Innovation Determinants Influence LPD Marketing Performance in Denpasar

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ABSTRACT

The objective of this research is analysis innovation determinants influence LPD marketing performance in Denpasar. This research was carried out in Denpasar, Bali. This research uses a quantitative approach. A research approach that answers research problems requires careful measurement of the variables studied to produce conclusions that can be generalized regardless of the context of time, place and situation. The population in this study is all LPD administrators throughout Denpasar City in 2023, amount 105 people and the entire population is used as a sample. The data analysis used in this research is descriptive analysis and inferential analysis. Inferential analysis techniques are used to test the empirical model and hypotheses proposed in this research. The analysis technique used is a structural equation model (SEM), known as Partial Least Square (PLS). The result of this research is the determinants of innovation that influence marketing performance. This result is indicated by a path coefficient of 0.420 with T-statistic = 10,828 (T-statistic > 1.96) and P-values = 0.000 (P-values < 0.05), so the hypothesis is accepted. The analysis show that the determinants of innovation have a positive and significant effect on marketing performance. These results indicate that improvements in the determinants of innovation can improve the marketing performance of LPD throughout Denpasar City.
Keywords: Innovation, LPD, Marketing Performance, Structural Equations Model

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1. INTRODUCTION

Bali is a province in Indonesia with a variety of unique cultures, customs and friendly people. Apart from the existing culture, Bali also has its own uniqueness, namely the Traditional Village. Traditional villages in Bali not only cover the religious and socio-cultural fields, but also play a role in the economic sector and public services from the government. From the role of Traditional Villages in Bali, it can be seen that the burden borne by Traditional Villages regarding funds that must be spent and managed by Traditional Villages must be outside government policy. Government policy is related to funds which are only limited to funds in Service villages, while Traditional Villages also require quite a lot of funds. Because the burden is so heavy, Traditional Villages are required to have independent economic governance. So in

1984 the Bali government established a financial institution known as the "Lembaga Perkreditan Desa" in all Traditional Villages in Bali.

Lembaga Perkreditan Desa (LPD) or Village Credit Institutions are financial institutions owned by Traditional Villages in Bali. The existence of LPD in Bali was actually born from the awareness and will of the community. The collective awareness and will of the Balinese people is accommodated through area-based communities, namely traditional villages. The aim of establishing an LPD in each traditional village is based on Regional Regulation No.3/2017 and Governor Regulation No. 44/2017, namely supporting rural economic development through increasing public awareness of saving and providing credit for small business owners, to eliminate various exploitations in credit, to create equality for business activities at the village level, and to increase economic monetization activities in rural areas (Juliantari *et al*., 2020)

Village Credit Institutions are microfinance institutions under the auspices of traditional villages. As a microfinance institution owned by a traditional village, LPD must be ready and able to face competition, for this reason LPD must always improve and strive to be the best in the hearts of the village and its customers. LPD must be able to map out innovative products and services that suit the needs of village behavior and the wider community in order to dominate the local market and its surroundings.

Increasing competition for the market has caused LPD to have to determine the right strategy in marketing their business products. Marketing is a social and managerial process that enables individuals or groups to get what they need and want, by creating and offering what they need and want, by creating and offering and exchanging valuable products with other parties (Kotler, 2008).

Bali Province has 8 Regencies and 1 Municipality. Every city district in Bali Province certainly has its own traditional village and also of course has a Village Credit Institution in each district/city area. The number of LPD registered in Bali Province until December 2023 is 1308 LPD. The LPD in Bali consist of the Badung, Gianyar and Denpasar areas. In the Badung area there are 7 LPD that earn the highest profits and have the highest assets in the Bali area because Badung is an area with high tourism and high economic turnover. In the Gianyar area, there is only 1 LPD which is capable of creating high profits. In the Denpasar area there is 1 LPD which can be included in the top 10 best LPD in Bali. Even though Denpasar is an area that has a small number of LPD, namely 35 LPD, the highest profit among the 10 best LPD is in the Kesiman LPD amounting to IDR. 10,620,252,000. This is what makes the author interested in researching LPD throughout Denpasar City. Highlighting marketing performance, the LPD in the Denpasar Municipality area has not fully implemented marketing performance well. This can be seen from data obtained from the Village Credit Institution Empowerment Institute (LPPLD), the number of LPD in the city of Denpasar is 35 LPD. Denpasar City has 35 LPD which will still be operating in 2024, but of the 35 LPD several LPD are in an unhealthy financial condition. Several LPD earned profits of minus 2,617 and minus 278,996. Apart from that, in some LPD there are no customers who have deposit products, there are only customers with savings products, which indicates that there is a problem experienced by these LPD in

their marketing performance system. Some of the products owned by the LPD may not have been communicated to the local community, so there needs to be a change in its marketing performance so that the LPD can at least achieve the specified profit.

LPD customer area coverage throughout Denpasar City is less extensive so that their marketing performance is classified as less than optimal. These things also caused researchers to choose Denpasar City as the research area, apart from the limited research time and the smallest number of LPD among other districts. Marketing performance can be influenced by the company's product innovation capabilities. Based on observations, the marketing performance of LPD throughout Denpasar City has not fully used social media which currently really supports product marketing, so that sales of new products from LPD throughout Denpasar City should be able to increase further considering that the products created have innovated following market trends.

Innovation is an important point for businesses, such as marketing and finance. So innovation is called the main role from the management aspect because innovation will have a big impact on business (Elfahmi *et al.*, 2017) The results of several other studies also state the same thing where marketing performance is stated to be significantly influenced by product innovation from business actors (Ramadhani *et al.*, 2022); Amin (2019) In research conducted byjauharoh (2023), it was explained that product innovation had a positive effect on the marketing performance of a study on processed snack food SME in Purworejo.

LPD throughout Denpasar City are required to carry out creativity or look for unique ideas in order to create quality products, so that they can provide satisfactory service to customers. Innovation is an important point for companies, such as marketing and finance. Based on the problems above, the aim of this research is to analysis Innovation Determinants Influence LPD Marketing Performance in Denpasar.

2. METHODS

This research uses a quantitative approach. A research approach that answers research problems requires careful measurement of the variables studied to produce conclusions that can be generalized regardless of the context of time, place and situation. According to (Sugiarto, 2017) quantitative research methods are research methods that are based on the philosophy of positivism, for researching certain populations or samples, collecting data through research instruments, quantitative data analysis, with the aim of testing established hypotheses.

2.1. *Data*

The types of data used in this study are qualitative data and quantitative data. According to (Sugiyono, 2016) qualitative data is data in the form of words, schemes, and images. Qualitative data in this study is in the form of variable innovation determinants influence LPD marketing performance in Denpasar.

2.2 *Populations and sample*

The population in this study is all LPD administrators throughout Denpasar City in 2023, totaling 105 people. The consideration for choosing administrators as respondents was because this research discussed marketing performance, innovation and product competitiveness where the LPD administrators knew the business processes of this research variable. According to Sugiarto (2017), the sample is part of the number and characteristics of the

population, so the number of samples taken must be able to represent the population in the study. In this research sample, the population and saturation taken were the entire population, namely the core administrators in each LPD throughout Denpasar City.

2.3 *Data Analysis*

The data analysis used in this research is descriptive analysis and inferential analysis. Descriptive analysis is applied to the presentation and analysis of data accompanied by calculations to clarify the characteristics of related data. Descriptive research data is based on subject data and variables obtained in the research (Sekaran et al., 2017) This analysis is used to determine the minimum value, average value, maximum value and standard deviation value.

Inferential analysis techniques are used to test the empirical model and hypotheses proposed in this research. The analysis technique used is a structural equation model (SEM), known as Partial Least Square (PLS). PLS does not use a specific measurement scale, is used on small sample sizes (30-50) units, or <100 units and can also be used to confirm Ghozali's (2008) theory. The reason for using PLS in this research is because, PLS is a general method for estimating path models that use latent variables with multiple indicators, in accordance with the empirical model in this research which consists of two exogenous variables and two endogenous variables.

3. RESULT AND DISCUSSION

In this research, the data analysis technique used is PLS with the SmartPLS program. Based on the results of data processing using PLS, then evaluate the structural equation model. In this evaluation, there are two basic evaluations, namely: evaluation of the measurement model (outer model) to determine the validity and reliability of the indicators that measure latent variables, and evaluation of the structural model (inner model) to determine the validity of the model. Before the model evaluation is carried out, it can be reiterated that the questionnaire as a data collection tool in this research is a valid and reliable instrument. The First Order louding factor value is declared significant if proven by the Statistical T Test to be greater than 1.96 (Ghozali, 2011). The results of this research show that all First Order Loading Factors show significant values as evidenced by the results of the Statistical T Test being greater than 1.96.

3.1. Outer model

Evaluation of measurement models to test the validity and reliability of indicators that measure latent constructs or variables. The research consists of four latent variables, namely Determinants of innovation (X) and Marketing performance (Y), which is a measurement model with reflective indicators, so that the evaluation of the measurement model is carried out by checking the convergent and discriminant validity of the indicators as well as composite reliability for the indicator block. The results of the outer model examination include convergent, discriminant validity and composite reliability.

3.1.1. Convergen validity

Table 1. Convergen validity

	Outer Loading	T Statistics (|O/STDEV|)	P Values
X1.1 <- Innovations	0.772	14.593	0.000
X1.2 <- Innovations	0.759	14.336	0.000
X1.3 <- Innovations	0.765	16.520	0.000
X1.4 <- Innovations	0.766	17.237	0.000
X1.5 <- Innovations	0.664	10.306	0.000
X1.6 <- Innovations	0.825	19.005	0.000
X1.7 <- Innovations	0.719	13.960	0.000
X1.8 <- Innovations	0.696	11.292	0.000
X1.9 <- Innovations	0.699	14.321	0.000
Y1.1 <- Marketing performance	0.779	19.951	0.000
Y1.2 <- Marketing performance	0.866	27.939	0.000
Y1.3 <- Marketing performance	0.786	20.147	0.000
Y1.4 <- Marketing performance	0.768	14.228	0.000

Table 1. shows that all indicators measuring innovation determinant variables have outer loading values greater than 0.50 and the T-Statistic is above 1.96. This means that all the items used are valid indicators as measuring innovation determinant variables. Meanwhile, the product quantity level indicator is the strongest indicator of the innovation determinant variable, because it has the largest outer loading value (0.825).

In the evaluation of marketing performance variables, the outer loading value is greater than 0.50 and the T-Statistic is above 1.96. This means that all items used are valid indicators as measuring marketing performance variables. Meanwhile, the sales increase indicator is the strongest indicator of the employee performance variable, because it has the largest outer loading value (0.866).

3.1.2. Discriminant Validity

Tabel 2. Fornell-Larcker Criterion Test

	Innovations	Marketing performance
Innovations	0.742	
Marketing performance	0.655	0.800

Table 2 shows that the Fornell-Larcker Criterion value shows that the correlation value between constructs has a square root of AVE that is greater than the correlation value between other latent variables and the loading indicator value for all latent variables is > 0.7. This means that it can be concluded that the model has good discriminant validity.

3.1.3. Composite reliability and Cronbach's Alpha

Table 3. Composite reliability and Cronbach's Alpha

Variable	Composite Reliability	Cronbach's Alpha
Innovations	0.917	0.898
Marketing performance	0.877	0.812

Table 3 shows that the composite reliability value of the three latent variables is above 0.70 and the Cronbach's alpha of the three latent variables is above 0.70, so it can be said that the indicator block reliably measures the variables.

3.2. Inner model

The structural model (Inner model) is evaluated by paying attention to the R^2 predictive relation model which measures how well the observation values are produced by the model. R^2 is based on the coefficient of determination of all dependent variables. The R^2 quantity has a value in the range $0 < R^2 < 1$, the closer the value is to 1, the better the model.

3.2.1 R-square test

Tabel 4. R-square

Structural Model	Variable	*R-square*
1	Marketing performance	0,950

Table 4 shows that the structural model evaluation results show that the R square value (0.950) is close to 1. Thus, the results of this evaluation provide evidence that the structural model has good goodness of fit model. This result can be interpreted as meaning that 95% of the information contained in the data can be explained by the model, while the remaining 5% is explained by errors or other variables that are not yet contained in the model.

3.3. analysis Innovation Determinants Influence LPD Marketing Performance in Denpasar

Tabel 6. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Innovations -> Marketing performance	0.420	0.424	0.071	10.828	0.024

Table 6 shows the determinants of innovation that influence marketing performance. This result is indicated by a path coefficient of 0.420 with T-statistic = 10,828 (T-statistic > 1.96) and P-values = 0.000 (P-values < 0.05), so the hypothesis is accepted. The analysis show that the determinants of innovation have a positive and significant effect on marketing performance. These results indicate that improvements in the determinants of innovation can improve the marketing performance of LPD throughout Denpasar City.

Innovation in this research is described in 3 things, namely product innovation, process innovation and technological innovation. Product innovation is the result of new product development carried out by business organizations, both from existing and non-existent products. The innovation process provides a structured approach to turning creative ideas into tangible results that drive progress and solve problems. Technological innovation is a new product or process whose technological characteristics are very different and better than before.

The highest indicator of innovation is product quantity, while the lowest indicator is the level of product quality. Innovation in the banking world is of course very important, because innovation can create something new from a product, whether in terms of benefits for customers, systems or processes. Customers' needs and tastes for a product or service in the financial sector always change following developments in time and technology. Therefore, business actors in the financial sector must always innovate in order to have a competitive advantage which will later contribute to improving marketing performance.

Management can use these findings to design more effective strategies in managing the determinants of innovation and improvement. By understanding that the level of product quality is the thing that most influences increased innovation. If the innovation created has good product quality or can be said to provide useful benefits for customers, then customers will purchase the product.

4. CONCLUSIONS

The conclusions of the research is determinants of innovation have a positive and significant effect on marketing ormance. These results mean that improvements in innovation determinants can improve the marketing performance of LPD throughout Denpasar City.

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