
Bali Province	6.96	6.69	6.73	6.03	6.33	5.56	6.31	5.60

Source*: Central Agency on Statistics of Bali Province, 2021*

Based on Table 2 obtained from the Central Agency on Statistics of Bali Province (2021), it is stated that from 2012 to 2019 the economic growth rate of regencies/cities in Bali Province has fluctuated and tends to decrease in each Regency/City. In 2012, the rate of economic growth in the Bali province was 6.96 percent and then decreased in 2013 to a total of 6.69 percent. Furthermore, in 2014 the rate of economic growth increased with a total in Bali Province of 6.73 percent, then decreased again in 2015 with a total of 6.03. It continued in 2016 with a total increase in Bali Province of 6.33, then decreased again by a total of 5.56 percent in 2017. Then in 2018, it increased again by an average of 6.31 percent, and at the end of 2019 again decreased by 5.60 percent.
The difference in the rate of economic growth in each regency/city in the Province of Bali is due to the implementation of the regional autonomy system causing development imbalances between regions due to differences in potential and regional conditions that are different from one another. Not only that, the unbalanced development between regencies because of uneven infrastructure, lack of complete infrastructure in

the fields of health, education, roads, clean water, and transportation in supporting economic activities is still deemed inadequate in remote areas (Awandari and Indrajaya, 2016).
One of the indicators that can be used to see the success of an area's development is by increasing economic growth (Adipuryanti and Sudibia, 2015). Economic growth can increase the supply of resources that can encourage better human development (Lumbantoruan and Hidayat, 2014). Local governments are expected to play a role by optimally utilizing all resources in creating high economic growth (Fajrii et al, 2016).
Parameters of economic development at the regency/city level can be seen from the Original Local Government Revenue. Local revenue is one indicator of the independence of regional autonomy in exploring the potential to increase sources of revenue. The greater the local revenue, the more independent the region is in making decisions and development policies as indicated by the decreasing dependence of the region on the central government (Wulandari and Ayuningsasi, 2014).
Economic growth is strongly influenced by macroeconomic components, namely regional expenditures. Regional expenditures is an allocation of funds that must be carried out effectively and efficiently, where regional expenditures can be a benchmark for the success of the implementation of regional authority. One of the government's roles in efforts to increase economic growth and public welfare is the allocative role, where the government must formulate policies to allocate regional expenditures to sectors that can trigger economic growth which can further improve community welfare.
Currently, the allocation of expenditures at the Regency/City Government in the Bali Province is still considered not optimal. This can be seen from the portion of personnel expenditures which is still very high compared to the portion of capital expenditures for regional development. So regional expenditures are interesting to study because regional expenditures are different for each region, besides that regional expenditures by the government is expected to be allocated for public welfare and is expected to increase economic growth. Increased regional expenditures affects economic growth. According to research conducted by Wong (2004), economic growth and development increase local government revenue capacity.

II. CONCEPTUAL MODEL AND HYPOTHESIS

In this study, original local government revenue (X_1), regional expenditures (X_2), and investment (X_3) are used as measuring tools to determine the factors that influence economic growth (Y_1) and community welfare (Y_2) in regencies/cities located in Bali Province. A growing and developing economy cannot be separated from the role of the government through planned and implemented efforts with the aim of community welfare (Hukom, 2015). The higher the income of an area, the level of community welfare in the area is getting better. One of the things that are often associated with people's welfare is economic growth as seen from the high regional income. The increase in Original Regional Local Revenue will clearly contribute to improving the welfare of the community which encourages economic growth (Pramartha and Aswitari, 2018).
This statement is supported by (Rulloh, 2017) and Kiki (2017), states that the regional original income variable has a significant positive effect on improving community welfare in local governments in Lampung province for the 2013-2015 period. This is because the greater the original regional income received, the greater the financing for building and repairing infrastructures such as repairing supporting facilities in health, education, and public facilities. Supported by the theory of Saragih (2003) which says that regions that have positive economic growth have the possibility that there will be an increase in original local government revenue.
One of the things that are often associated with people's welfare is economic growth as seen from the high regional income. Good government performance is very important to increasing economic growth (Zouhaier, 2012). One of the indicators in seeing the symptoms of economic growth is original regional local revenue. This is because local revenue reflects the economic activities carried out or that can be achieved in one period. According to Caraka (2019), the local government in carrying out its household needs a source of income that comes from local revenue. Without sufficient funds, the main features of regional autonomy will be lost. Local revenue can also be used as a benchmark for community welfare (Rosita and Sutrisna, 2018). A growing and developing economy cannot be separated from the role of the government through planned and implemented efforts with the aim of community welfare (Hukom, 2015).
According to Badrudin (2011), regional expenditures are allocated by local governments to fund development activities aimed at the benefit of the community. The allocation of funds in the form of regional expenditures by the government is expected to result in economic growth as well as increase community welfare. This statement is supported by Yesika's research (2015), which states that regional expenditures has a positive and significant effect on economic growth.
Supported by Krismajaya (2019), which states that regional expenditures has a positive and significant effect on economic growth in Bali Province, it means that the higher regional expenditures, the higher economic growth. Based on research by Priambodo (2015) and Hendarmin (2012) concludes that regional expenditures has a

positive effect on people's welfare. The increase in original local government revenue and regional expenditures is expected to improve the community welfare if the allocation of these funds is appropriate and runs according to the targets in each regency/city in Bali Province. It is very necessary to use these funds optimally so that they can increase economic growth and the community welfare can be felt evenly.
Investment plays an important role in economic development because it is needed as a supporting factor in increasing the production process. According to Arsyad (2010: 214), investment in the productive sector is all types of investment or investment that adds new resources which will increase the capital stock of a country or region, so that in turn it will increase the level of output and national income. The existence of foreign investment in the community will be very helpful and increase job opportunities so that people's income will increase as well as will increase the national income of a country and increase the income of an area (Taufik, 2014).
Investment is the first step in development activities, so the investment is essentially the beginning of economic development activities Adnan (2010). Foreign capital will greatly assist in industrialization, capital development, and job creation, as well as technical skills and economic growth linkages. Adipuryanti and Sudibia (2015) stated that differences in economic growth between regions will lead to inequality in income distribution. Inequality in the distribution of income can be caused by several factors, including the unequal number of workers and investment in an area. This statement is supported by Pangestu's research (1996), where it is said that investment and economic growth are positive, where if the investment is high then economic growth tends to increase.
Investment activities are very important to be carried out in every regency/city in Bali Province because investment can create new jobs and at the same time improve people's living standards. In Rostow's theory, the development will be more easily achieved through the amount of savings. By increasing the amount of savings, the level of investment will also increase. So that economic growth will be achieved quickly which is reflected in the increase in national income, which in the end also has an impact on increasing community welfare. Through investment, economic activity will develop, and the welfare of the community will increase (Jhingan, 2014). Investment can be regarded as a form of development financing which is the first step in production activities. These productive production activities can spur economic growth and with this kind of position, investment is essentially the first step of economic development activities (Dumairy, 2009:132).
A growing and developing economy cannot be separated from the role of the government through planned and implemented efforts with the aim of community welfare (Hukom, 2015). The higher the income of an area, the level of community welfare in the area is getting better. One of the things that are often associated with people's welfare is economic growth as seen from the high regional income.
Based on the theories and concepts above, as well as previous research, the framework for this research model is as follows.

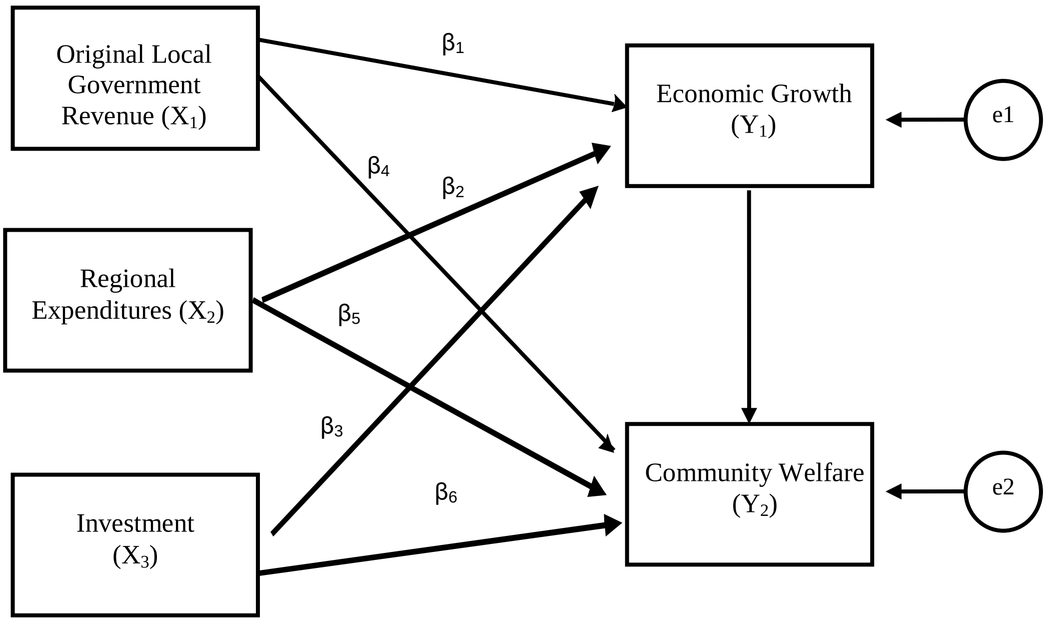


Figure 1. Conceptual Framework

The research hypothesis in the study is as follows:

H1: Original local government revenue, regional expenditures, and investment have a positive effect on the economic growth of the regency/city in Bali Province.

H2: Original local government revenue, regional expenditures, investment, and economic growth have a positive effect on the welfare of the regency/city community in Bali Province.

H3: Economic growth mediates the effect of original local government revenue, regional expenditures, and investment on the welfare of the regency/city community in Bali Province.

III. RESEARCH METHODS

This research is located in a regency/city in the province of Bali using data released by the Central Agency on Statistics of Bali Province. Operational definitions of each variable used in this study are as follows:

1. Community welfare (Y_2) is measured through the human development index in the regency/city of Bali Province with unit points for the period 2012-2019.
2. Economic growth (Y_1) is the process of continuously increasing the productive capacity of an economy to produce regional income which is getting bigger in units of percent for the period 2012-2019.
3. Original local government revenue (X_1) is regional income sourced from regional taxes, regional retribution, the results of processing other separated regional assets, and other legitimate regional original revenues in billion rupiahs for the period 2012-2019.
4. Regional Expenditures (X_2) is the total indirect expenditures and direct expenditures as a regional obligation which is recognized as a deduction from the value of net assets in the period of the relevant fiscal year in units of million rupiahs for the period 2012-2019.
5. Investment (X_3) is the total value of investment both from within and outside the country entering the regency/city of Bali Province in units of million rupiahs for the period 2012-2019.

This study uses non-participant observation data collection techniques. Data collection is done by observing, recording, and studying documents from relevant agencies such as the Central Agency on Statistics of Bali Province. This study uses panel data with time-series data for 8 years from 2012-2019 and cross-section data for 9 regions covering 8 regencies and 1 city in Bali Province, so that the total observations are 72 observation points. The analysis used in this research is the descriptive analysis technique and inferential analysis technique (Path Analysis).

IV. RESULTS AND DISCUSSION

This study uses data analysis techniques with path analysis techniques (path analysis). Path analysis is an extension of multiple linear regression analysis to test the causal relationship between two or more variables.

Table 3. Descriptive Statistical Results

	N	Minimum	Maximum	Mean	Std. Deviation
Original Local Government Revenue (X_1)	72	40,70	4.835,10	716,47	1.101,79
Regional Expenditures (X_2)	72	590,20	18.719,00	1.929,64	2.263,66
Investment (X_3)	72	3,10	30.031,00	2.100,78	4.346,99
Economic Growth (Y_1)	72	4,01	7,64	6,0021	0,694
Community Welfare (Y_2)	72	62,95	83,68	72,47	5,59
Valid N (listwise)	72				

Table 3 shows that the mean value is lower than the standard deviation, thus indicating that the original local government revenue in regency/city in Bali Province during 2012-2019 was uneven. The regional expenditures variable shows that the mean value is greater than the standard deviation, thus indicating that regional expenditures in regencies/cities in Bali Province during 2012-2019 has been evenly distributed. The investment variable shows that the average value is higher than the standard deviation, thus indicating that investment in regency/city in Bali Province during 2012-2019 has been evenly distributed. The economic growth variable shows that the mean value is greater than the standard deviation, thus indicating that the rate of economic growth in regency/city in Bali Province during 2012-2019 has been evenly distributed. The community welfare variable shows that the mean value is greater than the standard deviation, thus indicating that the Human Development Index in regency/city in Bali Province during 2012-2019 was evenly distributed.

1. Calculation of Path Coefficients and Determining Structural Model Equations
   The results of the calculation of the path coefficient are shown in Table 4 and Table 5 below.

Table 4. Path Analysis Test Results (Structure 1)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	5.869	.108		54.137	.000
	Original Local Government Revenue (X_1)	.000	.000	.251	2.004	.049
	Regional Expenditures (X_2)	-3.600E-5	.000	-.117	-.962	.339
	Investment (X_3)	4.232E-5	.000	.265	2.303	.024

a. Dependent Variable: Economic Growth (Y_1)

Based on the results in Table 4, the following structural equations can be made:

$\widehat{Y1} = 0{,}251\ X_1 - 0{,}117\ X_2 + 0{,}265\ X_3$

Table 5. Path Analysis Test Results (Structure 2)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	59.985	4.529		13.244	.000
	Original Local Government Revenue (X_1)	.002	.001	.406	4.027	.000
	Regional Expenditures (X_2)	.000	.000	.156	1.626	.109
	Investment (X_3)	.000	.000	.274	2.932	.005
	Economic Growth (Y_1)	1.588	.763	.197	2.082	.041

a. Dependent Variable: Community Welfare (Y_2)

Based on the results in Table 5, the following structural equations can be made:

$\widehat{Y2} = 0{,}406\ X_1 + 0{,}156\ X_2 + 0{,}274\ X_3 + 0{,}197\ Y_1$

2. Determination Coefficient (Adjusted R^2)
   The results of the determination coefficient as follows:

Table 6. Determination Coefficient Results

Structure	Equations	*R Square*	*Adjusted R Square*
1	$\widehat{Y1} = 0{,}251\ X_1 - 0{,}117\ X_2 + 0{,}265\ X_3$	0,151	0,114
2	$\widehat{Y2} = 0{,}406\ X_1 + 0{,}156\ X_2 + 0{,}274\ X_3 + 0{,}197\ Y_1$	0,490	0,459

Source: Secondary data processed, 2021

Table 6 shows the structural equation 1 (path analysis 1) the effect of the independent variable on the dependent variable which is indicated by the value of the coefficient of determination (Adjusted R Square) of 0.114. This result means that 11.4 percent of the variation in economic growth in Bali Province is influenced by variations in original local government revenue (X_1), regional expenditures (X_2), and investment (X_3), while the remaining 88.6 percent is explained by other factors not included in the model.

The standard error value as follows:

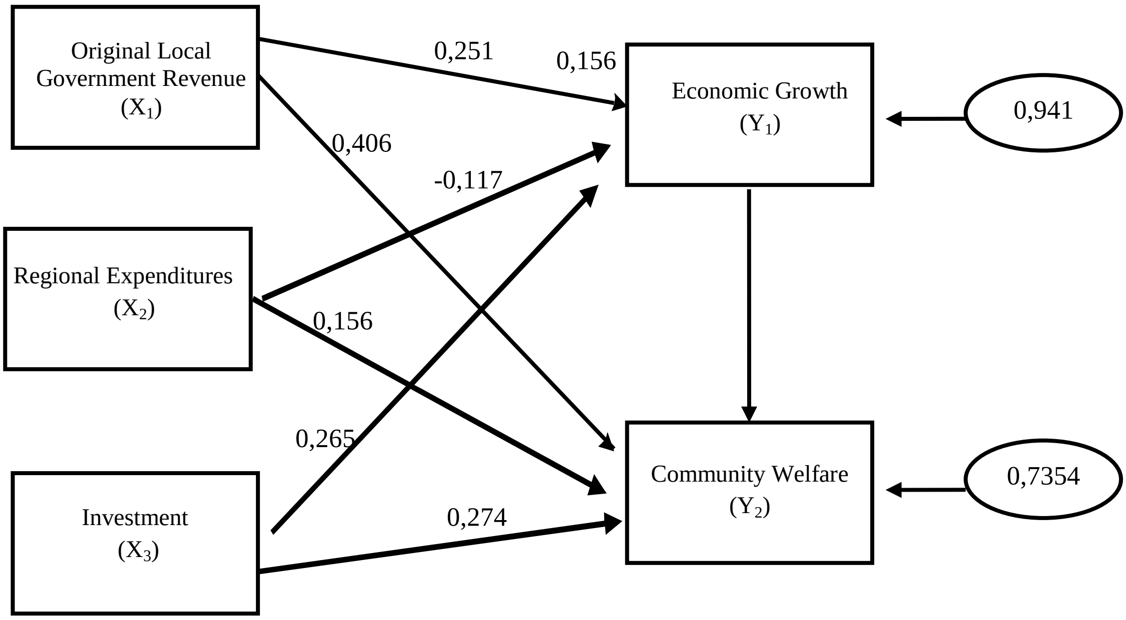
$e_1 = \sqrt{1 - R_1{}^2} = \sqrt{1 - 0{,}114} = 0{,}941$

$e_2 = \sqrt{1 - R_2{}^2} = \sqrt{1 - 0{,}459} = 0{,}735$

To check the validity of the model, there is an indicator to check, namely the coefficient of total determination. The results of the coefficient of total determination are as follows.

$$
\begin{aligned}
R^2_m &= 1 - (e_1)^2 (e_2)^2 \\
&= 1 - (0{,}941)^2 (0{,}735)^2 \\
&= 1 - (0{,}885)(0{,}540) \\
&= 1 - 0{,}4779 = 0{,}5221
\end{aligned}
$$

The path coefficient results in this research hypothesis can be described as follows.



Based on the test results of direct effect and indirect effect, it can be recapitulated the relationship between variables as follows.

Table 7. Direct and Indirect Effects and Total Effects of Variables

Variable Correlation	Effects: Direct Effect	Effects: Indirect Effect Through Y_1	Total
$X_1 \longrightarrow Y_1$	0,251	-	0,251
$X_2 \longrightarrow Y_1$	-0,117	-	-0,117
$X_3 \longrightarrow Y_1$	0,265	-	0,265
$X_1 \longrightarrow Y_2$	0,406	(0,251 x 0,197)	0,455
$X_2 \longrightarrow Y_2$	0,156	(-0,117 x 0,197)	0,133
$X_3 \longrightarrow Y_2$	0,274	(0,265 x 0,197)	0,326
$Y_1 \longrightarrow Y_2$	0,197	-	0,197

The direct effect of original local government revenue on the economic growth of regency/city in Bali Province

Based on the calculation, the result is that the standardized coefficient beta value is 0.251 and the probability value is 0.049 <0.05. These results mean that H_0 is rejected and H_1 is accepted. These results mean that local revenue has a positive and significant effect on the economic growth of regency/city in Bali Province. This indicates that increasing local revenue will cause economic growth to increase. Based on the Keynesian theory which states that when the income of a region increases, that is, expenditures automatically increases so that with increasing expenditures, economic growth will also increase. It can be said that increasing the revenue of original local government revenue, will clearly contribute to improving the welfare of the community which encourages economic growth, so that the most contributing to supporting regional development in the context of decentralization.

The greater the original local government revenue received, the greater the financing to build and improve infrastructure such as improving supporting facilities in health, education, and public facilities so that economic growth also increases. The results of this study are in accordance with the research of Pramartha and Aswitari (2018) which states that the higher the income of an area, the level of welfare of the people in the area is getting better. This is supported by the results of research conducted by Mawarni et al., (2013) and Putri (2015) which state that original local government revenue has a positive and significant effect on economic growth.

The direct effect of regional expenditures on the economic growth of regency/city in Bali Province

Based on the calculation, the standardized coefficient beta value is -0.117 and the probability value is 0.339 > 0.05 indicating that H_0 is accepted and H_1 is rejected, meaning that regional expenditures does not have a significant effect on the economic growth of regency/city in Bali Province. This indicates that the more regional expenditures increases, the lower the economic growth. This means that the least amount of regional expenditures used for regional development does not significantly affect economic growth in regency/city in Bali Province. Regional expenditures are all regional obligations that are recognized as a reduction in the value of net assets in the period of the relevant fiscal year.

The realization of the uneven distribution of total regional expenditures in each region causes inequality in every regency/city in Bali Province. Regional expenditures in every regency/city in Bali Province should be prioritized to protect and improve the quality of people's lives in an effort to fulfill regional obligations which are manifested in the form of improving basic services, education, health, social facilities, and proper public facilities as well as developing a social security system. The results are not in accordance with Maryaningsih et.al. (2014) emphasized that the availability of adequate infrastructure including the availability of electricity, land, and sea transportation is the most needed factor to achieve sustainable economic growth.

The direct effect of investment on the economic growth of regency/city in Bali Province

Based on the calculation, the standardized coefficient beta value is 0.265 and the probability value is 0.024 <0.05, indicating that H_0 is rejected and H_1 is accepted. This result means that investment has a positive and significant impact on the economic growth of regency/city in Bali Province. This indicates that the higher the investment, the higher the economic growth. The results support the research of Sari et al., (2016) who found that investment has a positive effect on economic growth by creating sufficient investment to accelerate economic growth.

Investment is the first step in production activities and is a factor to increase economic growth. Investment is an element of production that actively determines the level of output. It can be said that investment is the starting point for the success and sustainability of development in an area because it can lead to employment, thereby expanding employment opportunities for the wider community which in turn has an impact on increasing people's income. Investments used for infrastructure development and all things for the welfare of the community will cause regional revenue in regencies/cities in Bali Province to increase so that economic growth also increases.

The results of this study are supported by the theory of Sukirno (2008:122), which states that investment can be interpreted as spending on investment or companies to buy capital goods and equipment to increase the ability to produce goods and services available in the economy. Then investment can be a starting point for the success and sustainability of development in the future because it can absorb labor so it can open up job opportunities.

The direct effect of original local government revenue on the community welfare of the regency/city in Bali Province

Based on the calculation, the standardized coefficient beta value is 0.406 and the probability value is 0.000 <0.05 indicating that H_0 is rejected and H_1 is accepted. This result means that original local government revenue has a positive and significant effect on the welfare of the regency/city community in Bali Province. The results of this study indicate that the increased original local government revenue, the community welfare will increase. The higher the income of a region, the level of welfare of the regional community is getting better. One of the things that are often associated with people's welfare is economic growth as seen from the high regional income. This is because local revenue reflects economic activities in an area so local governments in carrying out their household need sources of income from local revenue to improve the welfare of local communities through the development of various adequate infrastructures. It can be said that local revenue is a measure of community welfare.

Good government performance is very important to increasing economic growth (Zouhaier, 2012). One of the indicators in seeing the symptoms of economic growth is local revenue. This is because local revenue reflects the economic activities carried out or that can be achieved in one period. Local revenue can also be used as a benchmark for community welfare (Rosita and Sutrisna, 2018). A growing and developing economy cannot be separated from the role of the government through planned and implemented efforts with the aim of community welfare (Hukom, 2015).

The direct effect of regional expenditures on the community welfare of the regency/city in Bali Province

Based on the calculation, the standardized coefficient beta value is 0.156 and the probability value is 0.109 > 0.05 indicating that H_0 is accepted and H_1 is rejected. This means that regional expenditures has a positive but not significant effect on the welfare of the regency/city community in Bali Province. The results of this study indicate that the amount of regional expenditures does not increase development in regency/city in Bali, so it does not improve the welfare of the people in the region. This means that the amount of regional expenditures at least does not significantly affect the community welfare in the regencies/cities in Bali Province. The current reality is that the structure of the original local government revenue and the allocation of original local government revenue expenditures in the Regency/City Governments in the Bali Province is still considered not optimal. This can be seen, among others, from the portion of personnel expenditures which is still very high compared to other components of indirect expenditures, such as interest expenditures, subsidy expenditures, grant expenditures, social assistance expenditures, profit sharing expenditures, and financial aid expenditures. Thus, regional expenditures in the Bali Province have not been able to be managed properly and utilized appropriately in business development which has not been able to have an impact on increasing local revenue in order to achieve regency/city economic growth in the Bali Province.

The results of this study do not support the research by Rulloh (2017) which found that regional expenditures has a positive effect on people's welfare. This study is also not in line with Setyowati and Suparwati (2012), and Mirza (2011) found a positive and significant effect of regional expenditures on increasing HDI. Kusreni and Suhab's research (2009) shows that regional expenditures has a positive and significant effect on people's welfare, this means that a high HDI figure as a manifestation of increasing community welfare can be triggered by increased regional expenditures.

The direct effect of investment on the community welfare of the regency/city in Bali Province

Based on the calculation, the standardized coefficient beta value is 0.274 and the probability value is 0.005 <0.05, indicating that H_0 is rejected and H_1 is accepted. This result means that investment has a positive and significant impact on the welfare of the regency/city community in Bali Province. The results of this study indicate that the increased investment, the welfare of the community will increase.

Investment activities are very important to be carried out in every regency/city in Bali Province because investment can create new jobs and at the same time improve people's living standards. The results support Yasa and Arka (2015) who found that investment has a positive and significant impact on the welfare of the regency/city community in Bali Province. In Rostow's theory, the development will be more easily achieved through the amount of savings. By increasing the amount of savings, the level of investment will also increase. Through investment, economic activity will develop and the welfare of the community will increase (Jhingan, 2014). Investment can be regarded as a form of development financing which is the first step in production activities. These productive production activities can spur economic growth.

The direct effect of economic growth on the community welfare of the regency/city in Bali Province

Based on the calculation, the standardized coefficient beta value is 0.197, and a probability valuei of 0.041 <0.05 indicates that H_0 is rejected and H_1 is accepted, meaning that economic growth has a positive effect on the community welfare index. This result means that economic growth has a positive and significant impact on the welfare of the regency/city community in Bali Province. The results of this study indicate that with the increasing economic growth, the welfare of the community will increase.

The success of a region is seen from the increase in existing economic growth, it can be said that economic growth can increase or move other sectors so that from the production side it will require labor. Meanwhile, in terms of improvement, economic growth can absorb labor to reduce unemployment and improve the welfare of the people in an area. In addition, the increase in people's income is indicated by an increase in the allocation of income for consumption of primary, secondary, and tertiary needs so that the local community becomes richer, healthier, and more educated as an indicator to improve people's welfare through an increase in the Human Development Index (HDI).

The results of this study support the research of Pambudy and Syairozi (2019) which states that good economic growth can encourage the creation of an infrastructure that triggers many industries, public facilities such as education, and hospitals which will encourage a high human development index. Policies regarding the drivers of economic growth should be more focused on the program targeting high economic growth.

Economic growth mediates the effect of original local government revenue on the community welfare of the regency/city in Bali Province

The results of the analysis show that economic growth (Y_1) is a variable that mediates original local government revenue (X_1) on the community welfare (Y_2) in Bali Province, in other words, original local government revenue has an indirect effect on the community welfare of the regency/city in Bali Province through economic growth. This means that the higher original local government revenue, balanced with high economic growth, will further improve the community welfare of the regency/city in Bali Province. These results are in line with research conducted by Sasana (2009) and Putra and Dewi (2018) which states that original local government revenue has a positive and significant effect on people's welfare. This result is also in accordance with the research of Pramartha and Aswitari (2018) which states that economic growth has a positive and significant effect on people's welfare.

Economic growth mediates the effect of regional expenditures on the community welfare of the regency/city in Bali Province

The results of the analysis show that economic growth (Y_1) is the variable that mediates regional expenditures (X_2) on the community welfare (Y_2) of regency/city in Bali Province, in other words, regional expenditures have an indirect effect on the welfare of the people of regency/city in Bali Province through economic growth. This means that effective and productive regional expenditures for development, balanced with high economic growth, will further improve the welfare of the regency/city community in Bali Province. This study is in accordance with Setyowati and Suparwati (2012), Mirza (2011), Kusreni and Suhab (2009) who found a positive and significant effect of regional expenditures on increasing HDI. If the HDI is high as a manifestation of increasing community welfare, it can be triggered by increased regional expenditures.

Economic growth mediates the effect of investment on the community welfare of the regency/city in Bali Province

The results of the analysis show that economic growth (Y_1) is a variable that can mediate the effect of investment (X_3) on the community welfare (Y_2) of the regency/city in Bali Province, in other words, investment has an indirect effect on the welfare of the people of regency/city in Bali Province through growth economy. This means that higher investment, balanced by high economic growth, will further improve the welfare of the regency/city community in Bali Province. These results are in line with research conducted by Awandari and Indrajaya (2016).

V. CONCLUSION

Based on the results of the analysis, several conclusions can be made. Original local government revenue and investment have a positive and significant impact on the economic growth of regency/city in Bali Province. Meanwhile, regional expenditures has no significant effect on the economic growth of regency/city in Bali Province. Original local government revenue, investment, and economic growth have a positive and significant impact on the community welfare of the regency/city in Bali Province. Meanwhile, regional expenditures has a positive but not significant effect on the community welfare of the regency/city in Bali Province. Economic growth mediates the effect of original local government revenue and investment on the community welfare of the regency/city in Bali Province. Meanwhile, economic growth does not mediate the effect of regional expenditures on the community welfare of the regency/city in Bali Province.

Suggestions that can be given to local governments are to increase the construction of schools or hospitals, and local governments need to pay more attention to the community regarding indicators of community welfare. Regional governments can also make investments evenly distributed by adjusting the potential of each region so that later the potential of the area can be developed to attract investors, both domestic and foreign investors for capital that can be used in the long term. Local governments are advised to optimize the allocation of regional expenditures for the benefit of development and infrastructure spending.

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