

Government role in influencing creative economy for community purchasing power

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Abstract

This research was conducted to find out whether the West Java provincial government has implemented the development of creative economy by looking at the form of policy and budget support in APBD and the problem. The results show, West Java Provincial Government has made regional regulations and creative economic blueprints. It is suggested to be more committed to facilitate the marketing of results, facilitate business actor access to banking, protection of intellectual property rights, and enhancement of cooperation between provinces and districts/municipalities for the sustainability of necessary raw materials.

Keywords: *creative economy, government, purchasing power*

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1. Introduction

Economic growth is a change in the economic condition of a region or country towards a better state in a certain period of time as stated by Meier G.M and J.E. Rauch [1]. Creative economy or can be called creative industry is an industry derived from the utilization of creativity, skills and individual talents to create welfare and employment by generating and exploiting the creative power and creativity of the individual. Luciana Lazzarotti et al said that results underline that the Creative economy may be considered a successful multidisciplinary paradigm born and developed in English speaking, North American and European countries, which has contributed to the rise of a new economic sector: the cultural and creative industries [2]. According to Matthew R. Keller can government encourage innovation and economic growth, or is it just a drag and an obstacle? For more than a generation, U.S. conservatives have clamored for tax cuts and reductions in government spending [3]. Howkins proposes 15 industry categories included in the creative economy, namely as follows: advertising, architecture, fine arts, crafts, design, fashion design, film, music, performing arts, publishing, research and development, software, toys and games, TV and Radio, and video games [4]. Indicators of creative economic sustainability in the creative industries according to Deni Dwi Hartono and Malik Cahyadi include: production, markets and marketing, management and finance, government policy, and business partnerships [5].

During the 1970s, the three main development goals according to Duedly Seers what is wrong with poverty? What is wrong wiith unemployment? What is wrong with inequality? [6] Francisco Marco-Serrano argued that cultural and creative industries are thought to be a driver for economic growth. During the last decade, research has tried to link higher intensity of these industries with the region's welfare [7]. Esmara argued that economic growth are only necessary but not sufficient conditions for the development process, or in other words the conclusion that the qualitative dimension is far more important than just economic growth [8, 9].

The creative industry in Indonesia according to the Indonesian Ministry of Trade in 2007 is defined as an industry that originates from the use of creativity, skills and individual talents to create prosperity and employment through the creation and utilization of creative and creative power. Creative economy is the capitalization of human intellectuality as creative capital. Ideas or ideas are capital that can be realized into copyright, brand patents or designs [10]. In some countries, the creative industry plays a significant role. In Britain and Netherland, it gives high

contribution in providing job up to 30%. The government in rich countries give a high attention to encourage their people in enhancing the economy creative. In Indonesia, creative economy also plays an important role in national economic development, especially in increasing the economic growth of urban areas. Most of distric areas in Indonesia have a high potential in economic creative, yet their community purchasing power are still too poor. It gives 4.75% only in providing job. Prisharyo cited there were two factors that influence changes in the value of national income, namely changes in the level of economic activity and changes in prices. The influence of the second factor is caused by an assessment of national income according to the price prevailing in the year concerned. An economy is said to experience growth or development if the level of economic activity achieved is higher than before [11].

The social welfare of the community includes five main areas called "big five", namely: the health sector, education, housing, social security and social work". Rusminto Adi said that there are five areas of social welfare are often used as minimum parameters to measure social welfare [12]. Ahnaf added that the education sector included various indicators such as the education level of family members, school participation of family members, the percentage of households that had children still in school who had difficulty in school financing and the percentage of households that had applied skills/knowledge/technology [13]. While Suharto emphasizes that the field of social security includes various indicators such as: mediators, facilitators or assistants, mentors, planners and problem solving [14]. While Walter A. Friedlander, states that social welfare is an organized system of social services and institutional institutions that aims to help individuals and groups to achieve satisfying living and health standards and personal and social relations that allow they develop their abilities as fully as possible and improve their welfare in line with the needs of their families and communities [15]. According to Dunham, social welfare as a field of human business, in which there are various kinds of social bodies and businesses whose purpose is to improve social welfare in the fields of family and child life, health, social adjustment, leisure time living standards and social relations [16]. Beside of that, Harold L. Wilensky and Charles N. Lebeaux, the notion of social welfare has two concepts, namely the concept of residuals and constitutional concepts [17].

Supriatna's opinion in accordance with the opinion of Lisman, urban observer from the University of Indonesia, stated that Bogor should get special attention for being the buffer zone of the Capital City. In the development of its development, Bogor, both city and district, must recall its identity as a green area, water catchment area, and become a source of water for Jakarta. The area of Bogor Regency that is too broad with very limited infrastructure causes the service function is not optimal between the central government and the scattered areas. Based on the above phenomenon with creative economic development, Bogor Regency Government can prioritize the development approach with its strategic area, which is driven by the acceleration of development in the areas in every regency area that is strategic area, economically, socially and culturally. According to Yayat Supriatna (2016), Bogor, both city and district, has the potential of natural tourism, culture, and culinary extraordinary. "The power that can be developed creative economy, replacing the less-growing agriculture maximum". If the tourist destinations are well managed plus the center of By-By Typical Bogor (OOKB) in the location of tourism, it will improve the economy and ultimately can improve the welfare of society because according to Ivan with the central OOKB will empower the creative economy of local communities traditional tradition.

West Java Provincial Government already made a blueprint of local regulations and creative economy issues, among others: still difficult to separate the creative industry sub-sector with other sectors so that budgeting is not specifically named creative economic activity, not optimal ease of licensing, investment and protection of intellectual property, the problem of capital, and the carrying capacity study of the creative economy is still lacking [18].

Bogor, a district which is near to Jakara, is also has a high economic creative, they have homemade industries for merchandise and also for food, in fact the community purchasing power is still low. According to Bogor Trade and Industry Agency, there are eighty-seven entrepreneurs in small industries that employ one thousand (1000) workers. Those small industries comprise of food and drink industries 49%, metal houseware industries 26%, as well as fashion and cosmetic industrie 24%. Creative economy in Bogor has a potensial source to increas revenue. Therefore, the competence and the skill of the Human Resources should be improved in order to enhance production omzet that directly impact on the increasing of their income. One of the effort is by increasing their capital. In this line, the government is suppose to

facilitate them actively by using Kredit Usaha Rakyat program that is one policy of central government in providing capital aid for the entrepreneur. KUR is an aid from government through certain banks to provide soft loan for the entrepreneur.

The government role is necessary here. It is indicate that those industries have not been touched by government intervention. This is because the government has not made it as an important source of state revenue such as manufacturing, fiscal, and agribusiness. To further maximize the potential of the creative industry in enhancing the growth of the Indonesian economy, it is necessary to increase the role of government in fostering the creative economic actors, thus expected to have an impact on the increase in people's purchasing power. Bogor regency is one of regencies in West Java Province where society is able to develop creative economy in handicraft or small industry, such as tourism industry, plantation, merchandise and others.

The purpose of this study is to know the influence of the government's role on the development of creative economy, particularly in Bogor. The solution for low of community purchasing power in Bogor, then the Government should provide their role by facilitating the entrepreneur with increasing the capital of their bussiness to have soft bank loan. The government should also make cooperation with other local government and province government in order to help the bussiness actor in providing raw material to run their bussiness. In addition, they are still hard to sell their product. Furthermore, the government should also facilitate them in marketing their product.

This study using explanatory survey method, to know how far government role influences economic creative and economic growth and the the impact on community purchasing power. Furthermore, knowing the impact of each variables, the reserachers analyze deeply what should the local government of Bogor do in developing creative economic to increase economic growth that eventually will increase community purchasing power.

2. Research Method

The research method used in this research is explanatory survey method. Singarimbun and Effendi stated that survey research is a study that takes samples from a population and uses a questionnaire as a basic data collection tool, which is for analysis research is generally individual. The explanatory survey method is the research if the authors explain the causal relationship between the variables through hypothesis testing; therefore, this research is also called hypothesis-testing research [19]. Variable in this research consist of independent variable of government role, intervening variable of creative economy development and economic growth, and dependent variable of purchasing power of society. Each of these variables, both independent variables (X), variables between the first (Z1) and the second intermediate variable (Z2) and dependent variable (Y), are split into sub-variables, translated into various indicators.

Population in this research is all head of family of society in Bogor regency that is involved in creative industry, especially in handicraft industry and central souvenir that support tourism sector amounting to N people. While the number of samples determined by using the formula Slovin. While in an effort to collect data, the researchers used data collection techniques through the dissemination of questionnaires, interviews, and document review.

To analyze the results, the guideline proposed by Sugiyono was used, in the form of describing the actual criteria, by determining the value of the interval, the minimum score and the maximum score: a score of 400-800 (not very good), 800-1200 (not good), 1200-1600 (enough good) and 1600-2000 (good) [20]. While riteria or classification/categorization according to the following Quartile III, called Good (B), Median-Quartile III, called Good Enough (CB), Median-Quartile I, called Not Good (TB), Quartile I, called Very Bad (STB) [21]. Data analysis used is a verification analysis is to test the hypothesis about the influence of government role on the economy creative and economic growth as well as its impact on people's purchasing power. In this connection the data processing uses inferential statistics, especially by using PLS-PM (Partial Least Square Path Modeling) or structural equation model with PLS method. It is used on the grounds that the proposed research model involves a formative and reflective measurement model on the measurement model so that the appropriate model for this case is the PLS-PM model [22, 23].

3. Results and Analysis

The latent construction of the Role of Government (X) is measured by 4 manifest variables, namely the socialization process (X1), the traditional inheritance, values, norms and knowledge (X2), uniting group (X3), and turning on the control and control system (X4). The weight factor of each manifest variable in reflecting the Government Role variable is shown in Figure 1.

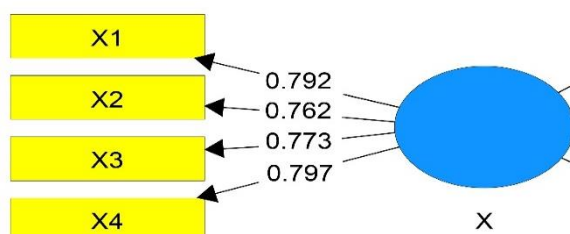


Figure 1. Second order confirmatory factor analysis variable role of government

The result of factor weight (loading factor) for the 4 manifest variables obtained shows that the indicators used to measure dimensions are valid and reliable in reflecting those variables. This is indicated by the loading value for each manifest variable greater than 0.5 but also obtained tcount value > 1.96. This means that the indicators used are significantly able to reflect on the role of the Government. Then it can be assessed the validity of each indicator as well as test the reliability of the construct of the variables studied presented in Table 1.

Table 1. Loading Variable Factor the Role of Government

Indicator	Variable Manifest	Loading Factor	Measurement Model
Giving direction to the socialization process	X1	0.792	PP = 0.792 (X1) + ε1
Inheritance of traditions, values, norms and knowledge	X2	0.726	PP = 0.726 (X2) + ε2
Unite groups or communities	X3	0.773	PP = 0.773 (X3) + ε3
Turn on the control and control system	X4	0.797	PP = 0.797 (X4) + ε4
Composite reliability(CR) = 0.855			
Average Variance Extracted(AVE) = 0.597			

The value of Composite Reliability for government role variable is 0.855, thus the construct has CR value above 0.7. The value obtained indicates the level of conformity of the indicator in forming a latent construct of 0.855 on a scale of 0-1. The average variance extracted in the government role variable is 0.597 indicating that 59.7% of the information contained in the manifest variable (all four indicators) can be reflected through the indicator. Among the indicators, Turning on the control and control system (X4) is strongest in reflecting the role variables of government. This result is in line with the opinion of the World Economic Forum, which states that one of the factors for enabling the creative economy is the role of government. It means that the government especially the local government must be active to motivate the society/the community in improving their abilities, especially in the economic field by creating a climate that stimulates the creativity of the community in accordance with the potential in their respective regions [24]. This is in accordance with the opinion of Muller at all, which state government role has a high impact on creative industry development [25].

3.1. Variable Measurement Model the Development of Creative Economy

The latent construct of creative economic development (Z1) is measured by 5 manifest variables is supporting resources (Z11), industry (Z12), financing (Z13), marketing (Z14), and technology & infrastructure (Z15). The weight factor of each manifest variable in reflecting the development of creative economy variable is shown in Figure 2.

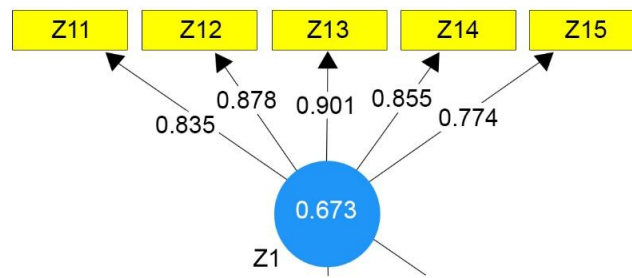


Figure 2. Confirmatory factor analysis variable development of creative economy

The result of the factor weight (loading factor) for the 5 manifest variables obtained shows that the indicator used to measure the dimension is valid and reliable in reflecting the variable. The loading value for each manifest variable greater than 0.5. The tcount value in this study is more than 1.96. It means that the indicators used are significantly able to reflect on the constructs or latent variable of creative economic development. Furthermore, it can be assessed the validity of each indicator as well as test the reliability of the construct of the variables studied presented in Table 2.

Table 2. Loading Variable Factors the Development of Creative Economy

Indicator	Variable Manifest	Loading Factor	Measurement Model
Supporting resources	Z11	0.835	$Z1 = 0.835 (Z11) + \epsilon5$
Industry	Z12	0.878	$Z2 = 0.878 (Z12) + \epsilon6$
Financing	Z13	0.901	$Z3 = 0.901 (Z13) + \epsilon7$
Marketing	Z14	0.855	$Z4 = 0.855 (Z14) + \epsilon8$
Technology and Infrastructure	Z15	0.774	$Z5 = 0.774 (Z15) + \epsilon9$
Composite reliability (CR) = 0.928			
Average Variance Extracted(AVE) = 0.722			

The value of composite reliability for the development of creative economy variable is 0.928, thus the construct has CR value above 0.7. The value obtained indicates the level of conformity of indicators in forming a latent construction of 0.928 on a scale of 0-1. The average variance of extracted value on the variables the development of creative economy is 0.722 indicates that 72.2% of the information contained in the manifest variable (the 5 indicators) can be reflected by the indicator. Among the indicators, Financing (Z13) is strongest in reflecting variables the development of creative economy. The measurement model on the variable of economic growth is not calculated, this is because economic growth is measured only through 1 manifest variable so that one indicator must be able to measure the variable of economic growth.

3.2. Variable Measurement Model Community Purchasing Power

The latent construct of community purchasing power (Y) is measured by 5 manifest variables is income per capita (Y1), elimination/reduction of poverty level (Y2), prevention of income inequality (Y3), provision of employment (Y4) and unemployment (Y5). The weight factor of each manifest variable in reflecting the community purchasing power variable is shown in Figure 3.

Figure 3 shows that there is only one manifest variable having loading factor value, income per capita, greater than 0,5. While the four other manifest variables such as elimination/reduction of poverty level, prevention of income inequality, provision of employment, and unemployment are less than 0,5. It means that the manifest variable of income per capita is significantly reflects the measurement of latent variable of community purchasing power. Through the weight of the factors contained in Figure 3 can then be assessed the validity of each indicator as well as testing the reliability of the constructed variables studied presented in Table 3.

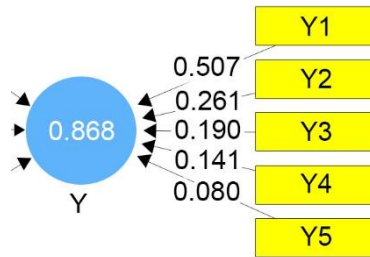


Figure 3. Confirmatory factor analysis variable community purchasing power

Table 3. Loading Variable Factors of Public Purchasing Power

Indicator	Variable Manifest	Loading Factor	Measurement Model
Income per capita	Y1	0.924	$Y = 0.924 (Y1) + \epsilon5$
elimination / reduction of poverty level	Y2	0.806	$Y = 0.806 (Y2) + \epsilon6$
prevention of income inequality	Y3	0.824	$Y = 0.824 (Y3) + \epsilon7$
provision of employment	Y4	0.750	$Y = 0.750 (Y4) + \epsilon8$
Unemployment	Y5	0.728	$Y = 0.728 (Y5) + \epsilon9$

3.3. Structural Model Analysis (Inner Model)

The structural model is a model that links exogenous latent variables to endogenous latent variables or endogenous variable relationships with other endogenous variables. Based on the results of analysis by using smart PLS version 3.2 obtained full model structural as shown in Figure 4.

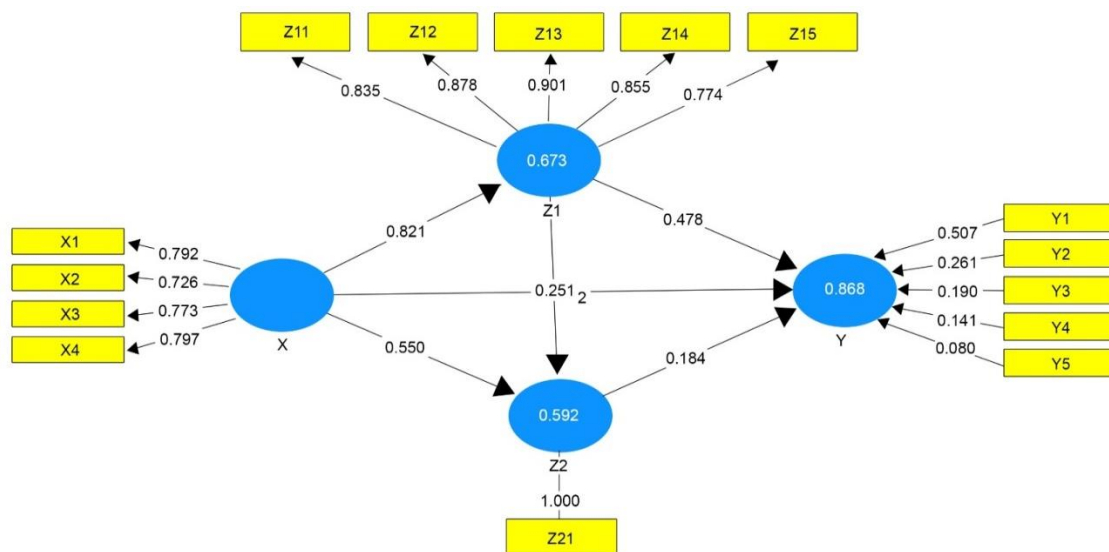


Figure 4. Full structural model

According to Figure 4, the result of the loading factor for the four manifest variables within latent variable of government role shows those four indicators used for dimensional measurement is valid and reliable. It is showed that the loading value of each manifest variable is greater than 0.5. Moreover, The Tcount is greater than the table, it is greater than 1.96. It means that the four manifest variables are able to reflect latent variable of government role. In this study, it also can be seen from the result of loading factor for the five manifest variables of latent variable of creative economic development is greater than 0.5, while tcount is greater than 1.96. It means that they are significantly able to reflect latent variable of creative economy

development. On the five manifest variables of latent variable of community purchasing power, there is only one manifest variable that its loading factor value is more than 0.5. Therefore, only one manifest variable that can be reflect latent variable of community purchasing power significantly. It is clearer to know the effect of exogenous variables on endogen, following summary of values used in structural model. The summary of statistical test results as shown in Table 4.

Table 4. Summary of Statistical Test Results

Path	Path Coefficient	t count	R square
X → Z1	0.821	30.601	0.673
X → Z2	0.550	3.802	0.592
Z1 → Z2	0.251	1.817	
Z1 → Y	0.478	5.438	
Z2 → Y	0.184	2.457	0.868
X → Y	0.342	2.915	

The role of government variable influence on development of creative economic 67.3%, while the rest 32.7 is the influence of other factors that are not observed. The variable role of government and development of creative economy give a joint influence of 59.2% on economic growth while the rest 40.8% influenced other factors not observed. Government role, development of creative economy enthusiasm and economic growth simultaneously give 86.8% influence to community purchasing power.

3.4. Hypothesis

3.4.1. The Influence of Government's Role on the Development of the creative economy.

Big direct influence is equal to $(0.821 \times 0.821 \times 100\%) = 67.3\%$. the influence of the government's role on the development of the creative economy has a tcount of 30.601 greater than 1.96 which shows that at alpha 5%, it can be concluded that the hypothesis is accepted which means government's role gives a significant influence on the development of creative economy in digital creative company in Indonesia.

3.4.2. The Influence of Government's Role on Economic Growth

Big direct effect is $(0.550 \times 0.550 \times 100\%) = 30.25\%$. the influence of the government's role on economic growth has a tcount of 3,802 more than 1.96 which shows that at alpha 5%, it can be concluded that hypothesis is accepted which means government's role gives significant influence to economic growth in handicraft industry and central souvenir in society Bogor District. The influence of government's role (X) on community purchasing power (Y) is shown by Table 4 which shows that the direct effect is $(0.342 \times 0.342 \times 100\%) = 11.7\%$. the influence of the government's role on community purchasing power has a tcount of 2,915 bigger than 1.96 indicating that at alpha 5%, it can be concluded that hypothesis is accepted which means government's role gives a significant influence to the purchase power of society on handicraft industry and central souvenir on society Bogor District.

3.4.3. Influence the development of creative economy on Community Purchasing Power

The influence of creative economic development (Z1) on community purchasing power (Y) is shown by Table 4 which shows the major direct effect is $(0.478 \times 0.478 \times 100\%) = 22.8\%$. influence the development of creative economy to the community purchasing power has a tcount of 5,438 greater than 1.96 which shows that at 5% alpha can be concluded that the hypothesis accepted which means the development of creative economy gives a significant influence on the community purchasing power on handicraft industry and central souvenir in the community of Bogor District.

3.4.4. The influence of creative economy on economic growth

The influence of creative economy development (Z1) on economic growth (Z2) is shown by Table 4 which shows the major direct effect is $(0.251 \times 0.251 \times 100\%) = 6.30\%$. The influence of the creative economy development on economic growth has a value of t count of 1.817 is less than 1.96 which shows that at 5% alpha can be concluded that the hypothesis rejected which

means creative economy gives insignificant influence on economic growth in handicraft industry and central souvenir on society Bogor District.

3.4.5. Influence of Economic Growth on Community Purchasing Power

The influence of economic growth on public purchasing power is shown by Table 4 which shows the magnitude of direct effect is $(0.184 \times 0.184 \times 100\%) = 3.38\%$. The influence of economic growth on the purchasing power of the community has a tcount of 2.457 more than 1.96 which shows that at 5% alpha can be concluded that the hypothesis is accepted which means economic growth has a significant influence on the purchasing power of society on handicraft industry and central souvenir on society Bogor District. The influence of the government's role through economic growth on community purchasing power is 59.2%.

Based on the results of previous hypothesis testing can be seen that the role of government gives a significant influence on economic growth with the coefficient of the line of 0.550, and economic growth gives a significant influence on public purchasing power with the coefficient of 0.184 line, while the direct influence of the government's role on the purchasing power of society 0.251 thus the role of government gives influence to the economic growth through people's purchasing power with a large indirect effect is $0.55 \times 0.184 = 0.1012$ and the total effect of $0.251 + 0.1012 = 0.353$ or 35.3%.

3.4.6. The influence of the government's role through the creative economy on people's purchasing power

Based on the results of previous hypothesis testing can be seen that the role of government directly gives no significant effect on the purchasing power of the community with the coefficient of the path of 0.251, and creative economy development gives a significant influence on community purchasing power with the coefficient of 0.478 line, while the coefficient of the government's role path to the economy creative is 0.821 thus the role of government gives an insignificant influence on the purchasing power of society through creative economy with a large indirect effect is $0.821 \times 0.478 = 0.3924$ and the total effect of $0.251 + 0.3924 = 0.643$ or 64.3%.

4. Conclusion

Based on hypothesis result that government role has a positive and significant effect toward community purchasing power through developing creative economy. In this line, government should facilitate the bussiness actors both the owners and the workers in increasing their capital by giving access to finance agency or bank in order to obtaining soft loan for their bussiness. The government should aslo make a cooperation with other local governments and province government in providing raw materials that is needed by the bussiness actors to run their bussiness for long time. Government should facilitate the bussiness actors in expanding the marketing of their home made industry product to other area or other country to run their bussiness well.

Implication of this study, it is expected that the Local Government of Bogor release the clear regulation on budget allocation for developing creative economy, and release mechanism SOP to facilitate micro industries in taking part of KUR program. It is also expected to do advanced study about accurat marketing stratgey in order to market creative economy product nationally and internationally. Futhermore, the study would also find a good formula in cooperation to provide sustainable raw material product.

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