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Synergy Prosperity: Creative Industries and Economic Growth in Developing Countries

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Abstract: National economic growth is largely determined by the dynamics of the regional economy, while the regional economy is generally supported by micro-, small- and medium-scale economic activity. Business units included in the category of micro, small and medium enterprises (MSMEs) are the lifeblood of the regional and national economies. The purpose of this study was to analyze the influence of cultural capital, the role of traditional villages and community participation in local bank performance either directly or through local bank performance mediation. This research was conducted on local bank customers' SMEs. The data were collected through a questionnaire for the proprietors, with a total of 5,244 units from which a sample of 152 units was obtained. Data analysis was performed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. The results show that cultural capital, the role of traditional village, and community participation have a positive and significant effect on local bank performance. Cultural capital and local bank performance have a positive and significant effect on the welfare of MSMEs, and while the role of traditional villages and community participation has an effect on the welfare of MSME it is not significant.

Keywords: Cultural Capital, Local Wisdom, Economy Growth, Prosperity.

协同繁荣：创意产业与发展中国家的经济增长

摘要：国民经济增长在很大程度上取决于区域经济的动态，而区域经济通常由微观，中小型经济活动支持。微型，中小型企业（MSME）类别中包含的业务部门是区域和国家经济的命脉。这项研究的目的是分析文化资本的影响，传统村庄的作用以及社区直接或通过当地银行绩效中介对当地银行绩效的参与。这项研究是针对本地银行客户的中小企业进行的。数据是通过针对业主的问卷调查收集的，共有5244个单位，并从中获得152个单位的样本。使用偏最小二乘结构方程模型（扫描电镜）方法进行数据分析。结果表明，文化资本，传统村庄的作用以及社区的参与对当地银行的业绩具有积极而显著的影响。文化资本和当地银行的业绩对MSME的福利具有积极而显著的影响，而传统村庄和社区参与的作用对MSME的福利没有影响。

关键词：文化资本，当地智慧，经济增长，繁荣。

1. Introduction

National economic growth is largely determined by regional economic dynamics; while regional economies are generally supported by micro, small and medium

scale economic activities [24]. Local culture maintains the economic sustainability of the creative industry and is not eroded by a shift in digital civilization [1, 25]. Business units that fall into the category of micro,

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small and medium (MSMEs) is the lifeblood of the regional and national economy [2]. The contribution of the MSMEs sector to the economic growth of Bali Province is very large, and one of the leading sectors [3]. As MSMEs are able to absorb a large number of workers, the existence of MSMEs should continue to be empowered [4]. One way of empowering MSMEs is through human development which is realized by empowering human resources [5]. Thus, empowerment can make MSMEs better and spur the growth of other businesses with the aim of increasing the prosperity of MSMEs. Ref [6] states that the prosperity of a region is determined by the availability of human and other resources. These resources interact with the development process to achieve economic growth and increase prosperity, with high cognitive skills and relational capital that triggers production. Ref [7] argue that human development can be achieved by improving several aspects that are important to human life, namely life span, education and a decent standard of living. Based on these aspects, the *United Nation Development Program* (UNDP) has set a standard for measuring human resource development as outlined in the Human Development Index (HDI). This index also describes the achievements and developments in the public prosperity sector in the aggregate. The economy and social sectors, as well as MSMEs are part of the economic sector.

The culture of the country, especially developing countries, the growth of economic activity will grow without leaving local culture but being able to have more flexibility in adopting digital technology for economic progress, especially SMEs, while still preserving local culture [8]. An interesting observation to note is the increasing trend of the HDI achievements of Bali, Indonesia. Bangli Regency has the lowest HDI achievements in the 2015-2019 period compared to the other eight districts in Bali, which is as shown in the table below, but shows an increasing trend from year to year, which beats the increasing trend of the HDI for Bali, Indonesia. In 2015-2019, Bangli Regency's HDI grew by 0.43%, 0.74%, 1.18%, 0.82% and 1.04% respectively, while the HDI for Bali, Indonesia grew by 0.40%, 0.72%, and 0.41% respectively 0.52% and 0.35%. The HDI achievement of Bali, Indonesia is always in the top rank, and it has a human development growth rate that is always lower than Bangli Regency.

Table 1 Human Development Index Regency/City in Bali province (2015-2019) (in points)

No	Regency / City	2015		2016		2017		2018		2019	
		HDI	Trend	HDI	Trend	HDI	Trend	HDI	Trend	HDI	Trend
1	Jembrana	68.67	0.41%	69.66	1.42%	70.38	1.02%	70.72	0.48%	71.65	1.30%
2	Tabanan	72.68	0.51%	73.54	1.17%	74.19	0.88%	74.86	0.90%	75.45	0.78%
3	Badung	77.98	0.45%	78.86	1.12%	79.80	1.18%	80.54	0.92%	80.87	0.41%
4	Gianyar	74.29	0.39%	75.03	0.99%	75.70	0.89%	76.09	0.51%	76.61	0.68%
5	Klungkung	68.30	0.32%	68.98	0.99%	69.31	0.48%	70.13	1.17%	70.90	1.09%
6	Bangli	65.75	0.43%	66.24	0.74%	67.03	1.18%	68.24	1.77%	68.96	1.04%
7	Karangasem	64.01	0.48%	64.68	1.04%	65.23	0.84%	65.57	0.52%	66.49	1.38%
8	Buleleng	69.19	0.52%	70.03	1.20%	70.65	0.88%	71.11	0.65%	71.70	0.82%
9	Danpasar	81.65	0.40%	82.24	0.72%	82.58	0.41%	83.01	0.52%	83.30	0.35%
	Bali province	72.48	0.54%	73.27	1.08%	73.65	0.52%	74.30	0.87%	74.77	0.63%

Note: HDI = Human Development Index, Trend = Growth Trend.
Source: BPS Prov. Bali (2020)

There is a difference in HDI growth rates, differences between each district that show the success of the region in HDI. When it is related to the empowerment of MSMEs, this indirectly also explains the linear issue that the level of prosperity growth of MSMEs in Bali, Indonesia, is always lower than the level of growth in the prosperity of MSMEs in Bangli Regency in the aggregate. This phenomenon is an interesting subject for further study, and the focus of this research will be on the prosperity of MSMEs in Bali, Indonesia. The culture in each region is a reflection of the region, with its various knowledge, which give it its heritage and is a reflection of the state or region. The era of technology sometimes has to bring cultural erosion, especially concerning entrepreneurship.

Based on empirical theory and facts, this study aims to analyze the direct and indirect influence of cultural capital, the role of traditional villages, community participation, and local bank performance on the prosperity of MSMEs in Bali, Indonesia. The resulting structural equation modeling takes into account: 1) the effect of capital culture, the role of traditional villages, and community participation on local bank performance in Bali, Indonesia; 2) the influence of cultural capital, the role of traditional villages, community participation and local bank performance on the prosperity of MSMEs in Bali, Indonesia; 3) indirect influence of cultural capital, the role of villages customs, and community participation in the prosperity of MSMEs in Bali, Indonesia through the local bank performance.

2. Literature Review

2.1. Concept of THK (Tri Hita Karana) Local Wisdom on Local Bank Performance

Local bank vision is the realization of a healthy, strong, productive, and trusted local bank industry as a micro-finance institution to support rural development, as well as the preservation of Balinese local customs and culture based on Tri Hita Karana (THK) in order to enrich the nation's cultural treasures. Furthermore, the mission of the local bank is to create conditions that are

conducive to improving local bank performance and sustainable financial services for indigenous villagers in order to support economic growth and improve the prosperity of traditional villages in Bali, Indonesia [9].

The influence of local culture, which is a form of cultural capital that has been known and always carried out from generation to generation by everyone in the area, is very important. A Balinese cultural philosophy, THK, is a belief that emphasizes the balance theory, which states that the Hindu community in Bali tends to understand themselves and their environment as a system that is controlled by balanced values, and is manifested in the form of behavior [10]. THK culture is Balinese local wisdom, which is used as the basis for individuals in every activity, especially in traditional village communities, including local bank owners. The concept of a good life puts forward the principles of togetherness, harmony, and balance between economic goals, environmental and cultural preservation, aesthetics, and spirituality [11].

2.2. Prosperity

In general, if the economic growth rate moves in a positive direction, then it can be said that the country is prosperous [12]. Prosperity can be defined as equality, safety, enjoyment of life, wealth, and so on [13]. Prosperity is an abstract concept because its existence is directly related to one's life values and ideology. Ref [14] explains that objective prosperity is the level of prosperity of individuals or groups of people, measured on average with certain benchmarks, economic, social, and other measures. Meanwhile, Ref [15] states that subjective personal prosperity is measured in satisfaction and happiness.

2.3. Relationship between Variables and Conceptual Framework

Research [16] concluded that local wisdom has a positive and significant effect on community economic empowerment in Bali Province. Local bank transaction costs have a positive and significant effect on community economic empowerment in Bali Province. Social capital significantly strengthens the effect of local bank transaction costs on community economic empowerment in Bali Province. An organization's success, such as the local bank, is also inseparable from implementing the control or supervision function. One of the institutions that play a role in overseeing the local bank is the traditional village regulated through the traditional village *awig-awig* (regulation). The adat village *awig-awig* (regulation) contains social sanctions against village manners that violate the agreed terms regarding local bank activities. Although the mechanisms and procedures for local bank supervision have been stipulated in the *awig-awig* (regulation) of

the traditional village, their implementation is largely determined by human factors that act as supervisors. Therefore, it is also necessary to study the role of traditional village as supervisors to support the local bank's existence.

Apart from THK, other local pearls of wisdom developed in Bali include Catur Purusa Artha, Catur Guru, and Tri Kaya Parisudha. According to [17], THK is the three causes of human life's prosperity. THK is three forms of human relations in this life, namely the human relationship with God Almighty (*parahyangan*), the relationship between fellow humans (*pawongan*), and the relationship between humans and nature (*palemah*). The THK tradition is seen in every Balinese because it is a culture that has been passed down from generation to generation. THK's philosophy is also very relevant to business activities [18].

Research by [19] states that empowering village manners as local bank communities plays an important role in supporting local banks in Bali Province. Furthermore, this study's results state that with the strong empowerment of village krama (in this case, the community as managers, supervisors, and members/customers of the local bank), the local bank's existence as a financial institution belonging to traditional villages will also be stronger. The high involvement of the community shows the existence of the local bank as part of the local bank community to increase the role of the local bank in traditional village, continuous involvement of the local bank in socio-economic activities (provision of working capital) and traditional and religious activities of village manners in each traditional village. Based on literature review and objectives research, hypotheses can be formulated:

H1: Direct effect of cultural capital on local bank performance

H2: Direct influence of the role of traditional villages on local bank performance

H3: Direct influence of community participation on local bank performance

H4: Direct influence of cultural capital on the Prosperity of MSME

H5: Direct influence of the role of traditional villages on the Prosperity

H6: Direct influence of community participation on the Prosperity of MSMEs

H7: Direct effect of performance on the Prosperity of MSMEs

H8: Influence of cultural capital on the prosperity mediating of local bank performance

H9: Influence of the role of traditional villages on the prosperity mediating of local bank performance

H10: Influence of community participation on the prosperity mediating of local bank performance

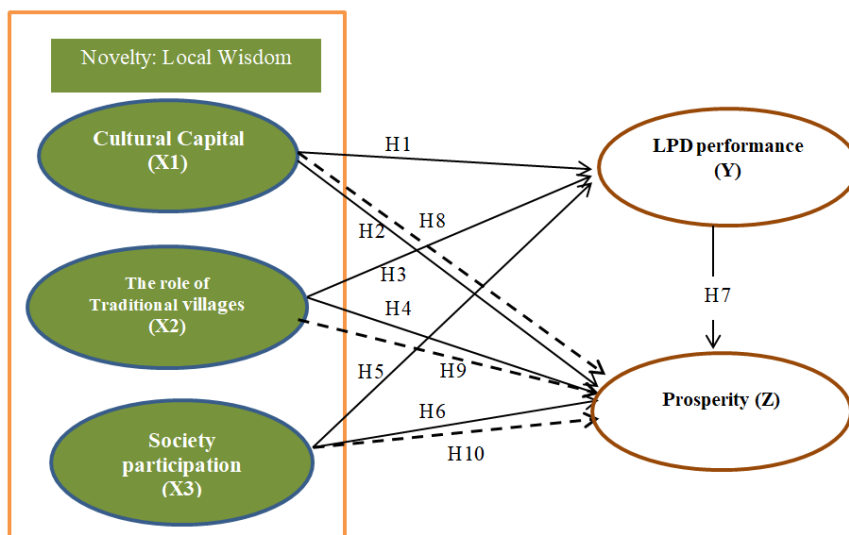


Fig. 1 Concept framework

3. The Research Methods

The present study population was 5,244 MSMEs that became customers of local banks in Bali, Indonesia, during the years 2015-2019. Using the Slovin formula for non-proportional cluster simple random sampling, a sample of 152 units was obtained for analyses. In this context, Bali sub-districts were considered as clusters, but the units were chosen disproportionately to account for the differences in population size. Data collection spanned the 3-month period from June to September 2020. A questionnaire was designed for this purpose and was used when conducting an online survey with MSME representatives.

The questionnaire is divided into several sections. The first stage is a question asking the informants' identity whether the SME is a customer of the Bali Regional Bank, aims to find out whether the respondent is a customer of the Bali Regional Bank business, and only if the information provided meets the research inclusion criteria, then the respondent continues to the section second is to fill in open questions according to the indicators used related to the research objectives.

More details about the latent variables and indicators used to explain the variables used according to the design model (structural equation) in this study are presented in Table 2. Data processing and analyses were carried out using Smart PLS software.

Table 2 Variable identification

No	Type Variable	Name Variable	Code and Name Indicator	Type of Indicator
1.	Exogenous	Cultural Capital (X1)	X1.1: <i>Parahyangan</i> X1.2: <i>Palemahan</i> X1.3: <i>Pawongan</i>	Reflective
2.	Exogenous	Role of Traditional Village (X2)	X2.1: social role X2.2: Cultural role X2.3: Economic role X2.4: Financial role	Reflective
3.	Exogenous	Community Participation (X3)	X3.1: Contribution thinking X3.2: Donation of energy X3.3: Donation of funds X3.4: Maintaining development results	Reflective
4.	Mediating	local bank Performance (Y)	Y1: <i>Capital</i> Y2: <i>Asset</i> Y3: <i>Earning</i> Y4: <i>Liquidity</i>	Reflective
5.	Endogenous	Prosperity (Z)	Z1: Life satisfaction Z2: effects positive of Z3: Health costs are met	Reflective

4. Results and Discussion

4.1. Validity Test and Reliability

For testing the validity and reliability of all constructs, the results yielded by the SEM Algorithm provided by the PLS software (Table 3).

Table 3 Loading factors of model constructs

	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	T Statistics (O/STDEV)	P Values
X1.1<- X1	0.910	0.905	0.032	28.280	0.000
X1.2<- X1	0.905	0.903	0.025	35.933	0.000
X1.3<- X1	0.879	0.874	0.039	22.505	0.000
X2.1 <- X2	0.903	0.900	0.027	32.999	0.000
X2.2<- X2	0.878	0.876	0.026	33.616	0.000
X2.3 <- X2	0.807	0.803	0.045	18.116	0.000
X2.4<- X2	0.876	0.866	0.041	21.375	0.000
X3.1<- X3	0.825	0.819	0.060	13.810	0.000
X3.2<- X3	0.828	0.816	0.063	13.190	0.000
X3.3<- X3	0.858	0.859	0.033	26.172	0.000
X3.4<- X3	0.841	0.845	0.029	28.671	0.000
Y1<- Y	0.898	0.898	0.021	42.748	0.000
Y2 <- Y	0.908	0.910	0.019	47.154	0.000
Y3 <- Y	0.888	0.887	0.030	29.293	0.000
Y4<- Y	0.712	0.709	0.091	7.797	0.000
Z1 <- Z	0.946	0.944	0.016	59.483	0.000
Z2 <- Z	0.945	0.942	0.016	57.896	0.000
Z3 <- Z	0.868	0.867	0.033	26.619	0.000

Composite reliability of the consistency of a result measures a concept or a variable [20]. It is typically assessed through the value of Cronbach's Alpha (indicating the lower limit of the reliability value of a construct) and Composite Reliability (denotes the real value of construct reliability) [21]. According to available evidence, Composite Reliability must be greater than 0.7, and the Average Variance Extracted (AVE) is greater than 0.5. This is acceptable [22]. Reliability testing uses composite reliability values and Cronbach alpha values with all indicators above 0.7, which means that all latent variables have consistent and reliable results. A summary of the results of testing the validity and reliability as in Table 4.

Table 4 Cronbach's alpha and composite reliability of the research constructs

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1	0.880	0.884	0.926	0.807
X2	0.890	0.904	0.924	0.751
X3	0.860	0.869	0.904	0.703
Y	0.874	0.877	0.915	0.732
Z	0.910	0.927	0.943	0.847

4.2. Evaluation of the Inner Model (Structural Model)

Evaluation of the *inner model* includes two main considerations, namely evaluation of model fit (*goodness of fit*) and evaluation of the effect of exogenous variables on endogenous variables through hypothesis testing. Effect evaluation includes direct and indirect effects. Evaluation of model fit (*goodness of fit*) and evaluation of the effect of exogenous variables on endogenous variables refers to the PLS-SEM output as shown in Fig. 2.

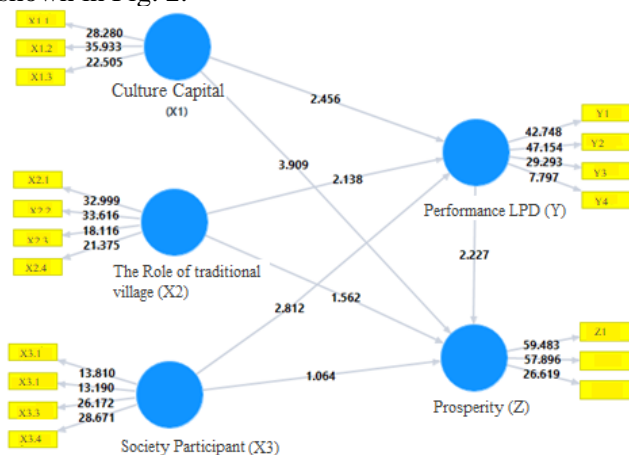


Fig. 2 Path coefficient of bootstrapping

Fig. 2 shows that there are three exogenous variables, namely cultural capital (X1), the role of traditional villages (X2) and community participation (X3); it also shows two endogenous variables, namely local bank performance (Y) and Prosperity (Z). The endogenous variable of Prosperity (Z) has four predictors, including cultural capital (X1), the role of traditional villages (X2), community participation (X4), and local bank performance (Y). The endogenous

variable of local bank performance (Y) has three predictors, including cultural capital (X1), the role of the village (X2) and community participation (X3). In Fig. 2, the performance of local bank (Y), in addition to acting as an endogenous variable, also acts as a mediating variable.

4.3. Model Testing (Evaluation of the Goodness of Fit Inner Model)

The structural model of PLS processing results need to be evaluated using the *R-square* for each dependent variable, and they need to be evaluated using *Q-square predictive relevance* to see the effect of exogenous latent constructs on endogenous variables. For the purposes of evaluating the *Goodness of Fit Inner Model*, Table 5 shows the coefficient *R-squared for each endogenous variable*.

Table 5 Nilai *R-square* variable performance local bank and prosperity

Variable	R Square
<i>local bank Performance (Y)</i>	0.469
<i>Prosperity (Z)</i>	0.582

In Table 5, the R-square value is 0.469 for the local bank performance construct (Y) and 0.582 for the prosperity construct (Z). This means that 46.9 percent of the variations in the local bank performance construct can be explained by the cultural capital construct, the role of traditional village and community participation. The remaining 53.1 percent can be explained by other factors. Furthermore, 58.2 percent of the results for the construct of Prosperity can be explained by the construct of cultural capital, the role of traditional villages, community participation and local bank performance. The remaining 4.8 percent is explained by factors other than these four variables. Based on the two coefficients R-square in Table 5. The coefficient Q^2 can also be calculated using the Stone-Geisser Q-Square test [23]:

$$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2)$$

$$Q^2 = 1 - ((1 - 0.469) (1 - 0.582))$$

$$Q^2 = 1 - ((0.531) (0.418))$$

$$Q^2 = 1 - (0.222) = 0.778$$

The result obtained was 0.778, so it can be said that this model has predictive prevalence where closer to 1 means the better the model. Thus, it can be explained that 77.8 percent of the variation in SMEs business success in the city of Bali, Indonesia, is influenced by culture capital, the role of the traditional village, society participant, and performance LPD, while other variables outside the research model influence the remaining 22.2 percent.

4.4. Direct Effect, Indirect Effect and Total Effect between Variables

Analysis of the direct effect, indirect effect and total effect can explain the relationship between research

variables (latent variables). For finding out the direct influence between the construct variables, it can be seen from the results of the analysis of the value of the path coefficients shown in Table 6. It can be explained that cultural capital (X1), the role of traditional villages (X2), and community participation (X3) have a positive and significant effect on the local bank performance (Y). Furthermore, cultural capital (X1) has a positive and significant effect on Prosperity (Z), but the role of traditional villages (X2) and community participation (X3) has no significant effect on Prosperity (Z). Local bank performance (Y) has a positive effect and is significant to Prosperity (Z).

Table 6 Path coefficients, T-statistics, P-values

		Original Sample (O)	T Statistics (O / STDEV)	P Values	Significance
1	X1-> Y(β_1)	0.250	2.456	0.007	Significant
2	X2->Y (β_2)	0.211	2.138	0.016	Significant
3	X3-> Y (β_3)	0.319	2.812	0.003	Significant
4	X1-> Z (β_4)	0.436	3.909	0.000	Significant
5	X2-> Z (β_5)	0.160	1.562	0.059	Non-significant
6	X3-> Z (β_6)	0.094	1.064	0.144	Non-significant
7	Y -> Z (β_7)	0.189	2.227	0.013	Significant

5. Discussion

5.1. Hypothesis Testing

At the hypothesis testing stage, it is very important to pay attention to the direction and significance indicated by the arrow direction between exogenous latent variables with endogenous variables. Exogenous variables include cultural capital (X1), the role of traditional villages (X2), community participation (X3). Endogenous variables include local bank performance (Y) and Prosperity (Z). To test the research hypothesis shown in Table 6, which contains the *path coefficient*, *t-statistics*, and *P-value*.

5.2. The Direct Effect of Cultural Capital Local Bank Performance

Based on the results of data processing, it is known that the effect of cultural capital on local bank performance has a regression coefficient in the form of β_1 of 0.250; the *standard deviation* is $S_{\text{statistics}}$ of 2.456 and a significance level of V_{alue} Equal to 0.007. This shows that cultural capital has a positive and significant effect on local bank performance in Bali, Indonesia. It can be said that the community's cultural capital can improve the local bank performance in Bali, Indonesia, in line with the research of [9], [10].

5.3. Direct Influence of the Role of Traditional Villages Local Bank Performance

Based on the results of data processing, it is known that the influence of the role of traditional villages on local bank performance has a regression coefficient in the form of β_2 of 0.211; the *standard deviation* is $S_{\text{statistics}}$ of 2.138 and a significance level of V_{alue} of 0.016. This shows that the role of traditional villages has a positive

and significant effect on local banks' performance in Bali, Indonesia. It can be stated that traditional villages' role can improve the local bank performance in Bali, Indonesia [18].

5.4. Direct Effect of Community Participation Local Bank Performance

Based on the results of processed data, it is known that the effect of community participation on local bank performance has a regression coefficient in the form of β_3 of 0.319; the *standard deviation* is $S_{\text{statistics}}$ of 2.812 and a significance level of V_{alue} of 0.003. This shows that community participation has a positive and significant effect on local bank performance in Bali, Indonesia. It can be stated that community participation can improve the local bank performance in Bali, Indonesia [17].

5.5. Direct Effect of Cultural Capital on the Prosperity of MSME

Based on the results of processed data, it is known that the effect of community participation on the welfare of MSME in Bali, Indonesia has a regression coefficient in the form of β_6 amounting to 0.094, the *standard deviation* in the form of Statistics of 1.064 and a significance level of V_{alue} amounting to 0.144. This shows that community participation has a positive and insignificant effect on the welfare of MSME in Bali, Indonesia. It can be stated that community participation has not improved the welfare of MSME in Bali, Indonesia.

5.6. Direct Influence of the Role of Traditional Villages on the Prosperity of MSME

Based on the results of processed data, it is known that the influence of the role of traditional villages on the Prosperity of MSMEs in Bali, Indonesia has a regression coefficient in the form of β_5 of 0.160; the *standard deviation* is $S_{\text{statistics}}$ of 1.562 and a level of significance in the form of a V_{alue} of 0.056. This shows that traditional villages' role has a positive and insignificant effect on the Prosperity of MSME in Bali, Indonesia. It can be stated that the role of traditional villages has not been able to improve the Prosperity of MSME in Bali, Indonesia.

5.7. Direct Effect of Community Participation on the Prosperity of MSME

Based on the results of data processing, it is known that the participation of prosperity society to SMEs in Bali, Indonesia is a form of regression coefficient β_6 of 0.094. The *standard deviation* is $S_{\text{statistics}}$ in the amount of 1.064 and a significance level of V_{alue} equal to 0.144. This shows that community participation has a positive and insignificant effect on the Prosperity of MSMEs in Bali. It can be stated that community participation has not improved the prosperity of MSMEs in Bali, Indonesia.

5.8. Direct Effect of Local Bank Performance on the Prosperity of MSMEs

Based on the results of processed data, it is known that the effect of local bank performance on the Prosperity of MSME in Bali, Indonesia has a regression coefficient in the form of β_7 of 0.189, *the standard deviation* in the form of $S_{\text{statistics}}$ of 2.227 and a significance level of a V_{value} of 0.013. This shows that local bank performance has a positive and significant effect on Bali, Indonesia's MSMEs' prosperity. It can be stated that the local bank performance can improve the Prosperity of MSMEs in Bali, Indonesia.

5.9. Indirect Effect of Cultural Capital on the Prosperity of through Local Bank Performance

Cultural capital has a direct and significant effect on the Prosperity of MSME in Bali, Indonesia. Indirectly, cultural capital has an effect of 0.047 on the Prosperity of MSME in Bali, Indonesia, through local bank performance with a *t-statistic* of 1.402, where this value is smaller than the t-table value of 1.96 at the level of 0.05. This means that cultural capital has a positive and insignificant effect on prosperity through local bank performance. The effect of cultural capital on local bank performance is significant ($S_{\text{statistics}} = 2.456$ and $V_{\text{value}} = 0.007$), the effect of local bank performance on the Prosperity of MSMEs is significant ($S_{\text{statistics}} = 2.227$ and $V_{\text{value}} = 0.013$). The direct influence of cultural capital on MSMEs' Prosperity is significant ($S_{\text{statistics}} = 3.909$, and $V_{\text{value}} = 0.000$). The nature of mediation in the relationship between $X1 \rightarrow Y \rightarrow Z$ is *partial mediation* because partially (direct influence) cultural capital has a significant effect on prosperity, and is not significant if through prosperity, but the direct influence of cultural capital on local bank performance is significant, and the direct effect of local bank performance on prosperity is also significant. This causes the mediation between traditional villages' role and prosperity through local bank performance is mediation partial. The hypothesis, which states that local bank performance mediates the effect of cultural capital on the Prosperity of MSMEs in Bali, is not yet valid. This shows that an increase in cultural capital can directly improve the Prosperity of MSMEs or increase local bank performance.

5.10. Indirect Influence of the Role of Traditional Villages on the Prosperity of MSME through Local Bank Performance

The role of traditional villages has a direct and insignificant effect on the Prosperity of MSME in Bali, Indonesia. Indirectly, community participation has an effect of 0.040 on the Prosperity of MSME in Bali, Indonesia, through the local bank performance with a *t-statistic* of 1.528, where this value is smaller than the t-table value of 1.96 at the level of 0.05. This means that traditional villages' role has a positive and insignificant effect on prosperity through local bank performance.

The influence of traditional villages' role on local bank performance is significant ($S_{\text{statistics}} = 1.562$ and $V_{\text{value}} = 0.059$), the effect of local bank performance on the Prosperity of MSMEs is significant ($S_{\text{statistics}} = 2.227$ and $V_{\text{value}} = 0.013$). The direct influence of traditional villages' role on Prosperity MSMEs is not significant ($S_{\text{statistics}} = 1.562$, and $V_{\text{value}} = 0.059$). The nature of mediation in the relationship between $X2 \rightarrow Y \rightarrow Z$ is *full mediation* because partially (direct influence) the role of traditional villages has no significant effect on prosperity. It is not significant through prosperity, but traditional villages' direct influence on local bank performance is significant. The direct effect of local bank performance on prosperity is also significant. This causes the mediation between the traditional village role and prosperity through the local bank's performance to be fully mediated.

The hypothesis, which states that local bank performance mediates the influence of the role of traditional villages on the Prosperity of MSMEs in Bali, Indonesia, is proven. This shows that local bank performance perfectly mediates the influence of traditional villages' role on MSMEs' prosperity. So that the role of traditional villages can realize the prosperity of MSMEs, it should be through strengthening the local bank's performance.

5.11. Indirect Effect of Community Participation on the Prosperity of UMKM through Local Bank Performance

Community participation has a direct and insignificant effect on the Prosperity of MSMEs in Bali, Indonesia. Indirectly Affect public participation amounting to 0.060 against the Prosperity of SMEs in Bali, via local bank performance with *t-statistic* 1.678, where the value is smaller than t-table 0:05 1.96 level. This means that community participation has a positive and insignificant effect on prosperity through local bank performance.

The effect of community participation on local bank performance was significant ($S_{\text{statistics}} = 2.812$ and $V_{\text{value}} = 0.003$), the effect of local bank performance on the welfare of MSMEs was significant ($S_{\text{statistics}} = 2.227$ and $V_{\text{value}} = 0.013$), and the direct effect of community participation on the welfare of MSME was insignificant ($S_{\text{statistics}} = 1.064$ and $V_{\text{value}} = 0.144$). There was full mediation in the relationship between $X3 \rightarrow Y \rightarrow Z$ because partial community participation (direct effect) did not have a significant effect on welfare, nor was it found to be significant through performance, but the direct effect of participation society toward local bank performance was significant, and the direct effect of local bank performance on welfare was also significant. This implied that there was total mediation between community participation and welfare through local bank performance.

The findings show that the hypothesis stating that local bank performance mediates the effect of

community participation on the prosperity of MSMEs in Bali, Indonesia has been proven. This shows that local bank performance perfectly mediates the effect of community participation on the prosperity of MSMEs. This implies that community participation can realize the prosperity of MSMEs through strengthening the performance of the local bank.

6. Conclusions and Suggestions

6.1. Conclusions

Based on the results of the research and discussion, the following conclusions can be drawn:

1. Cultural capital, the role of traditional villages, and community participation had a positive and significant effect on local bank performance in Bali. The most dominant influence of community participation was then followed by cultural capital and the role of traditional villages. This means that community participation is the strongest stimulus in developing local bank performance levels based on local culture.

2. Cultural capital, the role of traditional villages, community participation, and local bank performance have a positive effect on the prosperity of MSMEs in Bali. Only cultural capital and local bank performance had a significant effect, while the influence of the role of traditional villages and community participation on the prosperity of MSMEs was found to be insignificant. This means that the local bank's performance was followed by cultural capital in terms of the ability to provide a positive stimulus for the creation of prosperity for MSMEs in Bali. The role of traditional villages and direct community participation provided less of a stimulus for the creation of prosperity. The public perceives that the prosperity of MSME in Bali is more clearly obtained through the performance of local banks and cultural capital.

3. Local bank performance had a full-fledged mediation effect on the role of traditional villages and community participation with respect to the prosperity of MSME. However, local bank performance was a partial mediator of the indirect effect of cultural capital on the prosperity of MSMEs in Bali. When mediated by local bank performance, cultural capital, the role of traditional villages, and community participation can provide a positive stimulus for the prosperity of MSMEs in Bali. Thus, it can be stated that to realize the prosperity of MSMEs in Bali, high local bank performance is needed.

6.2. Suggestions

Based on the conclusions of the research results as described above, the following suggestions can be made. Cultural capital has become a stimulus for improving local bank performance in Bali. Cultural capital that is implemented with the indicators of *parahyangan*, *pawongan*, and *palemahan* should be

maintained and improved because it has been proven to be able to improve local bank performance.

1. The role of traditional villages has given meaning to improve local bank performance in Bali. As outlined in *awig-awig* (regulation), the traditional village regulations are used as the basis for local bank operations and have been shown to be effective in suppressing bad credit. It is also considered necessary to make *awig-awig* (regulation) that regulates not only credit but also savings, and it is essential to guarantee public savings in the local bank

2. Community participation is an absolute prerequisite for running a local bank, and community participation has improved the performance of local banks in Bali. Local banks need to make breakthroughs by using an attractive marketing system and adopting technology and local cultural collaboration so that people feel at home saving and borrowing money. One of the steps taken is the introduction of online promotions and lucky draws for diligent customers in saving.

3. Cultural capital has been used as a basis for MSMEs in Bali to carry out business activities, and it has been proven that cultural capital has a significant effect on the prosperity of MSMEs in this context. It is therefore appropriate for SMEs in Bali to pay more attention to *palemahan* to create harmony with the business environment.

4. The role of traditional villages has not been able to give meaning to the prosperity of MSMEs in Bali considering that the socio-cultural role indicator ranks highest in the variable of the role of traditional villages. If the economic and financial indicators of the variable of the role of traditional villages are increasing, there will likely be an increase in the prosperity of MSME in Bali.

5. Public participation has also not been able to give meaning to the prosperity of MSMEs in Bali considering that MSMEs are an individual sector. The community tends to participate in formal institutions such as local banks. If businesses can increase the fulfillment of health cost indicators with respect to the prosperity variable, it is likely that the prosperity of MSMEs will be improved.

6. Local bank performance has been able to give meaning to improving the prosperity of MSMEs in Bali. MSMEs must be loyal customers of the local bank because by doing so, they are contributing to maintenance and performance.

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