The Effect of Local Wisdom Formalization by the Regencies/Cities Government in Bali Province to the Quality of Licensing Services

Ni Putu Kusumawati*
Doctorate Candidate from Faculty of Economic and Business, Udayana University
Denpasar, Bali, Indonesia

Made Kembar Sri Budhi, Made Suyana Utama, I Gusti Wayan Murjana Yasa
Lecture from Faculty of Economic and Business, Udayana University, Denpasar, Bali, Indonesia

Abstract
The Government of Indonesia both at the central or local government had not been fully able to provide the quality of public services in accordance with the expectations of the society and the challenges faced. The result of the integrity survey ever conducted by the Corruption Eradication Commission shows that the quality of the Indonesian public service had only reached a score of 6.84 from the scale of 10 for central agencies, and 6.69 for public service units in the regions. In that case, bureaucratic reforms that change the mindset of government officials (bureaucrats) from the mental rulers to the mental servants of the society according to their own local wisdom were an urgent need. Some local governments make local vision and motto of local wisdom as a basis in providing public services. In this regard, how the influence of formalization of local wisdom in the implementation of Regencies/Cities Government in Bali Province on the quality of service in the field of licensing becomes an actual and interesting issue to be researched. The purpose of this research is to analyze how did the Regencies/Cities government in Bali Province internalize the local wisdom of the society into its institutional policy, and also to analyze the influence of the localization of the local community’s formal wisdom into the institutional policies of the Regencies/Cities Government in Bali Province towards the quality of licensing services carried out by the government to the society. Data that has been collected, then performed the analysis through Partial Least Square (PLS) method. The results indicate that some Regencies/Cities governments in Bali Province had formalize the values of local wisdom of the people in their policies, either as vision or motto, such as the motto "Sewaka Dharma" to the Denpasar City Government and the vision "The Realization of Excellent Service Based on Tri Hita Karana" in Badung Regency Government. Meanwhile, the local bureaucratic behavior of the local government offices/agencies/licensing offices in Bali Province was found to have a positive and significant impact on service quality. The path coefficient shows that bureaucratic behavior with local wisdom consisting of officer clarity indicator, officer discipline, officer responsibility, officer ability, and courtesy and officer friendliness are able to improve service quality to be better.

Keywords: Vision, Local wisdom, Public service, Quality of service

1. Introduction
In countries with inclusive economic institutions characterized by the presence of secure private property rights, a legal system that ensures certainty, and widespread provision of public services, economic performance tends to be favorable. Good institutions will be able to increase investment and accelerate technological and economic progress to realize the welfare of society. This was in line with the opinion of Acemoglu and Robinson (2012), explicitly states that the institutional was the most important source that determines a nation failed or advanced economy.

The Government of Indonesia in 2004 had reaffirmed the importance of applying the principles of clean government and good governance that were universally believed to be necessary to provide excellent service to the society. The main programs undertaken by the government were through bureaucratic reforms aimed at making countries with the most-improved bureaucracy, improving the quality of public services, and making the Indonesian bureaucracy anticipatory, proactive and effective in dealing with globalization and dynamics of strategic environmental change. Through bureaucratic reform, it was expected to create a government bureaucracy both at the central and local government that adaptive, integrity, high performance, clean and free KKN, able to public serve, neutral, prosperous, dedicated, and firmly upholding the basic values and codes of ethics the public apparatus.

After the reformation, the government was directed to reposition itself as a servant and society empowerment by spreading its activities to various centers at the local level. In other words, the new flow of political life of regional government in Indonesia post-reform has undergone a shift of power from the central to the local locus (decentralization) and based on the power of society itself (society). This is in line with the thought of Murjana Yasa (2008) that the economic development of Indonesia in accordance with the mandate of
the 1945 Constitution is directed to democratic economic development, so that the achievement of the welfare of Indonesian society is done by involving all levels of society in the development process. The change of paradigm also at the same time divulge the meaning of technocratic hegemony that entrust to the role of the state as a tool of development. The function of the state began to be reduced and more directed to the function of facilitators and stabilizers realized, among others through licensing instruments. This can also be found in Nawa Cita's second priority program (nine priority agenda) in the government of President Joko Widodo, which stipulates "We will make the Government absent by building a clean, effective, democratic and trustworthy Governance" (RPJMN, 2015).

Licensing is required in investments that use and utilize PMA (Foreign Capital Investment) or PMDN (Domestic Investment) or individual facilities. World Bank survey results related to public service delivery in 183 countries in 2011 put Indonesia on the order of 129. Indonesia was still under the State of India, Vietnam and Malaysia, which already ranked 61 and Thailand were ranked to 70. Similarly World Bank Doing Business 2013, which was launched by the International Finance Corporation (IFC) as the investment unit of World Bank, placed the State of Indonesia at the 128th rank. Sub Survey Results of National Doing Business conducted on 20 cities in Indonesia in 2012, where the Government of Denpasar has not been optimal to provide good licensing services for investors and business actors. Denpasar City Government was rated 9, 12, and 17 in the ease of doing business among the 20 cities surveyed.

The Regencies/Cities Government in Bali Province had responded positively and made it a challenge that must be seriously addressed about the licensing service to the post-reform society. Regencies/Cities Government in Bali Province strives to provide services and increase prosperity to the society by prioritizing aspects of democracy, justice, equity and business certainty in accordance with the spirit of autonomy through one-door service system (one gate service) in the hope capable and had a competitive advantage or ease in providing licensing services.

The existence of the provision of quality licensing services continue to be striven by the Regencies/Cities Government in Bali Province to be able to minimize the convoluted process and unofficial levies in licensing arrangements. Some of the Regencies/Cities Government in Bali Province explicitly found also have developed local wisdom in the implementation of public services in the field of licensing, one of them is the Denpasar Government with the motto "Sewaka Dharma" and Badung Regency with the vision "Realization of Excellent Service Based on Tri Hita Karana". Government apparatus in this case interpreted as servant of the society and not to serve themselves. Public services by the bureaucracy was one manifestation of the function of state apparatus as a state servant. Service was the main task of the essence of the figure of the apparatus, as a servant of the state and public servants. In this connection, it was interesting to examine the influence of the formalization of local wisdom in the process of implementing the Regencies/Cities Government in Bali to the quality of its services in the field of licensing.

The success of institutional and economic development of a region was determined by the ability of the local government to create and implement the correct policies and in accordance with the local conditions of the society. In fact, the implementation of regional autonomy that was expected to produce more efficient and effective public services was not optimal. In this regard, some Regencies/Cities Governments in Bali Province expressly formalize the local wisdom of the society in administering their government to be able to bring about a just government administration (including in licensing service) and in accordance with the aspirations or local wisdom of the society.

The purpose of this research is to analyze how did the Regencies/Cities government in Bali Province internalize the local wisdom of the society into its institutional policy, and also to analyze the influence of the localization of the local community’s formal wisdom into the institutional policies of the Regencies/Cities Government in Bali Province towards the quality of licensing services carried out by the government to the society.

2. Method
The conceptual framework of this research as follows as Figure 1.
From conceptual framework, there are two hypothesis, i.e.: (1) behavior bureaucracy with local wisdom directly affect positive and significant to the service quality; (2) behavior bureaucracy with local wisdom indirectly affect positive and significant to the service quality through service performance.

Research in the framework of writing this article qualified as an explanatory research that focuses on the relationship of causality between variables through hypothesis testing. Quantitative and qualitative approaches are applied to generate objective data on primary and secondary data related to latent variables (form factors) and indicator variables (measurable variables). Against the data that has been collected, then performed the analysis through Partial Least Square (PLS) method with the help of SmartPLS version 3 for Windows.

3. Results and Discussion
3.1 Achieving Good Quality Public Service in the Implementation of Regencies/Cities Government in Bali Province

Conceptually, the public service according to Moenir (2001) was given the meaning of "activity carried out by a person or an agency to fulfill the life needs of citizens in the form of goods or services". Public service according to Roth (2010) was defined as a service available to the public either in general (as in museums) or in particular (as in restaurant dining). Meanwhile, normatively, Article 1 Sub-Article 1 of Law Number 25 Year 2009 regarding Public Service stipulates the concept of public service is "Activity or series of activities in the framework of fulfilling the needs of services in accordance with the laws and regulations for every citizen and residents of goods, services, and/ or administrative services provided by public service providers". This concept is in line with the Decree of the Minister of Administrative Reform of the Republic of Indonesia Number 63/KEP/M.PAN/7/2003 on Guidelines for the Implementation of Services which states that public services are "all forms of services carried out by government agencies at the Central, Regional, State Owned Enterprises or Regional Owned Enterprises in the form of goods and or services, either in the framework of efforts to meet the needs of the society and in the implementation of the provisions of legislation".

The description shows the public service or public service as all forms of services, either in the form of public goods or public services which in principle become the responsibility and implemented in the effort to meet the needs of the society and the implementation of the provisions of the legislation by the Central and Regional Government, including Also the Regencies/Cities Government in Bali. Lewis and Gilman (2005) further argue about public services as follows:

Public service was public trust. Citizens hope that public services can serve with honesty and proper management of income sources, and can be held accountable to the public. Fair and accountable public services generate public trust. It takes the ethics of public service as a pillar and a public trust as the basis for the realization of good governance

In that connection, the performance of public services was related to society satisfaction. The Regencies/Cities Government in Bali was obliged to provide services that provide satisfaction to the society through the performance of its service personnel. Government as a provider of public services, should always improve its quality. The several dimensions that need to be considered by the government in order to provide quality services are:
1) Procedure of service, that was ease of service stages given to society seen from side of simplicity of service flow.
2) Terms of service, namely technical and administrative requirements required to obtain services in accordance with the type of service.
3) Service speed, namely the service time targets can be completed within the time specified by the service delivery unit.
4) Justice to get service, namely the implementation of services with no differentiate class/status of the society served.
5) Fairness of service charge, namely the affordability of the society to the amount of fees set by the service unit.
6) Certainty of service charge, namely the suitability between the fees paid and the cost that has been set.
7) Certainty of service schedule, namely the implementation of service time in accordance with the provisions that have been determined.
8) Environmental comfort, namely the condition of facilities and infrastructure services clean, neat, and orderly to provide a sense of comfort to the recipient service.
9) Security of service, namely to ensuring the level of environmental safety of the service provider unit or the means used, so that the public feel at ease to get services to the risks resulting from the implementation of the service

One of the efforts to improve the quality of public services developed by some Regencies/Cities Government in Bali Province was through the formal internalization of local wisdom in the implementation of local government. Formalization of local wisdom can be observed from the vision or motto that was adopted to
be a guide in the implementation of local government.

In the Denpasar Municipality Government, the local wisdom of Balinese society that is adopted in governance and service development is based on the motto "Sewaka Dharma" which means to serve is obligation. The local wisdom of Balinese people who are exposed to the vision of Badung Regency Government service is "The Realization of Excellent Service Based on Tri Hita Karana" indicates that the government in serving the applicant society does feel they are the public servant so that they will carry out their obligations as well as possible. Meanwhile, in other Regency’s Government, although neither literally nor formally written the local wisdom in the motto or vision/mission in providing services, the existing bureaucratic behavior encountered still emphasizes the services that perform well. The officers continue to perform their duties with the best so that the applicant society feel satisfaction over the services provided. The services provided by the bureaucratic apparatus in the agency/office/licensing service office can be clearly seen from the Public Satisfaction Index (IKM) towards the licensing services provided. The purpose of the survey was to measure society satisfaction as a service user and improve the quality of public service delivery. SMEs on licensing services in each Regency/ Municipality Government in Bali Province can be listened in Table 1.

Table 1. Public Satisfaction Index at Regencies/Cities Government In Bali Province

<table>
<thead>
<tr>
<th>Regencies/Cities</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denpasar</td>
<td>79.90</td>
<td>79.21</td>
<td>81.00</td>
</tr>
<tr>
<td>Badung</td>
<td>76.48</td>
<td>76.94</td>
<td>81.03</td>
</tr>
<tr>
<td>Buleleng</td>
<td>75.85</td>
<td>76.25</td>
<td>76.90</td>
</tr>
<tr>
<td>Tabanan</td>
<td>80.11</td>
<td>81.54</td>
<td>81.98</td>
</tr>
<tr>
<td>Gianyar</td>
<td>79.54</td>
<td>80.25</td>
<td>82.15</td>
</tr>
<tr>
<td>Klungkung</td>
<td>70.58</td>
<td>72.51</td>
<td>74.25</td>
</tr>
<tr>
<td>Bangli</td>
<td>85.25</td>
<td>86.00</td>
<td>86.80</td>
</tr>
<tr>
<td>Karangasem</td>
<td>75.24</td>
<td>75.86</td>
<td>77.25</td>
</tr>
<tr>
<td>Jembrana</td>
<td>74.49</td>
<td>74.55</td>
<td>77.99</td>
</tr>
</tbody>
</table>

Source: Integrated Licensing Services Board (BPPT) of the Regencies/Cities in Bali Province, 2015

Table 1 shows the IKM every year experiencing an improvement change. It means that the quality of services provided by every Agency/Office/Office of Licensing in Bali Province had increased so that people's satisfaction was always increasing. The results of this study were in line with I Nyoman Sumaryadi (2010) research which states that the relationship between the government and the people was relationship between producers and consumers, where the government as a producer and the people become consumers. Therefore, the government's obligation was to carry out the function of the service as well as possible so as to provide optimal satisfaction to the people as consumers.

Development of local wisdom in the administration and service in line with the new public management character, that developed by Osborne and Gaebler (1992) in his book entitled "Reinventing Government". Ten principles for modern governance, according to Osborne and Gaebler (1992) such as: catalytic government: steering rather than rowing, community-owned government: empowering rather than serving, competitive government: injecting competition into service delivery, mission-driven government: transforming rule-driven organizations, results-oriented government: funding outcomes not inputs, customer-driven government: meeting the needs of the customer not the bureaucracy, entrepreneur government: earning rather than spending, anticipatory government: prevention rather than cure, decentralized government from hierarchy to participation and team work, market-oriented government: leveraging change through the market. Thus, public service organizations that can provide quality services if smaller (small, efficient), faster (fast, effective performance), cheaper (competitive) and competitive, so that in the new public management was more advanced namely efficiency, rationality, productivity and Businesses that can run counter to democratic values and the public interest.

3.2 Measuring the Quality of Public Service (Licensing Services)

Government in carrying out government affairs requires a concrete legal instrument that can be implemented immediately. Government instruments at both central and regional levels are intended to take the form of a decision established in the framework of taking care of the governmental affairs under its authority. From various government decisions, among others in the form of licensing with various forms such as permission, dispensation, certificate, recommendation, so the permission conceptually narrower than permissions.

In requesting a permit must follow certain procedures determined by the government, as the licensor. Licensing procedures may include licensing service procedures, licensing settlement processes that are internal processes performed by officers. Besides having to follow certain procedures, the applicant must also fulfill...
certain conditions determined unilaterally by the government or the licensor.

Licensing procedures and requirements vary depending on the type, purpose, and licensing agency. The determination of these licensing procedures and requirements was determined unilaterally by the government (Adrian Sutedi, 2010). Nevertheless, the government shall not arbitrarily create or arbitrarily determine its own procedures and requirements, but shall be in line with the laws and regulations on which the issuance of licenses was issued. In other words, the government should not set any conditions that exceed the limits of the objectives to be achieved by the legal rules on which the licensing was concerned. The government in this case was also obliged to provide quality services to the society in accordance with the local wisdom of the society.

With respect to the quality of service, Wyckoff (1978) states that "Quality was the degree of excellence intended, and the control of variability in achieving that excellence, in meeting the customer's requirements." In other words, quality was concerned with the desired level of qualified and supervision of the various variables in the fulfillment of what the customer wants. Quality was a dynamic condition associated with products, services, people, processes and environments that meet or exceed expectations. Meanwhile, service quality was an important component to be considered in public service. To know the quality of service, can be known by comparing the perception of the customer (society) for the actual service they want. If the service in practice accepted by the society equals their expectations or wishes, then the customer says it is satisfactory.

Zethalml, et al (1990) suggests that there were 10 (ten) factors affecting public service including licensing service, namely Tangibles, Reliability, Responsiveness, Competence, Courtesy, Credibility, Security, Access, Communication, Understanding the customer. This was in line with Denhardt (1998) ’s notion that since the actual public interest owner is the public, the public administrator should focus his attention on the responsibility of serving and empowering citizens through the management of public organizations and the implementation of public policy. Changes in orientation about citizens' positions, values put forward, and the role of government create a new perspective called a new public service.

3.3 Services in Licensing and Local Wisdom
The existence of the opportunity to the public to supervise the licensing process shows the vision/motto of serving as the obligation which was the wisdom of the people of Bali had been integrated formally in the policy of Regencies/Cities Government in Bali. Local wisdom contains a view of society life regarding the structure of the environment, how the environment works, the natural reaction to human action, and the interrelationships between people and their environment (Marian and Nur Arafah, 2000). Local wisdom was a cultural richness that grows and develops in society, and becomes an important element to strengthen the closeness of social relations among citizens.

In the process of licensing service, internalization of local wisdom can be studied, among others, from the involvement of the public in supervising the licensing service process. The flow of licensing services at the Government Regencies/Cities in Bali Province in general can be listened in the Figure 2.

![Figure 2. Licensing Service Flow](image)

Source: Integrated Licensing Services Board (BPPT) Regencies/Cities in Bali Province, 2015

Regarding the flow of complaints of the public which was one of the ways of supervision of the public on the performance of services related to Licensing Services held by the Agency/Office/Licensing Service Office in the Regencies/Cities in Bali Province can be seen in Figure 3.
The results of research and analysis conducted on licensing service at Regencies/Cities Government in Bali showed that the behavior of local wisdom bureaucracy on service quality showed the value of path coefficient of 0.364 with the value of t-statistics of 4.263. The t-statistic value was greater than the t-table value of 1.656, thus it can be stated that there was a positive and significant influence of the variable behavior of bureaucracy with local wisdom to the quality of service. Path coefficient indicates that bureaucratic behavior of local wisdom gives positive influence to the quality of service, meaning that the better bureaucratic behavior of local wisdom then the quality of service will also be better or improved. The path diagram of the influence of bureaucratic behavior of local wisdom to the quality of service as presented in Figure 4.
The result of the research and analysis on licensing service at Regencies/Cities Government in Bali also shows that indirect influence of bureaucratic behavior with local wisdom to service quality through service performance shows coefficient value of 0.365 with t-statistic value 4.804. The t-statistic value was greater than the t-table value of 1.656. Thus it can be stated that there was a positive and indirectly significant influence of bureaucratic behavioral variable with local wisdom to the quality of service. Path coefficient indicates that indirectly bureaucratic behavior with local wisdom gives positive influence to service quality through service performance, it means better bureaucratic behavior with local wisdom and service performance hence service quality will also progressively/better. This means that the direct influence of local bureaucratic behavior on service quality was significant. The indirect influence of bureaucratic behavior with local wisdom on service quality through service performance was significant. Thus, the service performance variables mediate partially the influence of bureaucratic behavior with local wisdom to the quality of service. The path diagram of the influence of bureaucratic behavior of local wisdom to the quality of service through service performance as presented in Figure 5.

![Figure 5. Result of the Influence Behavior Bureaucracy that Local Wisdom on Quality Service through Service Performance](image)

The description shows that good bureaucratic behavior will build the performance of excellent quality public services. This was inseparable from its association with local cultural values adopted by each individual bureaucrat. The understanding of the bureaucratic apparatus towards local cultural values had an impact on daily behavior in providing public services so that the existence of local cultural values was said to be the guideline for the implementation of public services. The values of obligation based of God (dharma) that exist in Balinese culture were actualized in a real way and form.

4. Conclusion
Based on the discussion, it can be concluded that local wisdom was a buffer as well as a liaison between supra and infrastructure, and the controller of life system for the implementation of "pattern maintenance" for harmonization. In harmonization there was a syntagmatic balance between the formulation of socio-cultural concepts and their values, new social and cultural arrangements and their values so as to obtain a social order. The understanding of bureaucratic apparatus towards cultural values and local wisdom influences daily behavior in providing public services so that some of the Regencies/Cities Government in Bali formalize the local wisdom values of the people in their policies, either as vision or motto, like the motto "Sewaka Dharma" to the Denpasar Municipality Government and the vision of "Realizing Excellent Service Based on Tri Hita Karana" on Badung Regency Government. Meanwhile, other district governments were not actually written to pour the local wisdom of society in the motto or vision/mission of government.
That the local bureaucratic behavior in the service office/agency/licensing office of the Regencies/Cities Government in Bali Province was found to have a positive and significant impact on the quality of service. The path coefficient shows that bureaucratic behavior with local wisdom consisting of officer clarity indicator, officer discipline, officer responsibility, officer ability, and courtesy and officer friendliness were able to improve service quality for the better. It shows that bureaucratic behavior at Regencies/Cities Government in Bali Province had prioritized quality service so that the applicant society was satisfied with the service provided, even though the quality of service to the government that formalizes local wisdom was better than that which had not formalized the local wisdom firmly.

5. Implication
To improve the quality of public services in the field of licensing at the office/agency/board service licensing Regencies/Cities Government in Bali Province, some suggestions that can be submitted is to the Regencies/Cities Government in Bali Province to be able to improve the quality of licensing service through local bureaucracy behavioral indicator, it is necessary to give special attention to the ability of employees in supporting the service more satisfy the society. In improving the knowledge and competence of employees can be done by providing training. To increase the employee's motivation to increase employees can be done by providing rewards for employees who excel and punishment for employees who perform not well. To the Regencies/Cities Government in Bali Province to realize transparent, accountable, and corruption-free, collusion and nepotism licensing services, it is necessary to continuously strengthen and improve local wisdom-based licensing service model to be more responsive and adaptive With the needs of the society as users of licensing services.

References
Burhan, Bungin, (2008), Qualitative Research: Communication, Economic, Public Policy, and Other Social Science, Jakarta: Kencana.
---------, (2008), Structural Equation Model, Concept and Application with Amos 16.0 Program, Semarang: Badan Penerbit UNDIP.
Sibanda, Modeni Mudzamba Michael. 2012. Monitoring Customer-Focused Quality Service Delivery In Local


