

# Community Response to the Privatization of the Water Sector in Bandung

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**Abstract.** The study aims to determine the effect of the water sector privatization in Indonesia on the public's response. Privatization of the water sector has already taken place in Indonesia and is regulated by Law No. 19 of 2003 concerning State-Owned Enterprises. The process of privatizing the water sector should provide better benefits for the community. The community's response is expected to accept this privatization and not make it an obstacle in the supply of water, both drinking water and toilet washing water. The population in this study is a group of people in the city of Bandung who in their daily life obtain their water needs from various sources other than subscribing to PDAM. The technique of collecting data in the form of a snowball was obtained by 54 respondents who filled out the survey given through the form and met directly with the respondents. The data were processed using SPSS 24 with insignificant results and only had an effect of 5%.

**Keywords:** Privatization of the water sector; Community Response; Regional Tap Water Company (PDAM)

## 1 Introduction

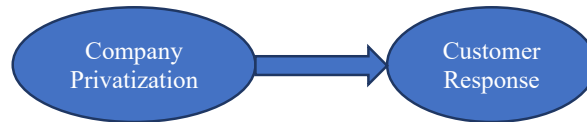
The state controls the ground, water, and natural resources contained therein, according to Article 33 of the 1945 Constitution, and they are employed for the people's greatest prosperity. [1]. Water is one of the natural resources that should be used for the prosperity of the Indonesian people. Water is an essential part of human life and the universe [2]; people should enjoy this natural resource. To provide the best service for the community, the government provides opportunities for various parties to privatize water resources. The privatization of water resources has been in effect since 2004 in line with the enactment of Law No. 7 of 2004 [3]; forms of water privatization include: 1) Privatization of Regional Tap Water Companies. There are 6 (six) schemes in the privatization of this PDAM, namely (a) Contract Service, (b) Contract management, (c) Lease, (d) Concession, (e) Built Operator Transfer (BOT) and (f) Joint Venture; 2) The control of the right to take water from one area/plot of an area with the control of the right to take water in that area; AND 3) Irrigation mastery.

This privatization activity was carried out. In 2013, Muhamadiyah sued the Constitutional Court based on the 1945 Constitution to return [4] management to the government, Court won

the lawsuit, and the management of water resources was returned government. However, what is actually behind this privatization? The government carries out privatization to improve services to the community. In addition to providing input for the state, the operational costs incurred by the state are reduced by devolving it. The city of Bandung needs clean water more than ever, given the increasing population growth and development [5]. Due to the number that is inversely proportional to the increasing demand, the Bandung City Government owns the Tirtawening Regional Tap Water Company (PDAM). It is still unable to meet the needs of the entire community of Bandung City to obtain adequate clean water services both in quantity and quality [6].

## 2 Method

This research is a quantitative research that tries to give an idea to the readers about the response given to the community regarding the existing water resources privatization policy in Indonesia. The study's population is a group of people in Bandung who get their water from a variety of sources other than PDAM in their daily lives. The technique of collecting data in the form of a snowball was obtained by 54 respondents who filled out the survey given through the form and met directly with the respondents. In addition to filling out forms, data were also obtained using interviews and literacy from various sources. The framework of thought in this research is:



**Figure 1.** Research model. Processed by the author, 2022

**Table 1.** Operational Variables

Variable	Dimension	Indicator	Description
Company Privatization	Performance	1. Performance efficiency of water sector companies 2. The company's profit 3. Productivity of water sector companies 4. Company growth	
	Structure	5. Number of companies operating in the water sector 6. Production water concentration level 7. Barriers in the water distribution process 8. There is product differentiation	
	Behavior	9. The price of the water product 10. Education on water sector law 11. Investments made by water sector companies	
	Basic Conditions	12. Consumer demand 13. Offers from water sector companies 14. Technologies used by water sector companies	

		15. Economies of water sector companies	
Customer Response	Cognitive	16. Knowing the company that provides drinking water 17. Be able to name a tap water company	
	Affective	18. Emotionally the company name information enters the minds of consumers. 19. Companies can meet the needs of consumers with attributes and benefits that are relevant to consumers. 20. Consumer attitudes in responding to the privatization of water resources 21. Community Assessment of the privatization of water resources	
	Conative	22. Actual behavior in responding to a question about the privatization of water resources 23. There are actions when knowing information about the privatization of water resources. 24. It gives a habit derived from the message of privatization of water resources.	

#### Initial research hypothesis

The hypothesis that will be used is:  $H_0: b = 0$

It means that the independent variable (privatization) has a partially positive and substantial effect on the dependent variable (response).  $H_a: b \neq 0$  is the comparative hypothesis.

It means that the independent variable (privatization) has a positive and significant effect on the dependent variable (response). The decision-making criteria are:

If  $t_{count} \leq t_{table} \text{ on } = 10\%$ ,  $H_0$  is approved.

If  $t_{count} > t_{table} \text{ on } = 10\%$ ,  $H_a$  accepted it.

### 3 Result and Discussion

#### Respondent profile

Respondents in this study were:

**Table 2.** Profile of Respondents

Description	Total
<b>Age</b>	
<20	2
20 – 30	4
31- 40	21
41 – 50	19
>50	4
<b>Education</b>	
Junior High School	0
Senior High School	13
Diploma III	19
Bachelor	22

All	0
<b>Monthly income</b>	
<1.000.000	4
1.000.001 – 2.000.000	14
2.000.001 – 3.000.000	15
3.000.001 – 4.000.000	11
>4.000.000	10
<b>How to get clean water</b>	
PDAM's customer	16
Groundwater. well water	30
Buying from a traveling seller	16
Other	2

Respondents who filled out were from various circles of society in the city of Bandung who was obtained randomly, totaling 54 respondents with an age level between 20 – above 50 years, high school education level, D3, and S1, monthly income ranging from less than 1,000,000 to more than 4,000 .000. Respondents obtain clean water from various sources in the city of Bandung. From the results obtained after distributing questionnaires to 54 clean water users, the following results were obtained:

### 3.1 Validity and Reliability Test

From calculations using SPSS 24, the values obtained are:

**Table 3.** Validity Test Results

Variable	Dimension	R count	N
Company Privatization	Performance	0.541	Valid
	Structure	0.532	Valid
	Behavior	0.311	Valid
	Basic Condition	0.322	Valid
Community Response	Cognitive	0.336	Valid
	Affective	0.812	Valid
	Conative	0.513	Valid

The validity test results show the calculated R-value > 0.01; therefore, the variables studied are all valid.

**Table 4.** Reliability Test Results

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.680	.678	24

Cronbach's Alpha was 0.680 in this study's reliability test; the higher the value of Cronbach's Alpha, the more reliable the data. Value 0.760 > 0.6 so that the variables in this study are reliable.

### 3.2 Simple Linear Regression Analysis

The following conclusions were drawn from the findings of a simple linear regression study:

**Table 5.** Simple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	0,344	.121	
	Community Response	.007	.121	.007

According to the regression analysis results, the independent variable had an impact on the dependent variable. For this reason, the regression analysis carried out also produces a regression model, which is as follows:

$$Y = 0,344 + 0.007 x$$

### 3.3 Classical Assumption Test

#### 3.3.1 Normality Test:

**Table 6.** Test Results One – Sample Kolmogorov Smirnov Test

		Community Response
N		54
Normal Parameters <sup>a,b</sup>	Mean	3.40
	Std. Deviation	.396
Most Extreme Differences	Absolute	.390
	Positive	.390
	Negative	-.287
Test Statistic		.390
Asymp. Sig. (2-tailed)		.240 <sup>c</sup>

The result of the Kolmogorov Smirnov test is 0.240. Because this value is more than 0.05, the data is normally distributed.

#### 3.3.2 Multicollinearity Test

**Table 7.** Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	4.000	.000			
	Performance	9.326E-16	.000	.000	.217	1.400
	Structure	-1.000	.000	-1.000	.217	3.400
	Behavior	1.000	.000	.816	.113	1.200
	Basic Condition	1.000	.000	.816	.213	1.200

The independent variable reveals that the VIF value is 1,400; 3,400; 1,200; and 1,200 where the value is less than 10, therefore it can be concluded that it is free of multicollinearity from the calculation results in the table of multicollinearity test results.

### 3.4 Hypothesis Test

T-Test

**Table 8.** Normality Test Results

		Sig.	Statistic	Beta
Response	.112	.598	.121	
			.121	.007

From the results of the regression analysis in table 3, the tentative hypotheses are:

There is a considerable relationship between privatization and reaction, according to Ho. There is no correlation between privatization and reaction. Based on the T-test that has been carried out through SPSS 24, the results obtained a significance value of 0.112 or a value greater than 0.05. Thus, it can be concluded that H0 is accepted and Ha is rejected. It means that privatization does not affect the public's response. The privatization launched by the government does not affect the community's response because the community has been able to meet their individual water needs either by using groundwater or healthy water.

## 4 Conclusion

Privatization is a way that the government can take to increase profits or improve services to the community. It is known that water is the primary need of people's lives, both clean water and toilet washing water. With the privatization that is being rolled out, the government will respond to the community, both positive and negative responses. In this study, it can be concluded that there is no significant relationship between the privatization of the water sector and the community's response. The community responds to privatization activities because, so far, many people do not use PDAM as their water source.

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