UDC 332

THE EFFECT OF FINANCIAL INDEPENDENCE, CAPITAL EXPENDITURE, AND LABOR FORCE PARTICIPATION LEVEL ON ECONOMIC GROWTH AND WELFARE IN BALI REGENCY / CITY

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ABSTRACT
The purpose of this study is to analyze the influence of Financial Independence, Capital Expenditure, and Labor Force Participation Rate on economic growth and community welfare, the indirect influence of Financial Independence and Capital Expenditure on economic growth through the Labor Force Participation Rate, and the indirect influence of Financial Independence, Capital Expenditure on People's Welfare through The Labor Force Participation Rate (TPAK) and economic growth. This research was conducted in Bali Province using secondary data published by the Central Statistics Agency (BPS) using panel data from 9 districts/cities for ten years, bringing the number of observations to 90. Data analysis uses path analysis with PLS software. In addition, a descriptive statistical analysis is performed for each variable. The study's results proved that Financial Independence and Capital Expenditure have a positive and significant effect on the Labor Force Participation Rate (TPAK); Financial Independence, Capital Expenditure, and Force Participation Rate have no significant effect on economic growth. Financial Independence, Capital Expenditure, Labor Force Participation Rate (TPAK), and economic growth have a positive and significant effect on people's welfare; there is no significant influence on economic growth. Financial Independence, Capital Expenditure, Labor Force Participation Rate (TPAK), and economic growth have a positive and significant effect on people's welfare; there is no effect on the welfare of the community. Direct financial independence and capital expenditure significantly on economic growth through the Labor Force Participation Rate (TPAK) in Regencies / Cities in Bali Province, and there is a significant favorable influence on financial independence and capital expenditure on community welfare through the Level of Labor Force Participation (TPAK) and economic growth in regencies/cities in Bali Province.

KEY WORDS
Financial independence, capital expenditure, TPAK, economic growth, well-being.

The Covid-19 pandemic has significantly impacted almost all aspects of life, including the tourism sector, due to increased travel restrictions, cancellations of significant events, and reluctance to travel internationally and domestically. The Covid-19 condition has had a significant impact on various sectors, especially tourism actors and businesses, mainly since Bali relies heavily on the tourism sector, so this has a significant impact on the level of community welfare in Bali Province (Purwahita, 2021).

Community welfare is the goal of development; community welfare can be seen in increasing economic growth and equitable income distribution. Determining policies in the development process aims to achieve just and prosperous welfare in society (Pratiwi and Indrajaya, 2019). Indications of improving community welfare as a barometer of success can be seen in the quality of the Human Development Index (HDI) or Human Development Index (HDI). Table 1 show that the HDI index in Bali Province has increased from 2011 to 2020, but when viewed from the HDI growth rate, the data shows that the lowest HDI growth occurred in 2020, with a growth rate of only 0.16%. HDI data that experienced a slowdown in 2020 occurred in all urban districts in Bali Province. The level of community welfare in regencies/cities in Bali Province is experiencing a decline in 2020 due to the Covid-19 pandemic. Based on the slowing HDI growth, which indicates that people's welfare is declining, it is interesting to research factors affecting people's welfare.

Table 1 – Growth of Human Development Index in District/City in Bali Province in 2011 – 2020 (Index)

Regency/ City	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jembrana	68,00	67,94	68,39	68,67	69,66	70,38	70,72	71,65	72,35	72,36
Tabanan	71,00	71,69	72,31	72,68	73,54	74,19	74,86	75,45	76,16	76,17
Badung	77,00	77,26	77,63	77,98	78,86	79,80	80,54	80,87	81,59	81,60
Gianyar	72,00	73,36	74,00	74,29	75,03	75,70	76,09	76,61	77,14	77,36
Klungkung	67,00	67,64	68,08	68,30	68,98	69,31	70,13	70,90	71,71	71,73
Bangli	64,00	64,53	65,47	65,75	66,24	67,03	68,24	68,96	69,35	69,36
Karangasem	62,00	62,95	63,70	64,01	64,68	65,23	65,57	66,49	67,34	67,35
Buleleng	68,00	68,29	68,83	69,19	70,03	70,65	71,11	71,70	72,30	72,55
Denpasar	80,00	80,45	81,32	81,65	82,24	82,58	83,01	83,30	83,68	83,93
Bali Province	71,00	71,62	72,09	72,48	73,27	73,65	74,30	74,77	75,38	75,50
Growth	1,28%	0,87%	0,66%	0,54%	1,09%	0,52%	0,88%	0,63%	0,82%	0,16%

Source: Central Bureau of Statistics of Bali Province, 2021.

Research by Mulia and Saputra (2020) stated that economic growth, as measured by Gross Regional Domestic Product (GRDP), has a positive and significant influence on people's welfare. Aprilia and Kurniawan's research (2018) also state that economic growth significantly affects people's welfare. However, different results were obtained in the research of Pratiwi and Indrajaya (2019), which found that economic growth did not positively affect people's welfare. The results of previous studies are inconsistent; it is interesting to do research again related to the welfare of the people affected by economic growth.

Economic growth, in addition to increasing output, goods, and services to meet the growing needs of life, is also essential to improve the community's standard of living and quality of life (Nisa and Handayani, 2021).

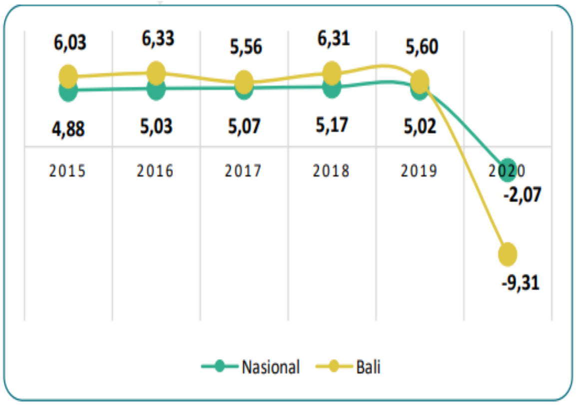

Figure 1 – Bali and National Economic Growth Rate 2016-2020 (Percent).
Source: Central Bureau of Statistics of Bali Province, 2021

The data, according to the Central Statistics Agency for the Province of Bali in Figure 1 shows the level of economic growth in the Province of Bali, which has experienced a drastic decline. In 2020, Bali's economic growth was recorded as a minus or a contraction of as deep as -9.31 percent. This figure experienced a change in direction compared to the previous year, which still recorded a positive growth of 5.60 percent. Bali's economic growth was recorded as lower than the national figure, which also contracted -2.07 percent. Even if Bali's growth is compared with other provinces, this growth in 2020 is recorded as the lowest nationally.

Table 2 shows the development of economic growth in the districts/cities of Bali Province in 2011-2019, experiencing fluctuations. The economic growth rate increased from 2011 to 2012, respectively at 6.66 percent and 6.96 percent. The rate of economic growth decreased from 6.96 percent to 6.69 percent. This was due to the high rate of inflation in 2013. The rate of economic growth in the Province of Bali in 2017 decreased again by 5.56 percent this is because in 2017 Mount Agung erupted, causing the international airport to be closed, resulting in a decrease in tourist visits to Bali and a reduction in occupancy rates, accommodation, food and beverages. Furthermore, the lowest economic growth rate occurred in 2020, namely in every district/city in Bali Province during 2020, the economy experienced a slowdown and even tended to be minus. This condition is due to the Covid-19 pandemic, which paralyzes tourism activities in Bali because the international airport is closed so there are no tourist visits to Bali. In addition, most hotels and restaurants in Bali are closed from early April 2020 (Kompas.com, 2020). Along with the increasing corona outbreak, the number of employees who have been laid off is increasing.

Table 2 – Economic Growth Rate by Regency/City in Bali Province, 2011-2020 (Percent)

Regency/City	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jembrana	5,89	6,11	5,69	6,05	6,19	5,96	5,28	5,59	5,56	-4,96
Tabanan	6,11	6,12	6,45	6,53	6,19	6,14	5,37	5,73	5,60	-6,14
Badung	7,07	7,64	6,82	6,98	6,24	6,81	6,08	6,74	5,83	-16,52
Gianyar	7,15	7,08	6,82	6,80	6,30	6,31	5,46	6,03	5,64	-8,38
Klungkung	6,11	6,25	6,05	5,98	6,11	6,28	5,32	5,50	5,44	-6,35
Bangli	6,14	6,20	5,94	5,83	6,16	6,24	5,06	5,48	5,47	-4,10
Karangasem	5,43	5,93	6,16	6,01	6,00	5,92	5,38	5,62	5,50	-4,45
Buleleng	6,44	6,78	7,15	6,96	6,07	6,02	6,05	6,43	5,55	-5,76
Denpasar	7,16	7,51	6,96	7,00	6,14	6,51	6,05	6,43	5,84	-9,42
Bali Province	6,66	6,96	6,69	6,73	6,03	6,33	5,56	6,33	5,63	-9,31

Source: Central Bureau of Statistics of Bali Province, 2021.

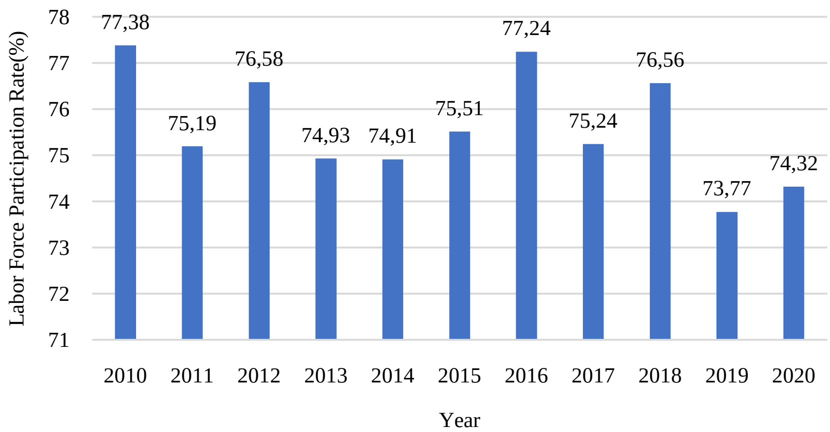

Figure 2 – Bali Province Labor Force Participation Rate 2010-2020 (Percent)

The labor force participation rate (TPAK) is one measure that is often used to see fluctuations in the participation of the working-age population in economic activities. LFPR is the ratio between the population engaged in economic activities or the so-called labor force (working or looking for work) to the entire working-age population (Mirah et al., 2020). Figure 2 shows that the lowest labor force participation rate in Bali Province occurred in 2019; this is because the Covid-19 pandemic has closed many hotel and restaurant sectors, so many workers are laid off, and there are fewer job opportunities in Bali Province. The total labor force participation rate in the Province of Bali is still very high, especially in areas with high population and low human resources. It is difficult to find work and become unemployed, which makes them unable to meet their daily needs, so the level of community welfare in the area is low. The growth of the labor force participation rate without being matched by the availability of jobs will create income inequality, thereby affecting the decline in economic growth and people's welfare. Neoclassical theory by Harrod Domar and Robert Solow suggests that capital formation strongly influences economic growth. Therefore, capital must be used effectively. The capital referred to in this study is related to regional financial independence and capital expenditure of a region. An area is said to be more independent if the area does not depend on central government assistance. In this case, independent regions have high Regional Original Income (PAD).

Table 3 – District/City Financial Independence Level in Bali Province, 2011-2019 (Percent)

Regency/City	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jembrana	6,38	7,13	8,52	8,70	8,85	9,24	10,09	11,62	11,68	10,78
Tabanan	14,82	15,87	16,18	16,27	16,34	16,99	21,08	20,20	16,51	15,80
Badung	62,43	66,03	68,98	72,94	75,82	73,83	86,21	88,34	90,00	85,90
Gianyar	19,71	21,69	21,09	24,21	26,76	30,10	36,87	39,27	28,53	34,06
Klungkung	6,91	6,75	6,77	9,10	10,93	11,86	13,40	18,11	13,14	12,55
Bangli	4,05	6,26	5,98	8,25	10,07	9,93	10,75	10,41	9,99	10,53
Karangasem	8,97	9,71	9,20	11,80	13,66	13,24	21,45	17,45	15,12	16,19
Buleleng	8,97	9,71	9,20	11,80	13,66	13,24	21,45	17,45	15,12	14,19
Denpasar	28,41	29,49	37,93	39,34	40,56	38,10	45,32	41,90	33,11	40,48
Average	17,85	19,18	20,43	22,49	24,07	24,06	29,62	29,42	25,91	26,72

Source: Central Bureau of Statistics of Bali Province, 2021.

Table 3 shows that regional financial independence in Bali Province continued to increase from 2011 to 2017, then decreased until 2020 to reach 26.72 percent. The high levels of financial independence indicate that the area can encourage economic growth. An increasingly independent region, reduces dependence on the central government so that good regional finance will affect the progress of a region. Table 1.3 shows that the highest level of financial independence is occupied by Badung Regency each year, and the lowest level of financial independence is occupied by Bangli Regency, meaning that on average. The proportion of Badung Regency's original regional income reaches a relatively large income from each region.

In addition to the regional independence ratio, there are effectiveness, efficiency, and compatibility ratios that show the tendency of regional spending patterns to use funds for spending that are closely related to efforts to improve the regional economy for the welfare of the community. According to Mirza (2012), the increasing economic growth, the higher the growth of output per capita and increasing welfare because people's purchasing power is one of the composite indicators in the HDI. The income indicator and an increase in the economic growth rate will be accompanied by an increase in people's welfare in the provinces in Indonesia (Sulistiawati, 2012). From the problems that exist in financial independence in the Province of Bali which is still dependent on the central government due to several existing factors, it is hoped that this research can provide input or benefits to local governments. The management of the potential that exists in an area can be maximized, such as natural wealth, taxes, and infrastructure. So that the regions can continue to develop so that regional finances continue to increase it will reduce dependence on the central government.

The higher the contribution of PAD, the higher the ability of the region to finance itself; thus, this will impact positive financial performance. Positive financial performance can be interpreted as regional financial independence in financing regional development needs and supporting the implementation of autonomy in the region (Pambudi, 2008). Financial independence describes the level of community participation in regional development. The higher the level of independence of a region can indicate a significant community contribution in paying regional taxes and levies, both of which are components of Regional Original Income (Ulum, 2009).

In addition to regional financial independence, another factor that influences the improvement of community welfare and economic growth is the capital expenditure variable. Capital expenditures are regional expenditures carried out by local governments, including development and improvement of the sector, education, transportation health.

Table 4 shows that the realization of capital expenditure in regencies/cities in Bali Province from 2011-2020 fluctuates yearly. The data also shows that the highest APBD realization in 2012-2020 occurred in Badung Regency, while the lowest in 2011 was in Denpasar City, then the lowest in 2020 was in Buleleng Regency. This inequality in the realization of the APBD certainly has an influence on economic growth and community welfare.

The capital expenditure variable significantly affects people's welfare as measured by the human development index. This means that every increase in capital expenditure of 1 million rupiahs will cause an increase in the human development index. This means that the higher the government budget for capital expenditures, the higher the human development index. So that with the capital expenditure from the government to provide public goods in the aspects of education, health, infrastructure and other public goods, it can realize a better quality of human resources (Nisa and Handayani, 2017).

Table 4 – Regency/City Capital Expenditure Ratio in Bali Province, 2011-2019 (Percent)

Regency/City	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jembrana	15,66	18,47	21,87	10,98	19,63	29,54	27,58	33,70	20,12	17,34
Tabanan	10,82	13,60	11,17	8,94	7,31	13,49	23,94	22,22	17,31	15,63
Badung	13,39	26,50	31,21	28,95	27,35	31,11	23,96	22,76	27,35	25,23
Gianyar	13,73	12,41	14,97	14,06	13,34	18,61	21,38	15,23	13,34	14,18
Klungkung	16,34	15,39	12,81	13,43	13,83	20,42	17,18	13,45	9,64	12,08
Bangli	20,87	13,94	8,46	11,25	13,06	25,61	21,76	16,94	13,06	15,71
Karangasem	17,56	20,82	16,80	15,18	13,91	16,44	17,96	11,69	13,20	12,29
Buleleng	12,72	11,45	14,36	12,85	11,78	12,90	14,80	11,00	12,13	11,28
Denpasar	8,83	16,95	17,67	14,53	11,89	14,40	14,19	13,80	11,89	12,36
Average	14,44	16,61	16,59	14,46	14,68	20,28	20,31	17,87	15,34	15,12

Source: Central Bureau of Statistics of Bali Province, 2021.

The results of Arini's research (2016) found that capital expenditure positively affects people's welfare. This means that the increase in capital expenditure will have a positive impact, namely increasing the level of community welfare. Arini (2016) also states that capital expenditure positively affects people's welfare. Capital expenditures are intended to obtain local government fixed assets, namely equipment, buildings, infrastructure, and other fixed assets. With an increase in government spending, especially capital expenditures, it is expected to encourage an increase in the community's economy, which in turn can spur growth in per capita income. In addition, the increase in capital expenditures is also expected to be a driving factor for the emergence of various new investments in the regions in optimizing the utilization of various resources so that, in the end it can increase regional economic growth. However, different results were obtained by Yunus and Amirullah (2019) who stated that capital expenditure had no significant effect on economic growth. This is because capital expenditures that are budgeted and implemented cannot directly affect economic growth, where capital expenditures take time in the process, starting from the budget, then implementation can only be used or utilized by the community to improve the economy. Then capital expenditures for development cannot always be directly used by all levels of society in the economy, such as buying land for regional assets, so they have to wait for new facilities and infrastructure to be used.

Based on the Covid-19 phenomenon, which causes the rate of economic growth and the level of community welfare in districts/cities in Bali Province to decline, as well as the inconsistent results of previous research (research gap). It is interesting to research the influence of financial independence, capital expenditure, and the level of labor force participation on economic growth and welfare in the districts/cities of the Province of Bali.

To analyze the financial independence of the Bali Province in the era of regional autonomy for the 2011-2018 period, the hypotheses in this study are as follows H1: Financial Independence, Capital Expenditures have a positive effect on LFPR in the Regency/City of Bali Province, H2: Financial Independence, Capital Expenditures, TPAK has a positive effect on economic growth in the Regency / City of Bali Province, H3: Financial Independence, Capital Expenditure, TPAK, Economic growth has a positive effect on Welfare in the Regency / City of Bali Province. H4: Financial Independence, Capital Expenditure, indirect effect on economic growth through LFPR in the Regency/City of Bali Province. H5: Financial

Independence and Capital Expenditure indirectly affect welfare through LFPR and economic growth in the Regency/City of Bali Province.

METHODS OF RESEARCH

The data type in this study is quantitative data, i.e. panel data, and the study data source is secondary data. This research was conducted in Bali. The sample he was used with secondary data (time series) for 10 years from 2011 to 2020. The location of this study is the entire province of Bali using data published by the Central Statistical Office (BPS). The subject of this study is the impact of financial independence, capital investment, and labor force participation rate on economic growth and prosperity in districts/cities of Bali from 2011-2020.

The exogenous variable used in this study is financial independence (X1) as measured by the ratio of local revenue to total provincial income and capital expenditure (X2). The intermediate variables in this study are LFPR (Y1) and economic growth (Y2). The endogenous variable in this study is public welfare (Y3). The method of data collection in this study is to use the method of observation, literature study,

Hypothesis testing uses data analysis techniques, namely path analysis, by testing each variable's direct and indirect effects on the dependent variable using the SEM-PLS test and descriptive statistical analysis for each variable. The structural equation system in this study:

Relationship between X_1 and X_2 on Y_1:

$$Y_1 = \beta_1 X_1 + \beta_2 X_2 + \varepsilon_1 \quad \text{..(1)}$$

Relationship between X_1, X_2, and Y_1 on Y_2:

$$Y_2 = \beta_3 X_1 + \beta_4 X_2 + \beta_5 Y_1 + \varepsilon_{2.} \quad \text{..(2)}$$

Relationship between X_1, X_2, Y_1, and Y_2 on Y_3:

$$Y_3 = \beta_6 X_1 + \beta_7 X_2 + \beta_8 Y_1 + \beta_9 Y_2 + \varepsilon_{3.} \quad \text{.................................(3)}$$

Where: X_1 = Financial autonomy (Percent); X_2 = Capital expenditure (Percent); Y_1 = Labor Force Participation Rate (Percent); Y_2 = Economic growth (Percent); Y_3 = Public welfare (IPM Point); β_1, β_2….B_9 is the path coefficient; ε_1, ε_2….ε_3 is an error.

RESULTS AND DISCUSSION

The descriptive analysis in this study is based on panel data, a combination of cross section and time series data as shown in Table 5 as follows.

Table 5 – Variable Description

	Unit	Minimum	Maximum	Mean	Std. Deviation
X1	Percent	4.05	90.00	23.9753	21.49333
X2	Percent	7.31	33.70	16.5693	5.75300
Y1	Percent	67.36	88.06	76.4443	4.59248
Y2	Percent	-16.52	7.64	4.7790	4.25728
Y3	Index	61.60	83.93	72.3628	5.69375

Source: Research Results, 2022.
Note: X1 = Financial autonomy, Y2 = Economic growth, X2 = Capital Expenditure, Y3 = Public welfare, Y1 = Labor Force Participation Rate.

Table 5 describes that the financial independence variable has a maximum and minimum value of 90 percent and 4.05 percent, respectively, with an average of 23.97

percent and a standard deviation of 21.49 percent. When viewed from the mean or average, the Labor Force Participation Rate has the largest average value compared to other variables, then followed by the variables of community welfare, financial independence and capital expenditures, while the variable Economic growth has a mean value of 4.78 and standard deviation 4.26. This means that among the variables analyzed, the percentage of economic growth that has the smallest average coefficient of variation.

Suppose it is reviewed based on the lowest and highest data in the last year in 2020. In that case, it is known that the lowest financial independence is in Bangli Regency, while the highest financial independence in 2020 is in Badung Regency. Furthermore, the data shows that the lowest capital expenditure in 2020 is in Buleleng Regency, while the highest capital expenditure in 2020 is in Badung Regency. The lowest Labor Force Participation Rate in 2020 is in Denpasar City, while the highest Labor Force Participation Rate in 2020 is in Bangli Regency. The lowest economic growth in 2020 is in Badung Regency, while the highest growth in 2020 is in Bangli Regency. The lowest community welfare in 2020 is in Karangasem Regency, while the highest community welfare in 2020 is in Denpasar City.

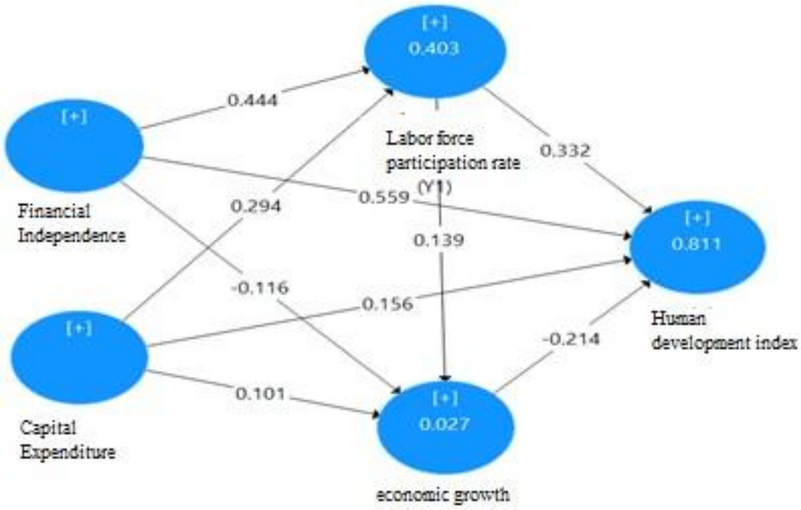

Figure 3 – Path Coefficient of Effect of Financial Independence and Capital Expenditure on Labor Force Participation Rate, Economic Growth, and Community Welfare in Regencies/Cities in Bali Province (2011-2019). Source: Data processed, 2022.

Based on Figure 3 regarding the path coefficient between variables, none of which has a path coefficient of more than 1, there are no symptoms of multicollinearity. Assessing the inner model is tantamount to looking at the relationship between latent variables by looking at the estimated path coefficient and its significance level.

Table 6 – R-square value of the Variable Labor Force Participation Rate, Growth Economy and Community Welfare

Latent variable	R-Square	Information
Labor Force Participation Rate	0,403	Moderate
Economic growth	0,027	Weak
Public welfare	0,811	Strong

Source: Data processed, 2022.

Table 6 shows the R-square value of 0.403 for the Labor Force Participation Rate variable. This means that the variables of financial independence can explain the variability of the Labor Force Participation Rate and capital expenditure of 40.3 percent, and other factors explain the remaining 59.7 percent. Furthermore, the economic growth variable with an R-square of 0.027 means that this variable can be explained by the variables of financial independence, capital expenditure, and the Labor Force Participation Rate of 2.7 percent.

Other factors explain the remaining 97.3 percent. While the R-square value of the poverty level variable is 0.811, the variability of community welfare can be explained by financial independence, capital expenditure, Labor Force Participation Rate, and economic growth of 81.1 percent, and other factors explain the remaining 18.9 percent.

Chin (1998) grouped the R-square into three categories, namely substantial (> 0.67), moderate (0.19 – 0.67), and weak (< 0.19). So that the R-square value for the capital expenditure variable is in the moderate category, while the R-square value for the variable economic performance and community welfare is in a strong category. Based on R2 in Table 5.10, it can be calculated Q2 or Stone Geiser Q-Square test, namely:

$$Q^2 = 1 – (1 – R_1^2) (1 – R_2^2) (1 – R_3^2) = 0,890$$

The result of the Q2 calculation is 0.890, so it can be interpreted as having a strong predictive prevalence, so the resulting model is suitable for predicting. The figure of 0.8903 can be interpreted that the variation in community welfare of 89.03 percent can be explained by variations in the variables of financial independence, capital expenditure, Labor Force Participation Rate, and economic growth, while other variables outside the model explain the remaining 10.97 percent.

Table 7 – Coefficient Value of Direct Influence Between Variables of Financial Independence and Capital Expenditure on Labor Force Participation Rate, Economic Growth and Community Welfare in Regencies/Cities in Bali Province in 2011-2019

No	Relationship between variables	*Path Coefficient*	*Standard Devisiasi*	T *Statistics*	*P Values*
1.	X1 - > Y1	0,444	0,100	4,450	0,000
2.	X2 - > Y1	0,294	0,087	3,371	0,001
3.	X1 - > Y2	-0,116	0,153	0,075	0,451
4.	X2 - > Y2	0,101	0,072	1,398	0,163
5.	Y1 - > Y2	0,139	0,116	1,202	0,230
6.	X1 - > Y3	0,559	9,000	9,511	0,000
7.	X2 - > Y3	0,156	0,056	2,763	0,006
8.	Y1 - > Y2	0,332	0,076	4,345	0,000
9.	Y2 - > Y3	-0,214	0,083	2,575	0,010

Source: Data processed, 2022.
Information: X1 = Financial autonomy, Y2 = Economic growth, X2 = Capital Expenditure, Y3 = Public Welfare, Y1 = Labor Force Participation Rate.

The analysis results show that the relationship between X1 and Y1 has a t-statistic value of 4.450, with a positive path coefficient value of 0.444 and a p-value of 0.000 <0.05. The accepted hypothesis shows that financial independence positively and significantly affects labor force participation in Kabupaten/ City in Bali Province. This means that if financial independence is high, then on average the Labor Force Participation Rate is also high. These results are in accordance with the research of Winarna (2010); Steven and McGowen (1983) which states that the number of workers is a potential resource as a mover, initiator and implementer in an area, so that these resources can determine the progress or decline of the area concerned.

The results of the analysis show that the relationship between X2 and Y1 has a t-statistic value of 3.371, with a positive path coefficient value of 0.294 and a p-value of 0.001 <0.05, so that the hypothesis is accepted, which shows that capital expenditure has a positive and significant effect on the level of labor force participation. City in Bali Province. This means that if the capital expenditure is high, then the Labor Force Participation Rate is also high on average. So, the more economic activity activities, the greater the TPAK of an area/region. LFPR indicates the percentage of the working-age population that is economically active in a country/region. The higher the LFPR, the higher the labor supply (labor supply) available to produce goods and services in an economy. Increase labor productivity through increasing budget allocations for education in order to improve the quality of the workforce, provide skills training for workers and expand employment opportunities so that output increases and in the end can spur economic growth in each Province.

City in Bali Province. The results of the analysis show that the relationship between X1 and Y2 has a t-statistic value of 0.075, with a negative path coefficient value of -0.116 and a p-value of 0.451>0.05. The hypothesis is rejected, which shows that financial independence has a negative and insignificant effect on the economic growth of the district. This means that if financial independence is low, then the average economic growth does not increase significantly. This result is in accordance with Siregar's (2016) research which found that fiscal independence had no significant effect on economic growth. This research is not in line with the research of Suci (2013) and Yuana (2014) which state that the more independent a region will be, the more flexible it will be in carrying out economic development, so that it will increase economic growth. This study supports the findings of Amalia and Suwarno (2021) who found that regional financial capacity has a negative and insignificant effect on economic growth, meaning that the higher the level of regional financial capacity, the lower the level of economic growth.

The results of the analysis show that the relationship between X2 and Y2 has a t-statistic value of 0.101, with a positive path coefficient value of 1.398 and a p-value of 0.163>0.05, so the hypothesis is rejected. The capital expenditures have a positive and insignificant effect on the economic growth of districts/cities in the Province of Bali. This means that if capital expenditure is high, the average economic growth is also low. This result is in accordance with Hakim's (2020) research which found that capital expenditure has no significant effect on economic growth. This study does not support the results of research by Sularso and Restianto (2011), Daniar (2016), Hakim (2016), Yunus and Amirullah (2019) which found that the increase in government capital expenditure consisting of land capital expenditure; capital expenditures for equipment and machinery; and other capital expenditures will have a positive impact on economic growth.

The results of the analysis show that the relationship between Y1 and Y2 has a t-statistic value of 0.139, with a positive path coefficient value of 0.139 and a p-value of 0.230> 0.05, so the hypothesis is rejected. The level of labor force participation has a positive and insignificant effect on economic growth in the district. /City in Bali Province. If the labor force participation rate is high, the average economic growth will not increase significantly. This result is by the research of Anggraeni (2011) which states that LFPR does not significantly affect GRDP growth.

Bali. The results of the analysis show that the relationship between X1 and Y3 has a t-statistic value of 9.511 with a positive path coefficient value of 0.559 and a p-value of 0.000 <0.05. The hypothesis is accepted, which shows that financial independence has a positive and significant effect on the welfare of the Regency/City community in the Province. This means that if financial independence is high, then the average welfare of the community is also high. These results are by the research of Firda (2014), Amalia and Purbadharmaja (2014), Sumanto and Effendi (2015), and Eko (2013), which state that the level of regional financial independence or fiscal independence has a positive effect on the human development index.

The results of the analysis show that the relationship between X2 and Y3 has a t-statistic value of 2.763 with a positive path coefficient value of 0.156 and a p-value of 0.006 <0.05. The hypothesis is accepted, which shows that capital expenditure has a positive and significant effect on the welfare of the Regency/City community in the Province. Bali. This means that if capital expenditure is high, then the average welfare of the community is also high.

The results of the analysis show that the relationship between Y1 and Y2 with a t-statistic value of 4.345 with a positive path coefficient value of 0.332 and a p-value of < 0.000. 0.05, therefore, we accept the hypothesis that the level of labor force participation has a positive and significant impact on the well-being of Regency/Urban communities in Bali. This means that if the labor force participation rate is high, the average community welfare is also high. These results are consistent with Astriana Widyastuti (2012) research which states that worker productivity has a positive effect on family welfare because it can directly affect income as measured by the division of wages and working hours. According to (Todaro, 2000), the growth of the labor force is traditionally regarded as one of the positive factors that spur economic growth. A larger number of workers means an increase in the level of production.

The results of the analysis show that the relationship between Y2 and Y3 has a t-statistic value of 2.575 with a negative path coefficient value of -0.214 and a p-value of 0.010 <0.05, so that the hypothesis is accepted, which shows that economic growth has a negative and significant effect on the welfare of the Regency/City community in Indonesia. Bali province. This means that if the economic growth is low, then the average welfare of the people is also high. Dewi and Sutrisna (2014) research, which found that economic growth partially has a significant effect on the human development index in districts/cities in Bali Province. Research by Lilis and Yohana (2012) states that GDP growth will encourage people to get a better education and health facilities.

Table 8 – Indirect Coefficient Value Between Financial Independence and Capital Expenditure Variables on Labor Force Participation Rate, Economic Growth and Community Welfare in Regencies/Cities in Bali Province 2011-2019

Relationship between variables	Mediation variables	*Original Sample*	*Standard Devisiasi*	T *Statistics*	*P Values*
X1 - > Y2	Y1	0,061	0,052	1,180	0,239
X1 - > Y3	Y1,Y2	0,159	0,046	3,432	0,001
X2 - > Y2	Y1	0,041	0,038	1,070	0,285
X2 - > Y3	Y1, Y2	0,067	0,034	1,971	0,049
Y1 - > Y3	Y2	-0,030	0,034	0,875	0,382

Source: Data processed, 2022
Information: X1 = Financial autonomy, Y2 = Economic growth, X2 = Capital Expenditure, Y3 = Public Welfare, Y1 = Labor Force Participation Rate.

The results of the analysis show that the relationship between X1 and Y2 through the mediating variable Y1 has a t-statistic value of 1.180, with a positive path coefficient value of 0.061 and a p-value of 0.239> 0.05, so the hypothesis is rejected, which shows that financial independence has an indirect and insignificant effect on Economic growth through the Regency/City Labor Force Participation Rate in the Province of Bali.

The results of the analysis show that the relationship between X1 and Y3 through the mediating variables Y1 and Y2 obtains a t-statistical value of 3.432, with a positive path coefficient value of 0.159 and a p-value of 0.001 <0.05, so that the hypothesis is accepted which shows that financial independence has a significant indirect effect. To the community's welfare through the Labor Force Participation Rate and Regency/City economic growth in the Province of Bali.

The results of the analysis show that the relationship between X2 and Y2 through the mediating variable Y1 has a t-statistic value of 1.070, with a positive path coefficient value of 0.041 and a p-value of 0.285>0.05, so the hypothesis is rejected, which shows that capital expenditure has a significant indirect effect on growth through the participation rate of the Regency/City workforce in the Province of Bali.

The results of the analysis show that the relationship between X2 and Y3 through the mediating variables Y1 and Y2 obtains a t-statistic value of 1.971, with a positive path coefficient value of 0.067 and a p-value of 0.049 <0.05, so the hypothesis is accepted that shows that capital expenditures have an indirect and significant indirect effect on community welfare through the Labor Force Participation Rate and Regency/City economic growth in the Province of Bali.

The analysis results show that the relationship between Y1 and Y3 through the mediating variable Y2 obtains a t-statistic value of 0.875, with a negative path coefficient value of -0.030 and a p-value of 0.382>0.05, so the hypothesis is rejected. The level of labor force participation has an indirect effect on not significant to the welfare of the community through the economic growth of the Regency/City in the Province of Bali.

CONCLUSION

Based on the results of the research analysis and the results of the discussions that have been carried out, several conclusions can be drawn, namely. Financial Independence and Capital Expenditure have a positive and significant impact on the Labor Force Participation Rate (TPAK) in the Regency/City in the Province of Bali. This result means that the higher the level of financial independence and the higher the level of government capital expenditure in the economic and production aspects, the higher the labor force participation rate in districts/cities in the Province of Bali. Financial Independence, Capital Expenditures and Force Participation Rates have no significant effect on economic growth. These results mean that the high and low levels of financial independence, capital expenditures and Labor Force Participation Rate (TPAK) do not affect the increase or decrease in economic growth in Bali Province. Financial Independence, Capital Expenditure, and Labor Force Participation Rate (TPAK) and economic growth have a positive and significant impact on the welfare of the people in the Regency/City in the Province of Bali. This result means that the higher the level of financial independence, the higher the level of government capital expenditure in the economic and production aspects, as well as the higher the Labor Force Participation Rate (TPAK) which will further increase the economic growth of districts/cities in Bali Province, then in the end the level of community welfare in the Province of Bali will increase. There is no indirect effect of Financial Independence and Capital Expenditure, significantly on economic growth through the Labor Force Participation Rate (TPAK) in Regencies/Cities in Bali Province. There is a significant positive indirect effect of financial independence and capital expenditure on community welfare through the labor force participation rate (TPAK) and economic growth in districts/cities in the Province of Bali.

Based on the results of the discussion and conclusions that have been explained, the suggestions that can be given are as follows: The Regency/City Government of the Province of Bali should pay attention to increasing regional economic growth accompanied by efforts to equalize income so that the benefits of increasing PAD can be felt by people in the region. In addition, for district/city governments in Bali Province, it is necessary to pay close attention to a more efficient routine expenditure budget so that the proportion of public services can be increased. The government is expected to be more intensive in improving the welfare of the community through improving the quality of education by increasing the budget allocation from the APBD, improving public health services to improve public health, and fulfilling basic needs for the community. Further research is recommended to add years of research, then add other variables that can affect economic growth and the level of community welfare so that the results can be generalized in a wider scope.

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