

## **ANALYSIS OF DETERMINANTS OF AVERAGE COMMUNITY CONSUMPTION IN BALI PROVINCE**

**Sherina Eknanda Juliantika**

Faculty of Economics and Business, Udayana University, Bali, Indonesia

**Made Dwi Setyadhi Mustika \***

Faculty of Economics and Business, Udayana University, Bali, Indonesia

E-mail: [dwisetyadi@unud.ac.id](mailto:dwisetyadi@unud.ac.id)

### **ABSTRACT**

The level of consumption is one of the indicators for determining the economic performance of a country. Measuring the level of consumption is important to gauge welfare and understand the conditions and quality of the population in economic development. This study aims to analyze the simultaneous and partial effects of the number of micro, small, and medium enterprises (MSMEs), the labor force participation rate (LFPR), and economic growth on the average per capita consumption in Bali Province. The data used is panel data from the years 2015 - 2023 from the regencies/cities in Bali Province, obtained from the Department of Cooperatives and MSMEs and the Central Statistics Agency. The analytical techniques used are descriptive analysis and multiple linear regression. The results show that simultaneously, the number of MSMEs, LFPR, and economic growth significantly affect the average per capita consumption in Bali Province. Partially, the number of MSMEs has a positive and significant effect on the average per capita consumption, while the LFPR has a negative and significant effect on the average per capita consumption. Economic growth, when considered partially, does not significantly affect the average per capita consumption.

**Keywords:** Average per capita consumption;(MSMEs);(LFPR); Economic Growth;

### **INTRODUCTION**

Consumption level is one indicator to determine a country's economic performance. Developing countries like Indonesia rely heavily on economic growth to estimate the continued impact of economic progress from one year to the next in the hope that consumption levels will move steadily and can overcome various economic problems. A country with a high level of consumption will also be able to have a high effect on other fields. The following is data on the per capita consumption level of the people of Bali province in 2017 – 2023.

The average per capita consumption in Bali Province increases gradually every year. In 2017 the average per capita consumption of the people of Bali Province was 1,332,085 rupiah and experienced an increase in 2018 amounting to 34,947 rupiah. Then in 2019 it increased again by 20,122 rupiah and in 2020, the average per capita consumption level of the people of Bali Province experienced a significant increase, namely 122,512 rupiah (Central Statistics Agency, 2023).

Since the emergence of the COVID-19 pandemic, many workers in Bali Province have experienced a transition from the formal sector to Micro, Small and Medium Enterprises (MSMEs) due to its significant economic impact. According to Sudarno (2011), empowering micro, small and medium enterprises (MSMEs) is very strategic because of its great potential in mobilizing the economic potential of society, and at the same time becomes the basis for the income of most people in meeting their daily needs. Micro, small and medium enterprises (MSMEs) are one of the business fields that can develop and be consistent in the national economy (Darwanto, 2013). The formal sector, such as large companies and government agencies, has been forced to cut workforce or stop production to reduce costs and maintain the continuity of their businesses. This caused thousands of people to lose their jobs or regular income. On the other hand, micro, small and medium enterprises (MSMEs) have become a refuge for many people who have lost their formal jobs. With lower capital to start, micro, small and medium enterprises (MSMEs) offer flexibility and opportunities for individuals to create new sources of income or restart their careers. Many of those affected by layoffs or salary cuts in the formal sector are trying their luck in MSMEs by selling goods or services independently or joining existing small businesses.

Apart from that, changes in people's consumption patterns have also boosted the number of micro, small and medium enterprises (MSMEs). In line with social restrictions and lockdown policies, consumers are more inclined to buy goods and services from local or online businesses, including micro, small and medium enterprises (MSMEs). This provides new opportunities for micro, small and medium enterprises (MSMEs) to develop and compete in an increasingly changing market. Thus, the shift from the formal sector to micro, small and medium enterprises (MSMEs) due to the impact of COVID-19 is a complex phenomenon with broad economic and social consequences.

In 2020 there was a spike in the number of MSMEs by 84,912. This happens because many Balinese people change professions from working in the formal sector to micro, small and medium enterprises (MSMEs). Micro, small and medium enterprises (MSMEs) are an important sector apart from tourism for the regional economy in Bali Province. By increasing the production of micro, small and medium enterprises (MSMEs), we can anticipate the economy for the future or long term (Yudha & Purbadharmaja, 2019). In Bali Province, the Micro, Small and Medium Enterprises (MSME) sector plays a very important role in the local economy. Bali is famous for its tourism and rich culture, and the MSME sector is one of the backbones in supporting the local tourism and crafts industry in Bali Province (Bali Province Department of Cooperatives, Small and Medium Enterprises, 2023).

There are various factors that play an important role in increasing the country's economic income, one of which is Micro, Small and Medium Enterprises (MSMEs). Micro, small and medium enterprises (MSMEs) have an important role as one of the drivers of economic growth in a country. According to Sudarno (2011), empowering micro, small

and medium enterprises (MSMEs) is very strategic because of its great potential in driving the economic potential of society, and at the same time becomes the basis for the income of most people in meeting their daily needs. Micro, small and medium enterprises (MSMEs) are one of the business fields that can develop and be consistent in the national economy (Darwanto, 2013).

Micro, small and medium enterprise (MSME) activities are one way to promote regional creative products and are a sector that plays an important role in economic development because the majority of Indonesia's population has low education and lives in micro, small and medium enterprises in both the traditional and modern sectors. which can simultaneously absorb large numbers of workers both in rural and urban areas. According to Sunariani et al (2017), Bali Province has an important role in growing the tourism sector and the small business sector such as micro, small and medium enterprises (MSMEs) which are able to absorb quite a large number of workers.

One provider of employment opportunities is Micro, Small and Medium Enterprises (MSMEs) (Munir, 2005). MSMEs absorb a lot of labor and use local resources, making MSMEs continue to grow (Supriyanto, 2012). The growth in the number of MSMEs from year to year starting from 2015 - 2023 in Bali Province has experienced increases and decreases. The large number of Indonesia's population in the lower middle class is the reason why micro, small and medium enterprises (MSMEs) can be one of the right job providers because their capabilities are still relevant to the needs in these jobs (Salman et al., 2022).

Apart from micro, small and medium enterprises (MSMEs), average per capita consumption can also be influenced by the Labor Force Participation Level (TPAK). Basically, a person's goal in working is to earn income so that it can be used to meet life's needs. Therefore, the government continues to strive to increase the labor force participation rate (TPAK), because employment can be a source of poverty problems. If a region has a larger number of people who are not working, this will have implications for an increase in the number of poor people and if the labor force participation rate (TPAK) increases, it will have an impact on a greater average per capita consumption. The labor force participation rate (TPAK) is a measure that is often used to see fluctuations in the participation of the working age population in economic activities. The labor force participation rate (TPAK) is defined as the ratio of the population involved in economic activities or called the labor force (working or looking for work) to the entire working age population. In the youth group, the labor force participation rate (TPAK) is the proportion of youth (population aged 16-30 years) who are involved in economic activities compared to the youth themselves.

Apart from the growth of micro, small and medium enterprises (MSMEs) and the labor force participation rate (TPAK), economic growth can also be influenced by average per capita consumption. Economic growth has a significant influence on consumption levels (Efendi et al, 2018). Economic growth has a strong influence on people's

consumption levels. When a country or region's economy grows, national income generally increases, creating more jobs and increasing consumer confidence. With an increase in income, people have more money that they can spend to meet their needs and wants. The relationship between income and consumption is a proportional relationship, meaning that higher income can result in greater consumption expenditure and vice versa, namely if the income level is low then consumption expenditure is also low (Putra & Marhaeni, 2021). Economic growth is also often associated with increased investment in infrastructure, industry, and other sectors, which in turn creates new demand for goods and services. This not only increases household consumption but also drives investment consumption from companies. Additionally, stable economic growth tends to increase consumer confidence and reduce economic uncertainty, which encourages consumers to be more active in their spending. Consumer confidence also has an important role in economic growth because consumer confidence reflects macroeconomic reality (Madlopha, 2019). On the other hand, weak or stagnant economic growth can result in decreased income, decreased employment opportunities, and uncertainty which can hamper public consumption. Therefore, policies that support healthy and sustainable economic growth are very important to encourage stable consumption levels and improve the overall welfare of society.

## **RESEARCH METHODS**

This research is descriptive and causality research with a quantitative approach. Descriptive research aims to create systematic and accurate descriptions of facts starting with collecting data, analyzing and interpreting it. Causality research is research that explains the relationship between variables where changes in one variable cause changes in other variables without the possibility of the opposite effect. The quantitative approach aims to reduce data into numbers. For this research, the selected research locations were 9 districts/cities of Bali Province, because it refers to data from the Bali Province Central Statistics Agency, and the Bali Province Cooperative and UMKM Service. This location was chosen because there is still a lack of studies regarding the factors that influence the average parkapita consumption in Bali Province. The objects of this research are the number of micro, small and medium enterprises (MSMEs), the labor force participation rate (TPAK), and economic growth towards average per capita consumption in Bali Province.

In this study, the dependent variable is average per capita consumption (Y). The independent variables in this research are the number of MSMEs ( $X_1$ ), TPAK ( $X_2$ ), and economic growth ( $X_3$ ). The average per capita consumption referred to in this research is the average per capita consumption data using district/city data in Bali Province based on districts/cities in 2015 and 2017-2023 in rupiah units. The number of MSMEs referred to in this research is data on the number of MSMEs in Bali Province using district/city data for 2015 and 2017-2023 in units. The TPAK referred to in this research is TPAK data in Bali

Province using district/city data for 2015 and 2017-2023 in percent units. The economic growth referred to in this research is economic growth data in Bali Province using district/city data for 2015 and 2017-2023 in units.

This research observed data over an 8 year period, namely 2015 and 2017 to 2023 in 9 districts/cities of Bali Province, so the number of observations in this research was 72 observation points. The type of data used in this research is quantitative data. The quantitative data used in this research are data on average per capita consumption, number of MSMEs, labor force participation rate, and economic growth in the districts/cities of Bali Province. This research uses secondary data sources obtained through the official website of the Central Statistics Agency, Department of Cooperatives, Micro, Small and Medium Enterprises of Bali Province and other literature that supports the research object. The data collection method used is multiple linear regression analysis using software EViews. The equation of the multiple linear regression analysis used is as follows:

$$\text{Ln}_Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3$$

Information :

$\text{Ln}_Y$  = Average per capita consumption (Rp)

$\alpha$  = Constant Value

$\beta_1$  = Variable coefficient for the number of MSMEs

$\beta_2$  = TPAK variable coefficient

$\beta_3$  = Economic growth variable coefficient

$X_1$  = Number of MSMEs (units)

$X_2$  = TPAK (%)

$X_3$  = Economic Growth (%)

e = error

## RESULTS AND DISCUSSION

Descriptive statistics in this research are used to describe or analyze several variables used in this research so that they can be more easily understood. Based on the results of the analysis that has been carried out, it can be explained that the amount of data used was 72 data.

**Table 1. Results of Descriptive Statistical Analysis**

Variable	Minimum	Maximum	Mean	Std. Dev	Obs
Average per capita consumption	628,603.0	2,343,025	1,274,058	439,230.3	72

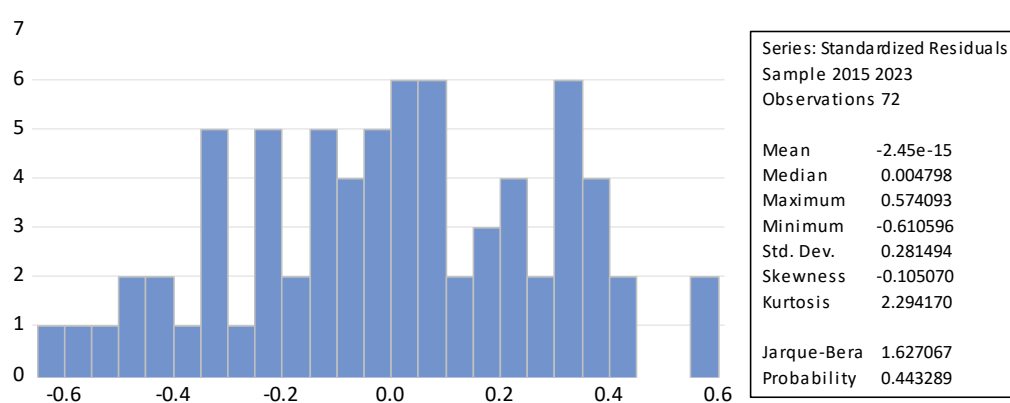
Number of MSMEs	9,712,000	91,511.00	39,228.24	20,646.21	72
TPAK	67.36000	86.01000	76.59458	4.467770	72
Economic growth	-16.55000	11.29000	2.887778	4.923298	72

Source: Secondary data processed, 2024

Based on table 2, the average per capita consumption in the districts/cities of Bali Province has an average value of 1,274,058 with a standard deviation of 439,230.3. The lowest average per capita consumption is 628,603.0 and the highest average per capita consumption is 2,343,025. The number of micro, small and medium enterprises (MSMEs) in the districts/cities of Bali Province has an average value of 39,228.24 with a standard deviation of 20,646.21. The lowest number of MSMEs was 9,712,000 and the highest number of MSMEs was 91,511.00. The labor force participation rate (TPAK) in the districts/cities of Bali Province has an average value of 76.59458 with a standard deviation of 4.467770. The lowest TPAK is 67.36000 and the highest TPAK is 86.01000. Economic growth in the districts/cities of Bali Province has an average value of 2.887778 with a standard deviation of 4.923298. The lowest economic growth was -16.55000 and the highest economic growth was 11.29000.

To ensure that the model does not have problems of normality, autocorrelation, multicollinearity and heteroscedasticity, it is necessary to test the classical assumptions first. If these problems do not exist, then the analytical model is suitable to be used.

The normality test is carried out using the Jarque-Bera test, if the probability value is  $> \alpha$  (0.05) then the data is normally distributed and vice versa if the probability value is  $< \alpha$  (0.05) then the data is not normally distributed. It can be seen that the Jarque-Bera Probability value is 0.443. The resulting value is significantly greater than 0.05 so it can be concluded that the data is normally distributed. Therefore, the assumption of normality in this study has been assumed fulfilled.



Source: Data processed, 2024

Picture 1. Normality Test Results

The next stage is the autocorrelation test which is carried out to see whether there is a correlation between a period and previous periods. The autocorrelation test is carried out using the Breusch-Godfrey Serial Correlation LM Test, if the probability value of the Breusch-Godfrey Serial Correlation LM Test > 0.05 then it can be concluded that there is no autocorrelation, conversely if the probability value of the Breusch-Godfrey Serial Correlation LM Test < 0.05 then it can be concluded that there is autocorrelation. Based on Table 2, it is known that the probability value is 0.0045 (<0.05), so it can be concluded that the autocorrelation test assumption has not been met or that there is autocorrelation.

**Table 2. Autocorrelation Test Results**

Breusch-Godfrey Serial Correlation LM Test: Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	5.831903	Prob. F(2,65)	0.0047
Obs*R-squared	10.80210	Prob. Chi-Square(2)	0.0045

Source: Processed data, 2024

The next stage in the classical assumption test is the multicollinearity test. Multicollinearity testing aims to determine whether the regression model found any correlation between independent variables or independent variables (Ghozali, 2016). To find whether or not there is multicollinearity in the regression model, you can determine the tolerance value and variance inflation factor (VIF) value. The Tolerance value measures the variability of the selected independent variable that cannot be explained by other independent variables. So a low tolerance value is the same as a high VIF value, because  $VIF = 1/\text{tolerance}$ , and indicates there is high collinearity. The cut off value used is a tolerance value of 0.10 or a VIF value below 10. Based on table 3, it can be seen that there are no independent variables that have a VIF value of more than 10 and it can be concluded that there is no double correlation (multicollinearity) between the independent variables. So the multicollinearity assumption has been met.

**Table 3. Multicollinearity Test Results**

Variable	Centered
s	VIF
Ln_X1	1.071921
X2	1.072636
X3	1.027313

Source: Processed data, 2024

Testing the classical assumptions in this research was continued by carrying out a heteroscedasticity test. The heteroscedasticity test was carried out to test whether there was unequal variance in the residuals for all observations in the regression model using the Glejser test.

**Table 4. Heteroscedasticity Test Results**

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	1.49598	0.383745	3.89836	0.0002
LN_X1	-0.0045	0.030197	-0.1489	0.8821
X2	-0.0162	0.004007	-4.0419	0.0001
X3	0.00692	0.003559	1.94302	0.0562
R-squared	0.228	F-statistic		6.69431
Adjusted R-squared	0.193941	Prob(F-statistic)		0.0005

Source: Processed data, 2024

The Glejser test is a hypothesis test to determine whether a regression model has indications of heteroscedasticity by regressing the absolute residuals. If the significance value is  $> 0.05$  then there is no heteroscedasticity in the data and if the significance value is  $< 0.05$  then there is heteroscedasticity in the data. Based on Table 4, the Obs\*R-square probability result is 0.0005, which means the model contains symptoms of heteroscedasticity. This is also confirmed by partial tests of independent variables, all of which show that the TPAK variable (X2) has a real effect on the absolute residual, with a probability that is smaller than the significant value of 0.05. This model can still be used for estimation but is not the best model. Detected the same variance of the residuals.

**Table 5. Results of Multiple Linear Regression Analysis**

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	15.61424	0.757761	20.60576	0.0000
LN_X1	0.125491	0.059627	2.104592	0.0390
X2	-	0.007913	-4.801998	0.0000



	0.03799			
	9			
	-			
X3	0.003118	0.007028	-0.443650	0.6587
R-squared	0.272015	F-statistic	8.469500	
Adjusted R-squared	0.239898	Prob(F-statistic)	0.000074	

Source: Processed data, 2024

The results of the coefficient of determination test show that the adjusted r square value is 0.239, indicating that the average per capita consumption can be explained by the variables number of MSMEs, TPAK, and economic growth of 23.9 percent. Meanwhile, the remaining 76.1 percent is explained by other variables outside the model. The F test aims to determine whether the regression model in this research is suitable for use. If the significant F value is smaller than 0.05 then the regression model used is considered appropriate. Based on Table 5, the F Test results show a significance value of 0.000074 < 0.05 so that the variables number of MSMEs, TPAK, and economic growth in this study simultaneously influence the average per capita consumption in Bali Province.

Based on the results of the tests that have been carried out, the equation for the results of multiple linear regression analysis is obtained as follows:

$$\text{Ln}_Y = 15.6142 + 0.1254X_1 - 0.0379X_2 - 0.0031X_3$$

Based on partial research results, the number of MSMEs on average per capita consumption obtained a coefficient value of 0.125491 with a t value of 2.104 > t table, namely 1.995 and a probability value of 0.0390 < 0.05 so it can be concluded that the number of MSMEs has a positive and significant effect. to average per capita consumption. This is in line with the theory of Keynesian consumption theory, developed by the famous economist John Maynard Keynes, explaining that household consumption is strongly influenced by disposable income. According to Keynes (1936), increasing investment or the number of businesses can increase national income and in turn, consumption. According to Keynes, when there are more businesses operating and investing, people's incomes increase, which then increases consumption. In the context of Micro, Small and Medium Enterprises (MSMEs), this theory provides a clear framework for understanding how MSMEs can influence the overall average per capita consumption.

The results of partial calculations show that the effect of TPAK on average per capita consumption is obtained by a coefficient value of -0.037999 with a t\_count value of 4.801 > t\_table, namely 1.995 and a probability value of 0.0000 < 0.05 so it can be

concluded that TPAK has a negative and significant effect on Average per capita consumption. These results are also reinforced by statements by Ando & Modigliani (1963) and Friedman (1957) which show that TPAK has a negative and significant effect on average per capita consumption because individuals plan their consumption and savings throughout their lives to ensure a balance between income and consumption. When the labor force participation rate increases, income also increases. However, individuals may choose to save and invest a large portion of this additional income for the future, especially near retirement. This can cause current consumption to decrease even though income increases.

The results of partial calculations show that the effect of economic growth on average per capita consumption is obtained by a coefficient value of  $-0.003118$  with a calculated  $t\_value$  of  $4.443 > t\_table$ , namely  $1.995$  and a probability value of  $0.6587 > 0.05$ . so it can be concluded that economic growth has no significant effect on average per capita consumption. Keynesian consumption theory traditionally asserts that increases in income resulting from economic growth will increase consumption levels, but there are situations where economic growth may not have a significant effect on consumption levels. One of the main scenarios is when economic growth is uneven or non-inclusive, meaning that the benefits of economic growth are only enjoyed by a small portion of the population, particularly those at the top of the income distribution. Therefore, through the lens of Keynesian theory, there are certain situations where economic growth does not have a significant effect on consumption levels due to the factors of income distribution, economic instability, and different savings behavior in various income groups. This is supported by the statement by Deaton (1992), which states that economic growth does not have a significant effect on consumption levels because it is influenced by many factors other than economic growth, including government policy, future uncertainty, and individual savings behavior. Deaton points out that in some countries or situations, despite economic growth, consumption does not increase significantly because people may choose to save more or face other obstacles to increasing consumption. According to Piketty (2014) also states that high economic inequality can also cause economic growth to have no significant effect on consumption. Piketty shows that when economic growth benefits the rich class more, total consumption may not increase significantly because the rich class has a lower marginal propensity to consume compared to the middle and lower classes.

## **CONCLUSIONS AND SUGGESTIONS**

Based on the results of the analysis and discussion that have been presented, it can be concluded that the number of micro, small and medium enterprises (MSMEs), the labor force participation rate (TPAK), and economic growth simultaneously have a significant effect on the average per capita consumption in Bali Province. The number of MSMEs has a positive and significant effect on average per capita consumption in Bali

Province, while TPAK partially has a negative and significant effect on average per capita consumption in Bali Province. Partial economic growth does not have a significant effect on average per capita consumption in Bali Province.

Based on the conclusions that have been presented, there are several things that can be recommended, including the following. For MSME players, it is important to improve product quality, such as improving quality by ensuring the products sold are of high quality so that consumers are satisfied and return to buy. And carry out product innovation to adapt products to market needs and trends. Apart from that, it is important for MSME business actors to expand their market reach. For the Government, it is important to increase public spending. Increase government spending on infrastructure projects and public services that can create jobs and increase people's income. Then it is also important for the government to carry out economic stimulation such as direct cash assistance by distributing direct cash assistance to the community, especially low-income groups, to increase their purchasing power and provide subsidies or incentives for important goods and services such as food, education and health to ease the burden. public finances. For future researchers, it is important to examine the factors that influence average per capita consumption in depth. Further research is needed on other economic factors and also non-economic factors that are thought to influence average per capita consumption.

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