

UDC 332

## **BALI'S ECONOMIC TRANSFORMATION BASED ON A SUSTAINABLE AGRICULTURAL SECTOR**

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### **ABSTRACT**

Economic development has the primary goal of increasing sustainable economic growth. Changes in the growth rate in business sectors that contribute to economic growth may occur. This condition also occurred in Bali Province during the COVID-19 pandemic. Economic growth in order to improve welfare must occur even though the pandemic is happening. Economic transformation is an effort to respond to the phenomenon of changes in economic structure. This study discusses changes in economic structure and economic transformation that can be carried out in Bali Province. Changes in the economic structure of Bali from before COVID-19 to after COVID-19 have occurred. This indication can be seen from the decline in the growth rate in 17 business sectors that contribute to GRDP. Bali's economic transformation based on a sustainable agriculture sector can be realized, especially in response to the economic downturn due to the COVID-19 pandemic.

### **KEY WORDS**

Job Satisfaction, organizational commitment, work family conflict, work stress.

Regional development programs have a significant role in equitable distribution and expansion of development. The main goal of regional development efforts is to increase the number and types of job opportunities for local communities (Mo et al., 2020). Regional development can be done by managing resources efficiently and creatively through the local economic system's structured division of labour (Azzat & Mujiraharjo, 2020). The design of regional economic development requires an in-depth analysis of the specific roles of each region.

Regional development is generally focused on economic development through economic growth efforts (Lu et al., 2019). Economic growth is related to an increase in the production of goods and services, which can be measured by a quantity called Gross Regional Domestic Product (GRDP) (Hidayah & Tallo, 2020). The main factor determining economic growth is the demand for goods and services from outside the region so that local resources can generate regional wealth because it can create job opportunities in the region.

Efforts to increase economic growth and regional equity require development strategies and policies that are by the potential and problems that exist in each region in the development area (Liang et al., 2020). The government implements these policies regionally and sectorally. Regional policies are directed at developing the potential and capabilities of existing resources, while sectoral policies emphasize managing development consisting of various economic sectors (Dutu, 2016). The use of sectoral development policies is more directed at increasing production and productivity and building physical facilities and infrastructure that directly support basic needs (Apergis & Poufinas, 2020).

Economic development has the primary goal of increasing economic growth that continues from time to time. According to Todaro (2011), economic growth is an increase in output from time to time and is one of the essential indicators to measure the success of a country's development. Sukirno (2011) states that economic growth is a development of activities in the economy that causes goods and services produced in society to increase and people's prosperity to increase. High and sustainable economic growth is the primary condition for the continuity of economic development and increased welfare (Tambunan, 2015).

Economic development is always marked by a structural transformation where in this period, some sectors grew faster than other sectors (Mecik, 2014). Structural transformation is defined as a change in the economic structure from a traditional sector with low productivity to an economic sector with high productivity (Szirmai et al., 2012).

Based on Arthur Lewis' two-sector development model, an underdeveloped economy consists of two sectors, first the traditional sector, namely the rural subsistence sector, which is overpopulated and characterized by the marginal productivity of equal labour to zero. The condition of surplus labour (surplus labour) is a fact that if part of the workforce is withdrawn from the agricultural sector, the sector will not lose its output and the modern urban industrial sector which has a high productivity level and becomes a shelter for the transferred labor. bit by bit from the subsistence sector.

Arthur Lewis' two-sector model focuses its main attention on the process of shifting labor, output growth and increasing employment in the modern sector. The transfer of labor and the growth of employment opportunities are made possible by the expansion of the output of the modern sector. The speed of expansion of employment in the industrial sector is highly dependent on the level of investment in industry and the overall accumulation of capital in the modern sector.

The increase in investment is made possible by the excess profit of the modern sector from the difference in wages with the assumption that the owners of capital engaged in the modern sector reinvest all of their profits. The next assumption is that the wage rate in the modern sector is assumed to be constant and based on a certain premise the amount is set to exceed the average wage level in the traditional subsistence agricultural sector. Wages in urban areas must be at least 30 percent higher than the average income in rural areas to force workers to move from their native villages to cities (Todaro and Smith, 2011).

The change in the economic structure was marked by a decrease in the contribution of the agricultural sector and an increase in the contribution of the industrial and service sectors, both in Gross Regional Domestic Product (GRDP) and in the absorption of labor. Economic growth and increased income will change people's consumption patterns of agricultural goods. An increase in people's income will shift people's demand from food goods (agriculture) to non-food goods (industry and services). This is in line with Engel's law which states that income elasticity of demand for agricultural goods decreases as income increases (Romli, 2016).

Changes in the economic structure due to the declining contribution of the agricultural sector and the increasing contribution of the industrial and service sectors to gross domestic product (GDP) also occurred in the province of Bali. Bali for decades has relied on the industrial and service sectors in the tourism sector. This mainstay sector has contributed greatly to Bali's economic growth, but since the outbreak of the COVID-19 pandemic, this sector has experienced a slowdown and even contraction. This condition gave rise to a discourse about the need for economic transformation to return to relying on the agricultural sector.

## LITERATURE REVIEW

### Development Theory

According to Suryana (2000), the success of a development effort is influenced by several factors. From the development experience of countries that are now advanced, the success of development is basically influenced by two main elements, namely economic elements (natural resources, human resources, capital formation and technology) and non-economics (politics, social, culture and habits). In general, development is aimed at improving the welfare of the community towards a better and more equitable direction, so that it can improve the standard of living and quality of life of the community concerned with relatively small income and welfare gaps. However, the reality speaks differently where the equity and inequality are different (Ropingi, 2002). Three development goals that are universally accepted as priority and absolute to ensure the fulfillment of basic human needs in developing countries in particular, poverty eradication/improvement of human quality of life

(poverty eradication/people livelihood improvement), and development of sustainable rural development. The three priority development goals are interrelated. Food security influences each others with poverty and with village development (Simatupang, 2004).

### **Economic Development Theory**

According to Suryana (2000), some economists distinguish the notion of economic development (economic development) with economic growth (economic growth) by interpreting the term economic development as the increase in people's per capita income, namely the rate of increase in GDP/GNP in a particular year is exceeding the rate of population growth, or the development of GDP/GNP that occurs in a country is accompanied by an overhaul and modernization of its economic structure (structural transformation).

Developed countries. Development efforts that are being actively carried out by developing countries in the world are generally oriented to how to improve or raise the living level of the people in these countries so that they can live like people in other countries. Economic development is one answer that seems to be a key to a country's success to improve its citizens' standard of living (Suryana, 2000).

Economic development is efforts to improve a nation's standard of living, which is often measured by the level of real income per capita. In general, it can be said that the level of output at a particular time is determined by the availability or use of both natural and human resources, the level of technology, market conditions and the framework of economic life or the economic system as well as the attitude of the output itself (Simatupang, 2004).

### **Regional development**

Regional development is directed to spur equitable distribution of development and its results to improve people's welfare, promote initiatives and the active role of the community and increase the optimal utilization of regional potential. 2000).

The main problem in regional development lies in the emphasis on development policies based on the region concerned's peculiarities (endogenous development) by using the potential of human resources, institutions, and physical resources. This orientation directs us to take initiatives from the region in the development process to create new job opportunities and stimulate increased economic activity (Ropingi, 2002).

The development process that leads to community empowerment starts from selecting commodities and services as well as the expertise and production methods owned by the local community as a potential to be developed and become the prime mover of these community activities. Therefore, it is hoped that the creation of added value starts from the raw material side to the product side. In turn, it is hoped that the creation of added value will increase the local community's income (Simatupang, 2004).

### **Economic Transformation**

Two main theories are usually used in analyzing economic transformation: Arthur Lewis (two-sector surplus labour) and Hollis Chenery (patterns of development). In the Lewis model, it is assumed that the economy of a country consists of two sectors, namely (1) the traditional sector with agriculture as the main sector, and (2) the modern sector with industry as the main sector. The agricultural sector experienced an oversupply of labor, while the industrial sector experienced a shortage of labor, so that the wage rate in the industrial sector was relatively higher. This attracts workers to migrate to the industrial sector, and earn higher incomes. In line with Chenery's model in the patterns of development theory, an increase in income will change the pattern of supply and demand. Changes in demand are not only interpreted as an increase in consumption but also changes in the composition of the goods consumed. This change in composition can be explained by Engel's theory, which states that if people's real income increases, the demand for non-food goods will be more significant than the growth in demand for food (Tambunan, 2003). This change in demand patterns, apart from expanding the market for existing goods, also creates new markets for non-food goods (produced by the industrial and service sectors). This is what ultimately

causes the share contribution of the industrial and service sectors in the GDP structure to increase, and changes the economic structure (Fitri, 2016).

### **Agricultural Development in Indonesia**

A study from the Center for Socio-Economic and Agricultural Policy presented by Winarso (2014) stated that the agricultural sector has a significant role in the national economy, either directly or indirectly. Direct roles include, among others, contributing to the formation of GRDP, providing food and feed, generating foreign exchange sources, providing industrial raw materials, providing employment, poverty alleviation, improving people's incomes, and sources of bioenergy. The indirect role is obtained from the multiplier effect of agricultural sector activities through the backward and forward linkage. Based on the implementation of the 2nd RPJMN (2010-2014) is aimed at further strengthening the realignment of Indonesia in all fields by emphasizing efforts to improve the quality of human resources, including the development of scientific and technological capabilities and strengthening economic competitiveness. The main targets of the 2010-2014 RPJMN national development include several essential things, including (a) people's welfare, (b) strengthening democratic development; and (c) law enforcement. Furthermore, the development targets for people's welfare include economy, education, health, food, energy, and infrastructure.

By the Strategic Plan of the Ministry of Agriculture 2010-2014 and 2015-2020, 4 (four) targets have been set, namely (a) Achieving self-sufficiency and sustainable self-sufficiency; (b) Increasing food diversification; (c) Increasing added value, competitiveness, and exports; (d) Increasing the welfare of farmers. To achieve this target, the established strategy is implemented through agricultural revitalization with a focus on seven essential aspects called the seven revitalization echoes, which consist of: (a) Land Revitalization, among others realized through verification programs, land audits, as well as paddy and land printing businesses. new farm. (b) Revitalization of Seeds and Nurseries is realized through the development of seed and seed research, as well as seed and seedling assistance programs. (c) The revitalization of Infrastructure and Facilities was realized, among others, through the improvement of village irrigation and farming roads, the development of organic fertilizers, and the rationalization of inorganic fertilizers. (d) Human Resources was revitalised through the development of human resources through the Field School method, training and apprenticeship, as well as assistance to agricultural extension workers. (e) Revitalization of agricultural financing is realized through the Agricultural Agribusiness Development Program (PUAP), Bachelor of Village Development (SMD), Community Food Distribution Institution (LDPM) and Independent Institution Rooted in the Community (LM3). (f) Revitalization of Farmer Institutions, realized through various empowerment programs for Poktan and Gapoktan and Micro Finance Institutions (LKM). (g) Revitalization of agricultural financing and revitalization of farmer institutions, will grow Microfinance Institutions (LKM) in rural areas which are expected to become the forerunner to the formation of Agricultural Banks in villages. (h) Revitalization of technology and downstream industry, is expected to grow employment and increase farmers' income. Several programs can be deployed to support, among others through development programs and assistance for agricultural machine tools such as tractors, water pumps, packing houses, mills, threshers, dryers, silos, mini-feed mills, milking equipment, Slaughterhouses (RPH), as well as compost and biogas processing equipment

### **METHODS OF RESEARCH**

This research uses qualitative study. Qualitative research intends to understand the phenomenon experienced by research subjects holistically, and by means of descriptions in the form of words and language, in a special natural context and by utilizing various scientific methods (Moleong, 2007: 6). The type of research approach is descriptive. Descriptive research is research that seeks to address existing problem solutions based on data.

## RESULTS AND DISCUSSION

Changes in Bali's Economic Structure from before the COVID-19 Pandemic to after the COVID-19 Pandemic.

Bali as a province whose economic growth has been largely driven by tourism progress also cannot avoid the negative impacts of the COVID-19 pandemic. The following shows the economic growth of districts/cities in Bali Province throughout 2016 to 2020.

Table 1 – Regency/City Economic Growth in Bali Province 2016-2020 Tahun (%)

No.	Regency/City	2016	2017	2018	2019	2020
1	Jembrana	5,96	5,28	5,59	5,56	-4,96
2	Tabanan	6,14	5,37	5,71	5,59	-6,14
3	Badung	6,81	6,08	6,73	5,81	-16,52
4	Gianyar	6,31	5,46	6,01	5,61	-8,38
5	Klungkung	6,28	5,32	5,48	5,42	-6,35
6	Bangli	6,24	5,31	5,48	5,46	-4,10
7	Karangasem	5,92	5,06	5,44	5,50	-4,45
8	Buleleng	6,02	5,38	5,60	5,53	-5,76
9	Denpasar	6,51	6,05	6,42	5,82	-9,42
	Bali	6,33	5,56	6,31	5,60	-9,31

Source: BPS Province of Bali (2021).

The data presented in Table 1 clearly shows a decline in economic growth in all districts, cities and up to the province. The COVID-19 pandemic which started in March 2020 and did not end until December 2020 has caused a very significant decline in economic growth. The lowest economic growth was experienced by Badung Regency which reached -16.52 percent. The tourism industry which is so big in Badung is really affected by this pandemic. Denpasar City also experienced a large decline which reached -9.42 percent. The third largest decline was experienced by the Province of Bali which reached -9.31 percent.

Table 2 – The Growth Rate of Bali's Gross Regional Domestic Product at 2010 Constant Prices by Category of Business Field, 2016-2020 (%)

No.	Business field	Year				
		2016	2017	2018	2019	2020
1	Agriculture, Forestry and Fisheries	3,53	2,73	4,73	3,40	1,06
2	Mining and excavation	4,28	-1,44	-2,65	-1,23	-4,28
3	Processing industry	3,36	0,80	5,69	6,85	-6,78
4	Electricity and Gas Supply	8,31	5,48	1,94	4,52	-16,49
5	Water Supply, Waste Management, Waste	6,34	2,72	2,03	5,91	-0,58
6	and Recycle	7,26	7,87	9,76	7,08	-2,49
7	Construction	6,64	7,84	7,52	7,52	-6,95
8	Wholesale and Retail Trade; Car Repair	8,03	5,00	6,13	4,69	-31,79
9	and Motorcycle	6,62	9,03	6,70	4,82	-27,52
10	Transportation and Warehousing	8,54	8,10	7,74	7,06	6,16
11	Provision of Accommodation and Drinks	8,06	2,43	1,93	8,78	-4,48
12	Information and Communication	4,85	4,34	4,07	5,87	0,48
13	Financial Services and Insurance	6,85	6,91	7,79	4,61	-4,08
14	Real Estate	5,44	-1,60	4,19	4,50	-0,60
15	Company Services	8,91	7,00	7,38	4,98	-0,59
16	Government Administration, Defense and	8,65	8,44	8,59	5,97	2,84
17	Mandatory Social Security	8,82	7,85	8,37	7,61	-6,45
	Gross Regional Domestic Product	6,33	5,56	6,31	5,60	-9,31

Source: BPS Province of Bali (2021).

The agricultural sector has been known as the only economic sector that has survived the various turmoils and crises. In fact, agriculture is considered the most resilient sector in helping Indonesia's economic stability. On the other hand, the agricultural sector in the midst of the COVID-19 pandemic can also be an opportunity for farmers to improve their welfare because food and agricultural products are starting to be sought after by consumers to meet their needs. In some cases, not a few people behaved in panic buying in response to the COVID-19 pandemic. People flocked to buy food in the market to be used as stock to meet needs for a certain period of time. This phenomenon causes the supply of food in the market

to be limited, thus pushing food prices up significantly in the midst of the outbreak of the COVID-19 Pandemic.

The role of the agricultural sector in economic growth in Bali Province shows an interesting condition to observe from 2016-2020.

The data shown in Table 2 shows the Agriculture, Forestry, and Fisheries sectors have fluctuating growth rates but do not show declining growth even though in 2020 the COVID-19 Pandemic occurred. The discourse to increase the role of agriculture to boost economic growth in the province of Bali is not a prediction without foundation. The basis in question is the magnitude of the agricultural sector's contribution to the GRDP in the Province of Bali and the growth of this sector's contribution. The contribution of the agricultural sector is presented in Tables 3 and 4.

Table 3 – The Contribution of the Agricultural Sector to the GRDP of Bali Province Based on Constant Prices in 2016 – 2020

Year	GDP (Billion Rupiah)	Agriculture Sector (Billion Rupiah)	Contribution (%)	Contribution Growth (%)
2016	137.296,45	19.295,70	14,05	1,74
2017	144.933,31	19.821,71	13,68	-0,37
2018	154.072,66	20.760,22	13,47	-0,21
2019	162.694,32	21.466,51	13,19	-0,28
2020	147.549,80	21.239,21	14,39	1,2

Source: BPS Bali Province, 2021 (data processed).

The contribution of agricultural sector to GRDP based on constant prices actually experienced a drastic increase from -0.28 percent in 2019 to 1.2 percent in 2020. The agricultural sector experienced an increase during the COVID-19 pandemic Nationally and regionally in Bali Province.

Table 4 – Contribution of the Agricultural Sector to the GRDP of Bali Province Based on Current Prices 2016 – 2020

Year	GDP (Billion Rupiah)	Agriculture Sector (Billion Rupiah)	Contribution (%)	Contribution Growth (%)
2016	194.089,58	28.143,79	14,5	1,18
2017	213.035,86	29.782,34	13,98	-0,52
2018	233.636,77	32.126,08	13,75	-0,23
2019	252.138,88	33.901,69	13,45	-0,30
2020	224.214,11	33.830,01	15,09	1,64

Source: BPS Bali Province, 2021 (data processed).

Table 4 shows that the contribution of the agricultural sector to GRDP based on current prices experienced a drastic increase from -0.30 percent in 2019 to 1.64 percent in 2020. This shows that the agricultural sector actually experienced an increase during the COVID-19 pandemic. hit nationally and regionally in the province of Bali.

The growth of the agricultural sector's contribution is increasingly showing an exciting phenomenon. The ratio of the agricultural sector's contribution to GRDP shows an increase, both at constant and current prices. The contribution growth of the agricultural sector, both based on constant and current prices, shows a ratio that continues to decline from 2016 to 2019. Different conditions occurred in 2020 which showed an increase. The increase at constant prices reached 1.2 percent, while at current prices it reached 1.64 percent. This shows that when economic growth in Bali slumped due to the COVID-19 pandemic, the agricultural sector actually experienced an increase in its contribution to GRDP. The results of these calculations can also indicate that when the tourism sector weakens due to the pandemic, the agricultural sector experiences an increase in production activity.

The data presented in Tables 3 and 4 when compared with the sluggish tourism in Bali, the agricultural sector can be a trigger for the creation of economic transformation. The economic transformation in question is starting to shift the direction of economic development from initially prioritizing the tourism sector to prioritizing the agricultural sector.

The strongest indication is known from the 17 business sectors which according to the Bali Provincial BPS in almost all sectors experienced a decline in growth rates. The

agriculture, forestry and fishery sectors, as sectors that involve a lot of labor, also experienced a decline in growth rate, but not minus.

### **Strategic Steps for Bali's Economic Transformation**

It is necessary to strengthen farmer empowerment and agricultural-based labor-intensive programs in villages with the cash for work model. So it is necessary to provide job opportunities for farmers and people who are less prosperous and unemployed or underemployed to obtain additional income and increase their income, so as to reduce poverty in rural areas and raise farmers' welfare.

Guarantee the availability and access of food for the community at affordable prices. The availability of food supplies in the midst of the COVID-19 outbreak is increasingly urgent. Preparation of food stocks must be carried out in areas that are the epicenter of the spread of COVID-19 or which have the potential to be closed in a limited area (partial lockdown).

Efforts to anticipate the occurrence of food price spikes by accurately mapping national food stocks, as well as early detection of areas that are at risk of food insecurity/crisis. In addition, the smoothness of the food logistics system between regions and the readiness of distribution to the consumer level must be guaranteed. Improvement of distribution channels for fertilizer subsidies to farmers to run more effectively and efficiently. Availability of fertilizer for farmers must be fulfilled in number with the addition of fertilizer subsidies. This is an effort to anticipate a decline in agricultural production due to the wider spread of COVID-19, especially in agricultural production centers.

Acceleration of increasing the number of farmers receiving People's Business Credit (KUR) by simplifying the mechanism and requirements for KUR distribution. The increase in the number of KUR recipients is also carried out by increasing the role of farmer cooperatives and corporations as avalists. In addition, the postponement of credit repayment payments for one year to farmers/agricultural MSME actors affected by COVID-19. The policy is temporary, only in effect in 2020.

Providing stimulus or incentives to farmers in maintaining and increasing agricultural production amid the pressure of the wider spread of COVID-19. This is done simultaneously with an increase in the number of agricultural insurance through additional allocation of subsidized agricultural insurance premiums. Food price stabilization needs to be carried out, both at the farmer and consumer level, including increasing low-cost market activities (government subsidies) for households and SMEs in the agricultural sector. Strengthening Indonesia's agricultural exports in the midst of the COVID-19 pandemic through increasing added value and competitiveness, optimizing trade negotiations, and expanding export markets to non-traditional trading countries. It is necessary to strengthen farmer empowerment and agricultural-based labor-intensive programs in villages with the cash for work model. So it is necessary to provide job opportunities for farmers and people who are less prosperous and unemployed or underemployed to obtain additional income and increase their income, so as to reduce poverty in rural areas and raise farmers' welfare.

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The government has a big role to play in supporting the improvement of farmers' welfare (Bahri, 2019). One of the government's roles is as a facilitator who encourages farmers' business ideas to be realized and have a high selling value. The government's mediating role will be able to assist farmers in dealing with conflicts and product marketing difficulties. The government as a policy maker should be able to make regulations that favor farmers. The government as a motivator will be able to encourage farmers to be better able to develop themselves.

Innovations in the form of new ideas that are realized will actually be able to support improving the welfare of farmers (Ananto, 2018). The resulting innovation should not only be about new things. Aspects of economic benefits also need to be taken into account in making innovations so that they can trigger an increase in welfare. Human resources play a major role in efforts to improve the performance of farmer groups. Farmers are often judged to have low quality human resources. It is necessary to improve the quality of human resources in order to carry out the functions of farmers as they should be in an effective, efficient and continuous manner. The ultimate goal is of course to further improve the performance of farmer groups and their welfare (Mulyati, 2020).

Sustainable agricultural sector-based economic transformation can be carried out in Bali. Strategic steps should be carried out. The steps in question are those related to capital, government support, innovation and farmer institutions. This transformation, of course, does not necessarily replace the main sector which has also contributed to Bali's economic growth. This economic transformation by prioritizing the economic sector is of course aimed at increasing the economic growth of the Province of Bali in order to achieve a post-pandemic economic revival.

## **CONCLUSION**

The discussion of the results of this study has resulted in the following conclusions changes in the economic structure of Bali from before COVID-19 to after COVID-19 have occurred. This indication can be seen from the decline in the growth rate in 17 business sectors that contribute to GRDP. This decline occurred during COVID-19 until the growth rate reached a minus value in many sectors. The business sectors that are considered safe and indicate a change in the economic structure are the agriculture, forestry and fisheries sectors. Strategic steps for Economic Transformation in Bali. The steps in question are related to capital, government support, innovation and farmer institutions. The steps in question are those related to capital, government support, innovation and farmer institutions

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