

The Model of Traditional Institutional Influence in the Development of Nagari-Owned Enterprises Management in Agam Regency, Indonesia

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Abstract

Nagari is an autonomous unit of Minangkabau people in the administration, finance, and other household arrangements in West Sumatra, Indonesia. Nagari has made arrangement of Nagari-owned enterprises which is initiated by the community, elders people in the traditional institution, and the Nagari government to utilize all economic potential, economic institutions, as well as the potential for natural resources, human resources, economic and environmental resources in order to improve the welfare of the people in Nagari. This study observes the development of local driving institution as Nagari-owned enterprises. It aims to develop the local economy and how their roles on arrangement natural and environmental economics resources. Understanding the roles of traditional body in the Nagari is important due to they act as a partly as Non-State Actors (NSA). This study exposed how the progress of Nagari-owned enterprises since the initiation, and how the traditional leaders contributed to this system. We study all 60 of Nagari-owned enterprises in Agam regency, West Sumatra province, Indonesia, which is selected 180 key respondents. The Data obtained were quantified and analyzed using Structural Equation Model (SEM). The results showed that the social capital of traditional institutions has a great roles both directly and in its interaction with other social capital (government support, customs, and community participation) in determining the success of Nagari-owned enterprises in Agam Regency. This shows that traditional institutions have a role in the development policy for the management of environmental economics resources through Nagari-owned enterprises.

Keywords: Nagari-owned enterprises; Traditional institution; Social capital; environmental economics.

1. Introduction

Increasing concern of researches on the roles of Non State Actors (NSA) for rural economics development play an important aspect to deal with enterprises, including the roles of NSA in

administration and social safety net programs (Alatas et al., 2019). The roles of NSA were identified due to human capacity much better than village head, especially in developing Nagari-owned enterprises, where Nagari is identified as an semi-autonomous regional

administrative unit of Minangkabau people in West Sumatra, Indonesia.

Until recently, effort have been made by the government of Indonesia to encourage the local economics institution including Nagari-owned enterprises, with the business activities about managing local resources focus on environmental economics development (Karim et al., 2020). Generally, Based on the results of the study found that there is a significant positive influence of traditional institutions on the management of Nagari-Owned Enterprises, government support, community participation, institutional custom Nagari-Owned Enterprises, and Nagari-Owned Enterprises management. Based on this to improve the economy of the village community in nagari in Agam regency with sustainable use of local natural resources, strengthening the traditional role must be done. In Agam Regency of West Sumatra innovates business activities in the field of clean water management, sugar cane, trading agricultural product such as seedling fruits and mahogany trees for reforestation, and there is also engaged in waste management (Susanti and Evanita, 2022). In general, Nagari-Owned Enterprises business activities are managing local natural resources to improve the economy of the people in Nagari.

The formation of Nagari-owned enterprises in West Sumatra was initiated since the implementation of rural fund programs. In every village in Indonesia, including Nagari, the earlier formation were supported according to each local characteristics. In the context of West Sumatra, there is a limited literatures understanding how NSA contributed to the development of economic organization. The influence of culture have been stated by Gibbon et al. (2020) and Gibbon et al. (2021) and Guiso et al. (2015) on economic organization, where the culture is noted as influences to improve the performance of economic organization. They are as a partly capital, besides labor, and technology.

Furthermore, the head of clan in society has their function, not only for their own family, but they are also supporting rural development decision, together with the presence of other NSA member, like NGO, non formal leader. This study will learn how the family cultural leader in their roles to improve the performance of Nagari-owned enterprises. With the existence of local institutions or institutions as well as the role of culture/customs coupled with bureaucracy and participants will always be related to economic, social and political changes in which traditional culture is inherent (Scoot, 2013). The role of inaction here is a traditional leader in Nagari, included in the local elite group that has functions ranging from aspects of development of planning, implementation, coordination, supervision, and evaluation (Ardi, 2004).

Philosophically, the local level has a high attachment to their local environment through traditional institutions (Furze et al., 1996), that is through the concept of decentralized development planning through local institutions. Uphoff (1986) defines the local level includes the village level as community level, a group that is usually bound by collective action. Than it is important to see the role of traditional institutional influence in the development of Nagari-owned enterprises management in Agam Regency in Indonesia, and how it can be a driven for environmental economics development?. Such question is not well address in the previous research and a main focus of this study.

This study is consisted with various sections. The overall introduction at section 1 describes the study gap and significance of this study, the section 2 discusses the rational of this study in the West Sumatra context. Section 3 discusses literatures of social capital and community participation. Section 4 proposes research methodology. Section 5 results and discussion, and section 6 is ended with a conclusion of findings.

2. Literature Review

2.1. The Rationale of West Sumatra.

According to his household, Nagari is one of the special areas in West Sumatra in Indonesia can be seen from the Matrilineal kinship system or maternal lineage, and the only province that uses the matrilineal system and it exists in each Nagari as the customary institutions (Tovalini and Hanoselina, 2022; Asrinaldi and Yoserizal, 2020). Traditional institutions as local institutions have the opportunity to be used as an approach to decision-making and planning in a community area that has strong traditional local institutions. Traditional customary has certain rules that govern the behavior of its people's lives, including being the basis for regulating and managing natural resources and the economy of its territory, so that it can be seen as a potential institutional contribution to improving the living order of traditional peoples (Noer, 2006).

This study is important for West Sumatra context, due to the existing cultural organization and its roles for social and economic activities. Village as smallest administrative unit is a leading federal agency that may achieve actual aims that will prosper, specifically for creating business units or so-called Village-owned enterprises (Dewi, 2014, 2021), this is known as Nagari-owned enterprises in West Sumatra in Indonesia. Nagari-owned enterprises establishment aims to boost the local economy, particularly for residents of rural areas. One of the key instruments for community development that the government has long supported is the growth of the local economy. One of the government's initiatives to combat poverty and promote economic growth is the development of the economy. This is following the Sustainability Development Goals (SDGs), a revision of the Millennium Development Goals (MDGs), where one of the objectives that must

be met is the alleviation of poverty and fair access to economic development.

Village-owned businesses are organizations established to boost the local economy that is based on the demands of the community and the potential of its resources (Larasdiputra et al., 2019, Kania et al., 2021). According to a different theory, village-owned businesses are a government policy strategy to integrate state institutions into village life (Putra, 2015), and Nagari-owned enterprises also contributes to institutional growth and community business management (Hastuti and Chilmy, 2017), with the potential to ultimately change the economic and social landscape in Nagari (Anggraeni, 2016). According to research by Malik et al. (2021), Village-owned enterprises activities have a favorable impact on welfare.

Village-owned enterprises can be a community activator in realizing an independent, sustainable, and locally rural village. Village-owned enterprise is a manifestation of independence in the village (Putra, 2018). Through village-owned enterprises, the village government can carry out innovative and creative activities under the potential of the village. Village-owned enterprises can develop the economic potential to improve the competitiveness of the rural economy (Kirowati and Setia, 2018). The development of this potential can be through the production, marketing, distribution and management of human resources in the village (Ubaididillah, 2017). The development of this economic potential certainly has an impact on the economic growth of the community in the village, thus leading to poverty alleviation in the village (Suastika, 2017).

The village is an important government organization that can achieve actual goals and develop, specifically by creating business entities or so-called Village-owned enterprises (Ramadana, Heru and Suwondo, 2013). Village-owned enterprises establishment aims

to boost the local economy, particularly for residents of rural areas. One of the key instruments for community development that the government has long supported is the growth of the local economy (Kusuma et al., 2019).

Community in the village is a manifestation of poverty reduction (Satlita et al., 2017). Therefore, social capital has a strong influence on moving the villagers in Village-owned enterprises activities in the village (Djaha et al., 2018). In West Sumatra province, the existence of regional Regulation Number 7 of 2018 on Nagari explains that the lowest government is in Nagari. Article 1 explains that Nagari is a unity of indigenous peoples genetically and historically, has boundaries in certain areas, has its property, is authorized to choose its leaders by deliberation and organizes and takes care of the interests of local communities based on its philosophy and traditional custom of Minangkabau society with the its motto work ethic, independence, tolerance, togetherness and visionary. Based on those principle, traditional leaders use it to organize village-owned enterprises in Nagari of West Sumatra, known as Nagari-owned enterprises.

Some districts in West Sumatra have many Nagari-owned enterprises that independently develop the economic potential of existing Nagari, some are slightly forced by the local district government by providing initial capital stimulants from the district budget through grants. West Sumatra province Agam Regency has established a Nagari-owned enterprise with a role as a manager of Nagari's economic potential in Agam Regency. The current development in Nagari is based on Nagari institutions by prioritizing local wisdom in each Nagari which includes social structure, culture, patterns of economic activity and characteristics that exist in each Nagari with local wisdom. Based on data in Indonesia, there are 74,961 villages or Nagari (Ministry of Home Affairs, 2022) that seek economic

empowerment to improve the welfare of their communities (Adnani et al., 2018).

West Sumatra province already has 345 Nagari-owned enterprises from 923 existing Nagari. According to data from the Nagari Community Empowerment Institute (NCEI) of the 82 Nagari in Agam Regency, there are 48 Nagari that already have Nagari-owned enterprises and four of them (Nagari Lawang, Matur District, Nagari Koto Tinggi, Baso District, Nagari Lubuk Basung and Manggopoh District) have owned Nagari-owned enterprises since 2016 (data unpublished). The rest of the Nagari-owned enterprises was established in 2017-2018. The following figures are presented Nagari-owned enterprises profile in Agam Regency based on Business Patterns (Figure 1) and work experience (Figure 2).

Figure 1. Profile of Nagary-owned enterprises by type of business in Agam Regency

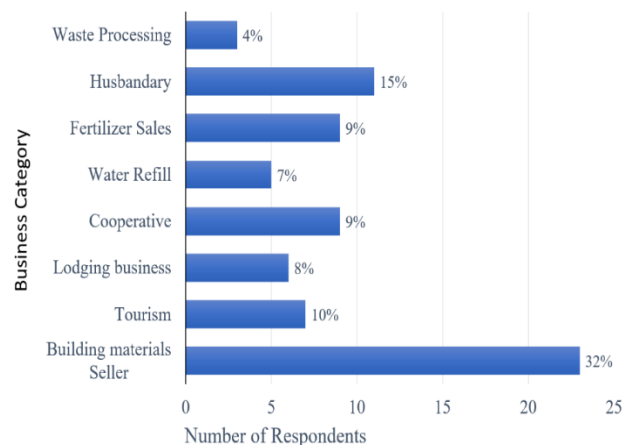
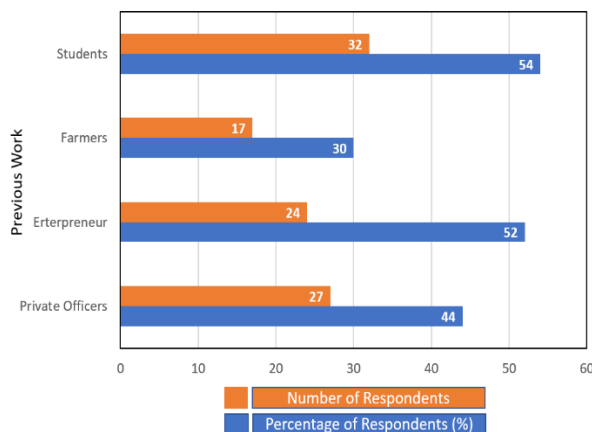


Figure 2. Profile of managers of Nagari-owned enterprises based on work experience in Agam Regency



Figures 1 depicts that, in the study areas the majority of the business of Nagari-owned enterprises were Store Buildings, which is consistent where they are having limited risks and usually a limited number exists in the village. The others are not different from one pattern of business to another.

Figures 2 depicts the experiences of respondents according to their previous experiences. The data shows that a significant proportion of higher education students and entrepreneurs from their previous background of experiences

2.2. Social Capital

This section discusses the social capital, as the basis of our study. There is a separate view of social capital in some literature, but (Claridge, 2018) places social capital at three levels, namely the micro level (appearing between individuals in a group or family); the intermediate level (occurring between different homogeneous social groups at the group or community level and the macro level appearing between communities or social classes. Social capital has been classified into three main groups in terms of relationships between

individuals, groups, and societies at different levels.

Social capital itself is a unified whole that lives, grows and is inherent in communities, organizations/institutions and communities that tend to have a positive impact on Community Development. Social capital is a combination of norms that are in the social system by integrating interaction and contributing to human development in a society aimed at cooperation between community members (Santi and Wulandari, 2018), regional diversification (Antonietti and Boschma, 2018; Cortinovis et al., 2017). Social capital is attached to relationships within communities, organizations/institutions and societies for a common purpose. Social capital is a social glue in maintaining the integrity of the group together (Ubaidillah, 2017), Social Capital is the glue of community groups to each other (Kay, 2006, Johnson, 2016). Social capital becomes a force in maintaining the harmony of communities, organizations/institutions and communities in economic and social activities. This ideal relationship is Trump's individuality (Andreas and Savitri, 2016). Social capital can help in overcoming the problems of citizens.

Social capital forms a profitable economic activity. Social capital is considered a resource that involves networks and relationships that are regulated by shared norms and based on mutual trust and cooperation in achieving mutual benefits through the continuity of community productivity. Productivity is what shapes economic activity (Kebede, 2018). Social capital is encouraged for economic empowerment through economic activities (Mampanini, 2016). The form of cooperation with various parties allows social capital to be able to shape economic activities (Putra, 2018). Economic activity occurs based on mutual trust among various parties (Mampanini, 2016).

In the social capital literatures, the presence of cultural leaders in their roles may be represent

NSA is of important in the context of West Sumatra Development process. The present of cultural leadeaare not addressed as a component of social capital in the previous literatures (see, Claridge, 2018). We do not understand to what extend their roles in economic organization, is a special and focus of this research.

2.3 Community Participation

According to Andriani (2018), participation can be interpreted as a person's conscious involvement in social interactions in certain situations. In that sense, a person can participate when he finds himself with or in a group, through various processes with other people in terms of values, traditions, feelings, loyalty, obedience and shared responsibilities. While in the dictionary of sociology mentioned that, participation is the participation of a person in a social group to take part in community activities outside of work or his profession (Theresia et al., 2015). Based on the above opinion, it can be concluded that participation means participating in the following and accompanying activities. In addition, participation is also the participation of people in taking part in community activities outside their work or profession.

The society is a group of humans who live side by side with all cultures and personalities. It needs a set of rules and norms so that people live in harmony and made the agreement of all members of the community to be held and used as a guide to measuring life together (Damayanti and Syafrudin, 2020)

According to Handayani (2017), Society is a group of living beings with new realities that develop according to their laws and develop according to their development patterns.

Community participation according to Theresia et al. (2015), is the act of taking part in activities, as well as community involvement in a development process in which the community is involved starting from the stage of

preparation and programs, planning and development, policy formulation and decision making. According to Handayani (2017), in essence, community participation is a necessity or response from the community in every implementation of a policy to be implemented. In more detail Nikkhah and Redzuan, M. (2009) distinguish participation into various types namely participation in decision-making, participation in implementation, participation in benefit taking and participation in evaluation. According to Theresia et al. (2015), the growth and development of community participation in development are determined by three basic elements, namely: opportunity to participate, willingness to participate and ability to participate. In the context of cultural leader, as apart of NSA and its roles, how they contributed to encourage community participation, and how community participation together with their roles to improve the economic organization and its performance.

This research aims to determine the extent to which the role of social capital in the management of Nagari-owned enterprises in Agam Regency. the variables to be measured are the influence of indigenous institutions on culture, community participation and government support and the direct influence of indigenous institutions on the management of Nagari-owned enterprises. The focus of this research is the extent to which the existing traditional institutions in a Nagari have a role in the management of Nagari-owned enterprises and other factors such as the role of NSA or local elites in a Nagari have their own role in the management environmental economics resources of Nagari-owned enterprises.

3. Research Methods

3.1. Data Sources

The data of this research was obtained by conducting field surveys. Sample members were determined by probability sampling

method with purposive strategy from each village or Nagari. At the early research, with in 80 Nagari, there are 60 Nagari-owned enterprises operated. All Nagari-owned enterprises was observed as a sampling unit. In each Nagari-Owned Enterprises, we interviewed 3 respondents representing management of Nagari-owned enterprises. So the total sample are 180 respondents. The respondents were Nagari-owned enterprises boards in Agam Regency. Data were collected in cross-sections using a list of questions which were then analyzed quantitatively. Quantitative analysis uses statistical tools, both descriptive statistics, and inferential statistics.

Nagari as the unity of traditional peoples in the Province of West Sumatra, which consists of a set of several tribes and has the traditional institution. This institution is the highest customary consultative and consensus representative that existed and was inherited from generation to generation in the Nagari community of West Sumatra. Nagari also has the certain area boundaries, has its wealth, and has the right to regulate. The sampling method in this research was obtained by distributing questionnaires to all Nagari-owned enterprises

managers in Agam Regency. The questionnaire was designed using the Likert scale. In addition to distributing questionnaires, the study was also conducted through direct interviews with Nagari-owned enterprises managers. This research is analyzed by causal modelling or also called path analysis, which hypothesizes causal relationships between variables and examines causal models using a system of linear equations. Causal models can include manifest variables (indicators), latent variables or both. The components of research variable, indicators and notation were described at Table and its model hypothesis in Figure 3.

3.2. Research Hypothesis and Methodology

Structural Equation Modeling according to (Byrne et al. 2013) is a statistical technique used to develop and test statistical models that are usually in the form of causal models. SEM is a hybrid technique which includes the confirmatory aspects of factor analysis, path analysis and regression which can be considered special cases in SEM identification of the model is based on the value of the degree of freedom (df).

Table 1. The research variable, indicators and notation of the study

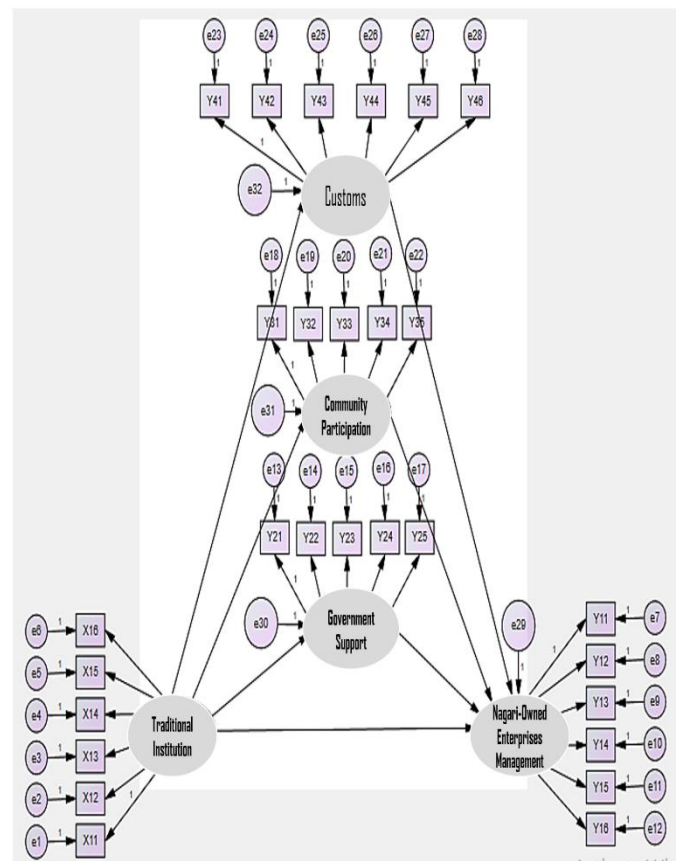
Research Variable	Indicators	Notation
Traditional Institutions (X1)	Nagari-owned enterprises Planning	X11
	Nagari-owned enterprises Formation	X12
	Business type Nagari-owned enterprises	X13
	Nagari-owned enterprises Capital Allocation	X14
	Nagari-owned enterprises Implementation	X15
	Nagari-owned enterprises Evaluation	X16
Nagari-Owned Enterprises Management (Y1)	Creativity and innovation	Y11
	Local Wisdom	Y12
	Economic resource management	Y13
	Job Opportunities	Y14
	Nagari-owned enterprises Asset Growth	Y15
	Business Type	Y16
Government Support (Y2)	Nagari-owned enterprises Program	Y21
	Education and Training	Y22
	Grant of Capital	Y23
	Surveillance	Y24
	Reward Giving	Y25

Community Participation (Y3)	Nagari-owned enterprises Establishment Process	Y31
	Determination of Nagari-owned enterprises Business	Y32
	Nagari-owned enterprises Routine Meeting	Y33
	Follow Nagari-owned enterprises manager	Y34
	Active without coercion	Y35
Customs (Y4)	Associations and unions	Y41
	Alignment	Y42
	Work Ethic	Y43
	Habits that are hereditary	Y44
	Behavior	Y45
	Guidelines in interaction	Y46

Descriptive statistics are intended to describe the characteristics of respondents and descriptions of research variables, while inferential statistics using SEM is intended to test research hypotheses. Furthermore, the results of quantitative analysis are discussed by describing each research variable and discussing the relationship between variables to be compared with the results of previous studies. Developing theories and views on this research will begin by determining the position of the research paradigm. The method of data analysis used the SEM. In this study, there are several constructs used. These constructs are translated into several variable indicators which are then used as starting points for measuring instrument items that can be questions or statements (Figure 4). The answer to each instrument is measured using a Likert scale and has a value level from strongly agree to strongly disagree.

The measurement model is part of the SEM model that describes the relationship between latent variables and their indicator variables (Figure 3). Each latent variable is usually associated with multiple measures. The relationship between latent variables and their measurement is analyzed through the factor analytic measurement model, where each latent variable is modeled as a general factor for its measurement. The general form of the measurement model is as follows:

Figure 3. Model Hypothesis



$$X_i = \Lambda_x X_{ij} + \varepsilon$$

$$Y_i = \Lambda_y X_i + \varepsilon$$

where X_i is vector of exogenous latent variable, X_{ij} is indicator variable vector for exogenous latent variable, Λ_x is loading factor matrix that connected exogenous latent variables and their indicators, Y_i is vector of endogenous latent variables, ε is error vector of latent variable

measurement with multivariate normal distribution.

The structural model includes the relationship between latent variables, and the relationship is considered to be linear. In the structural model, the regression relationship between endogenous latent variables (Y_i), regression of exogenous latent variables to endogenous latent variables (β) and regression between exogenous latent variables (Γ) can be analyzed. The structural equation model can be written into Equation as follows:

$$Y_i = \beta Y_j + \Gamma X_i + \delta$$

where β is coefficient matrix that connected the endogenous latent variables, Y_i is vector of endogenous latent variables, Γ is correlation

coefficient matrix of endogenous and exogenous latent variables in the structural model, X_i is vector of exogenous latent variable and δ is random vector for structural error with with multivariate normal distribution.

4. Research Findings

4.1. The Structural Model of Traditional Institution Influence in Nagari-owned Enterprises

This stage aims to estimate the parameters for the hypothesized model with the maximum likelihood estimation method. The maximum Likelihood method will estimate the value of the loading factor, standard error, and p-value calculation for each measurement model and structural model.

Table 2. The value of the loading factor, standard error, and p-value calculation for each measurement model and structural model.

Latent variables	Indicator	Loading Factor	S.E.	C.R.	P
Indigenous Institutions	X11	0.486	-	-	-
	X12	0.609	0.253	4.834	0.000
	X13	0.623	0.261	4.878	0.000
	X14	0.552	0.241	4.618	0.000
	X15	0.538	0.241	4.559	0.000
	X16	0.382	0.176	3.681	0.000
Nagari-Owned Enterprises Management	Y11	0.598	-	-	-
	Y12	0.568	0.170	5.625	0.000
	Y13	0.595	0.166	5.799	0.000
	Y14	0.514	0.173	5.238	0.000
	Y15	0.577	0.169	5.685	0.000
	Y16	0.636	0.180	6.042	0.000
Government Support	Y21	0.421	-	-	-
	Y22	0.683	0.323	4.731	0.000
	Y23	0.459	0.258	3.996	0.000
	Y24	0.468	0.271	4.039	0.000
	Y25	0.801	0.411	4.788	0.000
Community Participation	Y31	0.727	-	-	-
	Y32	0.475	0.195	3.438	0.000
	Y33	0.187	0.139	1.969	0.045
	Y34	0.386	0.180	3.181	0.001

	Y35	0.327	0.154	2.891	0.004
	Y41	0.438	-	-	-
	Y42	0.590	0.326	4.017	0.000
Customs	Y43	0.554	0.329	3.940	0.000
	Y44	0.412	0.264	3.427	0.000
	Y45	0.385	0.272	3.295	0.000
	Y46	0.489	0.300	3.744	0.000

Based on Table 2, it can be seen that the loading factor value of some indicators is below 0.5. Based on (Churchill, 1979), indicators with loading factor values below 0.5 should be removed from the model because the indicator is not able to measure the latent variable. However, according to (Hair et al., 2017), loading factor values above 0.4 can still be maintained in the model, so variables with loading factors below 0.4 will be removed from the model.

Next, it explain concerning validity test and reliability test. Conflict validity is related to the principle that the measurements of a construct should be highly collaborative (Hair et al., 2010). Convergent validity test is done by using Ave and Construct Reliability criteria, where a convergent validity is said to be fulfilled if the value of $AVE > 0.5$ and Construct Reliability > 0.6 . Ave and Construct Reliability values for Convergent validity test can be seen in Table 3.

Table 3. Convergent Validity Test

Latent Variables	AVE	Construct Reliability	Description
Indigenous Institutions	0.503	0.832	Valid
Nagari-Owned Enterprises Management	0.510	0.861	Valid
Government Support	0.538	0.845	Valid
Community Participation	0.613	0.759	Valid
Customs	0.513	0.838	Valid

From Table 2 it can be seen that all latent variables have an AVE value > 0.5 and Construct Reliability > 0.6 . Thus, the convergent validity test is fulfilled, so it can be concluded that each indicator on each valid variable is used to measure the corresponding latent variable.

Reliability test is an analysis conducted to determine the reliability of each latent variable used in the model. Reliability test was performed using Cronbach Alpha value. The limit value of cronbach alpha to meet the reliability test is Cronbach Alpha > 0.6 . Cronbach Alpha value in the reliability test model can be seen in Table 4.

Table 4. Reliability Test

Latent variables	Cronbach Alpha	Description
Indigenous Institutions	0.695	Reliable
Nagari-Owned Enterprises Management	0.753	Reliable
Government Support	0.705	Reliable

Community Participation	0.626	Reliable
Customs	0.617	Reliable

Model evaluation is a test of the results of the analysis to measure the values obtained as a whole. The overall fit of the model can be determined based on the Goodness of Fit (GOF) value. The results of this model fit analysis will be evaluated to see how well the model obtained can match or fit the data. In Table 5, presented evaluation of the goodness of fit of modified models

Based on Table 4 can be seen that the value of chi-square obtained is 294.923, this value is close to the limit value of chi-square table for $p=0.05$ and $df=223$ that is 258.837. For CFI and TLI criteria obtained a value below 0.9 but still greater than 0.8. According to (Wijanto 2008), goodness of fit criteria for GFI, AGFI, CFI, and TLI, the value of 0.8 is marginal fit. Thus, the model obtains marginal fit on CFI and TLI criteria. For the rest of the criteria, the modified model acquired a good fit. Model modification

has met all the criteria of Goodness of Fit. This indicates that the model formed has a good level of fit/fit to the research data (Table 5).

4.2. Final Model of Traditional Institution Influence in Nagari-owned Enterprises

Significance test aims to see if there is a significant and close relationship atar independent variables and dependent variables in the model. Significance test is done by looking at the value of significance (P-Value) on the path relationship between latent variables. A P-Value smaller than 0.05 indicates that there is a significant relationship between latent variables. Conversely, a P-Value greater than 0.05 indicates that the relationship between variables in the corresponding path is not significant. The results of the model significance test can be seen in Table 6 and Figure 4.

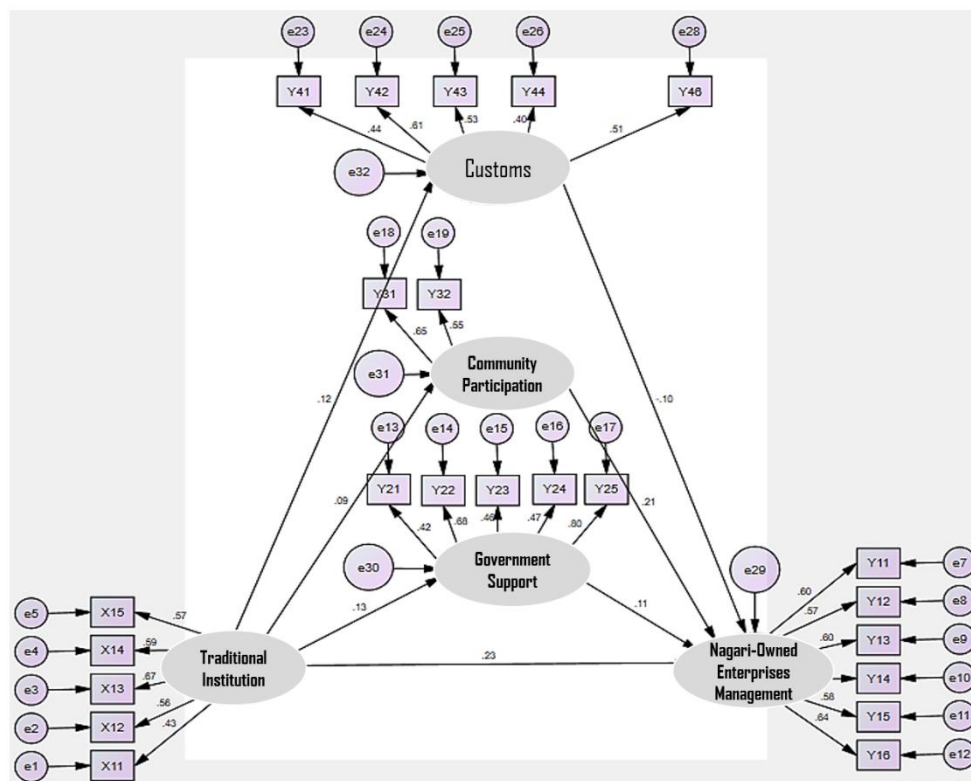
Table 5: Goodness of Fit evaluation of modified models

Criteria	Limit Value (Threshold)	Test Results	Description
Chi-Square (χ^2)	Near to 258.837 ($p = 0.05$, $df=223$)	294.923	Good fit
χ^2/df	$1 < \chi^2/df < 3$	1.323	Good fit
GFI	> 0.90 Good Fit > 0.80 Marginal Fit	0.981	Good Fit
AGFI	> 0.90 Good Fit > 0.80 Marginal Fit	0.952	Good Fit
CFI	> 0.90 Good Fit > 0.80 Marginal Fit	0.888	Marginal Fit
TLI	> 0.90 Good Fit > 0.80 Marginal Fit	0.873	Marginal Fit
RMSEA	< 0.50 Good Fit < 0.90 Acceptable Fit	0.042	Good fit

Table 6. Significance Test P Line

	Lin		Line Coefficient	P	Specification
Nagari-Owned Enterprises Management	←	Traditional Institution	0.230	0.004	Significant
Government Support	←	Traditional Institution	0.133	0.009	Significant
Community Participation	←	Traditional Institution	0.090	0.046	Significant
Institutional Customary	←	Traditional Institution	0.120	0.031	Significant
Nagari-Owned Enterprises Management	←	Government Support	0.110	0.022	Significant
Nagari-Owned Enterprises Management	←	Community Participation	0.211	0.015	Significant
Nagari-Owned Enterprises Management	←	Institutional Customary	0.100	0.037	Significant

Figure 4. Structural Equation Model



Based on Table 6, obtained the value of each path in the model has a p-value of less than 0.05. Thus, it can be said that each variable in each of the paths in the model has a close and significant relationship. Based on the

evaluation results and the model can be described the influence of the relationship of each latent variable as follows:

- (i) Traditional institutions have a positive and significant effect on government support.

There is a significant positive influence of traditional institutions on government support. This is evidenced by the significance value (P-value) of traditional institutions to government support is 0.009 so the significance value is less than 0.05. Therefore, it can be concluded that there is a significant influence between traditional institutions on government support. The coefficient value of 0.133 indicates a positive influence which means that the better the traditional institutions, the better the government support.

(ii) Traditional Institutions have a positive and significant effect on community participation.

There is a significant positive influence of traditional institutions on community participation. This is evidenced by the significance value (P-value) of traditional institutions to community participation is 0.046 so the significance value is less than 0.05. Therefore, it can be concluded that there is a significant influence between traditional institutions on community participation. A coefficient value of 0.241 indicates a positive influence, which means that the better the traditional institutions, the better the community participation.

(iii) Institutional Customs positive and significant influence on customs.

There is a significant positive influence of traditional institutions on customs. This is evidenced by the significance value (P-value) of customary institutions to Customs is 0.031 so the significance value is less than 0.05. Therefore, it can be concluded that there is a significant influence between traditional institutions to Customs. The coefficient value of 0.120 indicates a positive influence, which means that the better the traditional institution, the better the Customs.

Government support has a positive and significant effect on the management of Nagari-owned enterprises. There is a

significant positive effect of government support for the management of Nagari-owned enterprises. This is evidenced by the significance value (P-value) of government support for the management of Nagari-owned enterprises is 0.022 so the significance value is less than 0.05. Therefore, it can be concluded that there is a significant influence of Government support on Nagari-owned enterprises on the management of Nagari-owned enterprises. The coefficient value of 0.110 indicates a positive influence which means that the better the government support, the better the management of Nagari-owned enterprises.

Community participation has a positive and significant effect on the management of Nagari-Owned Enterprises. There is a significant positive effect of community participation on the management of Nagari-owned enterprises. This is evidenced by the significance value (P-value) of community participation in the management of Nagari-owned enterprises is 0.015 so the significance value is less than 0.05. Therefore, it can be concluded that there is a significant influence community participation on the management of Nagari-owned enterprises. A coefficient value of 0.211 indicates a positive influence which means that the better the community participation, the better the management of Nagari-owned enterprises.

Culture positive and significant influence on the management of Nagari-owned enterprises. There is a significant positive influence of customs on the management of Nagari-owned enterprises. This is evidenced by the significance value (P-value) of customs to the management of Nagari-owned enterprises is 0.037 so the significance value is less than 0.05. Therefore, it can be concluded that there is a significant influence of traditional customs on the management of Nagari-owned enterprises. A coefficient value of 0.100 indicates a positive influence which means that the better the

customs, the better the management of Nagari-owned enterprises.

4.3. The Effect of Non-State Actors on Traditional Institution and Development of Nagari-owned Enterprises

The results of this study are following the theory of Alatas et al. (2019) in the journal American Economics Review that the role of the Non-State Actors (NSA) group is very influential on an institution in this case customary institutions, and also the same as research conducted by Guiso et al. (2015) suggested that social culture in an institution and institutional is needed in achieving a planned program. in this case, the role of indigenous institutions on the existing culture of a nagari, indigenous institutions influence community participation, indigenous institutions have a role and influence in government support, and indigenous institutions also have a direct effect on the management of Nagari-owned enterprises (Nagari-owned enterprises) in Agam Regency.

There are still many natural resources that have not been fully utilized. For this reason, Indigenous leaders play a very important role to direct the community to participate in managing Nagari-Owned Enterprises, namely by optimizing natural resource management for the welfare of local communities but by still paying attention to the sustainability of these natural resources in the future and preventing environmental damage. This study confirms that local cultural leader induces the success of Nagari-owned enterprises at the nagari level in Agam Regency.

5. Conclusion

This study investigates the role of local cultural leader on the improvement of local enterprises, which is a very important for environment development. We use the primary data to improve our understanding, in a matric society of West Sumatra. We define variables which influence the local enterprises development.

Based on the population of business unit in village, then we test the data through SEM methods. The study confirms that local cultural leader improves the development of local enterprise, by involvement since the planning process and running of the enterprise. Based on the results of the study found that there is a significant positive influence of traditional institutions on the management of Nagari-Owned Enterprises. This is evidenced by the significance value (P-value) of traditional institutions to the management of Nagari-Owned Enterprises is 0.004 so the significance value is less than 0.05. There is a significant positive influence of traditional institutions on government support.

The significance for environmental development schemes is that this condition will influence for the integration of local culture to environment development as well. This study has some limitations. First This study implies that local cultural leader induces the success of Nagari-Owned Enterprises at the nagari level, a greater awareness on resources at village level, including how natural resources having more value without environmental damage. This study also giving a more understanding on local economic institution and its roles. The more awareness of cultural leaders may use as strategy resource let economy at village level.

the researcher only focused on the area of Agam Regency. Future studies should consider more areas that will have the potential to increase social capital. Second, the dependent variable is limited to economic growth. Therefore, it is necessary to consider other socioeconomic aspects in addition to economic growth. For it is possible that different social capital affects other socioeconomic outcomes Furthermore, this study focuses on understanding differences in the interaction between social capital and its relationship in influencing economic development.

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