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Tourism Impact on Economic Growth in Bali

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ABSTRACT

Tourism have made a significant contribution to the balance of trade and the development of the country's overall economic policy which can be seen from the increasing number of international tourist visits to a particular destination country with various economic impacts occurred. This has led tourism being used as one of the strategies to reduce poverty and increased economic growth. Increased economic growth in the surrounding community can be seen from increased income, creating new jobs, diversifies the economy, adding new product, and contributing to the overall economic sector that is integrated to achieve an improved quality of life. This research focuses on economic growth that occurs due to tourism activities in Bali Province by considering the 5 (five) indicators of economic growth consisting of increasing revenues, diversifies economy, creates new job, generate additional income, and adds new products by conducting a documentation study in the span of the past 10 years.

Keywords: Tourism, Tourism Impact, Economic Impact, Economic Growth

INTRODUCTION

Tourism has developed significantly especially in developing country. This could happen because tourism is consideres important in economic development and povertu reduction [1]. When tourism is planned and implemented in an integrated manner, it could have an economic impact at all levels of the economy, both regional and national. Tourism is considered as one of the services indutries that plays a role in economic growth in the world and is able to become a driver of national, regional development, increase the exchange rate value, create jobs and contribute to social development that will provide benefits to society [2]. The tourism industry is a complex and high-income sector that has a significant impact on the development of key sectors of the world economy. Nowadays, tourism is a catalyst for socio-economic development, both directly and indirectly contributing to the cultural growth of living standards, the development of countries and regions in the world [3]. Being considered as a growth structure with effective economic benefits, tourism gives chances to expand employment, development

distribution to the underdeveloped areas which eventually leads to the regional disparities adaptation [4].

Preservation of environment and culture could be done through tourism which gives an image regarding the sustainable development by economic growth, environmental sustainability, dan social benefits. Tourism activites and revenue could support the society to increase employment, adding new products, and generates additional income so that it is contributed to economic integration, added with public and private partnerships can improve the community's quality of life [5]. The main benefit of tourism is relatively trackable, in terms of tourist expenditure that could be utilized to cover the operational fee. There are multiplier effects from the economic cycle by the locals [6].

Besides that, tourism development could also help the economic growth with the ability to;

a) Stimulating the infrastructure growth like airport, roadways, port, electricity, etc;
b) Contributing to local industry which supplies tourism industry such as transportation, agriculture, food processing, commercial fishing, logging, and construction;
c) Attract foreign investation (esp. hospitality); and
d) Facilitating the transfer technology and technical knowledge.

Until now, tourism has become the government prioritize sector since it considered able to drive the nation's economy. In 2020-2024 RPJMN *(Rencana Pembangunan Jangka Menengah Nasional*) or the National Medium-Term Development Plan, explains that according to the tourism foreign exchange earnings of US$3.46 billion, tourism in one of Indonesia's strategies for Real Sector Value Added, Industrialization, and Employment Opportunities (RPJMN, 2020). In 2019, there were 16.106.954 foreign tourist who visited Indonesia, 4.052.923 in 2020, and 1.557.530 in 2021. The decreasing number of foreign tourists is due to the Covid-19 pandemic which certainly has a big impact on human's life [7].

The enacment of Law No. 32 Year 2004 about local governance, gives authority to local government to manage their region so that the local government has the power to develop tourist destination in their respective region. Bali Provincial Government is one of the governances who develops tourism in Bali Island as the main economic sector. Bali island is one of the main destinations for international tourist that got titled as "The Best Destination in The World" and "The Best Spa Destination of The World" from international magazines were one of the proofs of how fascinated and amazed foreigners are by the beauty and uniqueness of Bali as a world tourist destination [8].

Based on the number of visits to Bali Island, it could understand that most foreign tourist who visit Indonesia, go to Bali

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Table 1. Number of Foreign Tourist Visits of Indonesia and Bali

Year	Indonesia	Growth (%)	Bali	Growth (%)
2010	7.002.944	10.74	2.576.142	8.01
2011	7.649.731	9.24	2.826.709	9.73
2012	8.044.462	5.16	2.949.332	4.34
2013	8.802.129	9.42	3.278.598	11.16
2014	9.435.411	7.19	3.766.638	14.89
2015	10.406.291	10.29	4.001.835	6.24
2016	11.519.275	10.70	4.927.937	23.14
2017	14.039.799	21.88	5.697.739	15.62
2018	15.806.191	12.58	6.070.473	6.54
2019	16.106.954	1.88	6.275.210	3.37
2020	4.052.923	-74.84	1.069.473	-82.96
2021	1.557.530	-61.57	51	-100.00

Source: BPS Provinsi Bali, 2022 [7]

With an increase in the number of tourists, it will directly have an impact on tourism destination retribution revenue and affect the increase in local revenue. Tourism destination levy revenue and affect the increase in Regional Original Revenue [9]. The following is the amount of local revenue of Bali Province from year to year. With the escalation of the tourist number, it will directly affect the tourist destination retribution revenue which also affect the enhancement of Original Local Government Revenue [9]. The following table is the amount of local revenue of Bali Province in period of time.

Table 2. Local Revenue

Year	Local Revenue (Rp)
2010	1.393.730.257
2011	1.723.807.096
2012	2.042.091.096
2013	2.529.976.147
2014	2.920.416.697
2015	3.041.266.607
2016	3.041.195.258
2017	3.398.472.278
2018	3.718.499.635
2019	4.023.156.316
2020	3.069.474.218
2021	3.117.070.009

Source: BPS Provinsi Bali, 2022 [10]

Based on the data above, it can be seen that there is foreign tourist number growth and the local revenue in the period of time. There is a close connection between tourism, economic growth, and community welfare because of the multiplier effect which is a tourist expenditure cycle that could impacted the local's income [11]. By making tourism a strategy to improve the economy, a study of the impact of tourism on economic development in Bali Province was conducted. The study of the impact of tourism on economic growth is studied within the framework proposed

by Edgell & Swanson (2019) [5] that regional economic growth can be seen from increased economic development, increased additional income, job creation, new products, and can generate additional income.

Research Methods

This research is documentary research where documentary research theoretically examines phenomena related to culture, values and norms that develop [12], literature study is related to library data collection by reading, recording, and processing research materials, this literature study is not limited by place and time [13]. In the process of collecting data, this research was obtained from relevant journal publications, publication data from the Central Bureau of Statistics and other reliable sources. Furthermore, the data that has been collected is analyzed in accordance with the theory to be used. The data in this study are in the form of data on the GDP of Indonesia, PAD of Bali Province, the number of tourist visits in Indonesia and on the island of Bali, as well as other literature that supports and is in accordance with the research topic.

RESULTS

Tourism and Economic Growth in Indonesia

Table 3. Indonesia's GDP and Tourist Arrival

Year	GDP at current prices (IDR Trillion)	GDP per capita (IDR Million)	GDP by Tourism Business Field (IDR Trillion)	Number of foreign tourist visits (person)
2016	12.406,8	47,96	341,556	11.519.275
2017	13.588,8	51,89	387,013	14.039.799
2018	14.827,4	56,0	412,710	15.806.191
2019	15.833,9	59,1	440,2	16.106.954
2020	15.434,2	56,9	394,0	4.052.923
2021	16.970,8	62,2	412,3	1,557,530

Source: BPS Indonesia, 2022 [14]

Based on Table 3, it can be understood that Indonesia's GDP has increased every year except in 2020 which was caused by the Covid-19 pandemic, but it can immediately recover in 2021 and even reach the highest GDP for the last 6 years. The number of foreign tourist visits has also increased every year, but since the Covid-19 pandemic in 2020, the number of visits has not fully recovered and is still quite far from being able to exceed the last number of visits before the pandemic, which amounted to 16,106,954 in 2019.

This increase in GDP shows that tourism has a positive impact on the provision of business opportunities and community income in terms of Indonesia's GDP and Bali's local revenue. With the increase in the number of tourists slowly recovering, the increase in GDP according to the Accommodation and Food Supply Sector and income in other tourism, it is possible that Indonesia's GDP per capita will experience a continuous increase.

Based on Edgell and Swanson (2019) there are 5 (five) indicators that can determine the level of economic growth in a tourist destination, that is;

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Increases of Revenue

Tourism activities can have a positive impact on the economy of a country as a tourist destination by contributing to increased revenue. The increase in income can be caused by the increase in the number of tourist visits, which during the trip makes expenditures in the form of transactions with a certain amount to tourism actors in the destination area.

Table 4. Regional Revenue of Bali Province

Year	Regional Original Revenue of Bali Province (Rp)
2016	3.041.195.258
2017	3.398.472.278
2018	3.718.499.635
2019	4.023.156.316
2020	3.069.474.218
2021	3.117.070.009

Source: BPS Bali Province, 2022 [10]

The table above shows that there has been a consistent increase in Bali Province's Regional Revenue from 2016 to 2021 with the highest peak in 2019, reaching 4,023,156,316. However, the outbreak of the Covid-19 virus in early 2020 has caused a significant decrease in local revenue due to the imposition of travel restrictions to reach 3,069,474,218 again.

Creates New Job

Tourism activities create additional employment opportunities to meet the needs of tourism-related service industries such as airlines, cruise ships, vehicle rental, accommodation services that include hotels, resorts, culinary, entertainment activities such as theme parks, sporting events, music concerts, the food and beverages industry, and other products involved in the tourism industry.

Table 5. Labor Absorbtion of Bali Province

Year	Labor Absorption of Bali Province (Person)
2016	2.416.555
2017	-
2018	2.525.707
2019	2.469.006
2020	2.423.419

Source: BPS Bali Province, 2022 [15]

Diversifies Economy

Bali is a province that heavily relies on the tourism sector as a source of income and is severely affected by the Covid-19 pandemic. Therefore, to strengthen the economy of the Balinese people, economic diversification is implemented by developing a local wisdom-based industrial sector by strengthening the agricultural sector and small and medium industries. Recorded in 2021, the agriculture, forestry and fisheries sector contributed 15.71% to Bali's GRDP and 6.7% from the processing industry sector. Meanwhile, the tourism sector, namely the provision of accommodation and eating and drinking, contributes to the GRDP (Gross Regional Domestic Product) of Bali Province up to 16.66% as the largest contributor.

Tabel 6. Distribution of Bali Province Annual GRDP by Business Field

Business Field	Distribution of Bali Province Annual GRDP by Business Field (%)					
	2016	2017	2018	2019	2020	2021
Agriculture, Forestry, and Fisheries	14,50	13,98	13,75	13,45	15,11	15,71
Mining and Quarrying	1,08	0,99	0,94	0,87	0,95	0,98
Processing Industry	6,39	6,06	6,01	6,04	6,44	6,70
Electricity and Gas Procurement	0,22	0,24	0,24	0,23	0,22	0,21
Water Procurement, Waste Management, Waste and Recycling	0,18	0,18	0,17	0,17	0,19	0,19
Construction	8,87	8,94	9,35	9,53	10,58	11,00
Wholesale and Retail	8,29	8,44	8,48	8,57	9,05	9,26
Repair of Cars and Motorcycles Transportation and Warehousing	9,57	9,64	9,75	9,79	6,96	5,66
Provision of Accommodation and Food & Beverages	22,87	23,49	23,38	23,25	18,36	16,66
Information and Communication	4,15	5,25	3,88	5,31	4,26	4,41
Financial Services and Insurance	4,05	4,03	3,88	3.99	4,43	4,59
Real Estate	1,04	3,99	1,05	3,89	1,15	1,15
Company Services	4,93	1,05	4,95	1,04	5,69	6,01
Government Administration		4,93		4,93		
Defense, and Compulsory Social	5,03					
Security	2,11	5,08	5,13		5,89	6,12
Educational Services	1,53	2,14	2,17	5,15	2,58	2,84
Health and Social Servives		1,57	1,59	2,18	1,75	1,76
Other Services				1,62		

Source: BPS Bali Province, 2022 [15]

Adds New Product

Tourism activities contribute a lot to the development of new products in a destination. The province of Bali has experienced these changes over time. The provision of goods and services that continue to be developed in order to meet tourist demand provides significant development to economic growth in Bali Province. But in its growth, there are fluctuations due to various internal and external factors that occur.

Table 7. Tourism Product Development in Bali Province

Tourism Product	Tourism Product Development				
	2017	2018	2019	2020	2021
Star-rated Hotels	-	551	507	380	403
Non-Star Hotels	-	4323	3912	4107	2941
Restaurants and Eateries	2217	2518	2864	3233	3868
Travel Bureau	446	446	457	457	356

Source: BPS Bali Province, 2022 [15]

Generate Additional Income

Tourism emerges as an additional source of income after the income from the main job for the Balinese people. Based on BPS data of Bali Province 2022, the majority of Balinese people's main jobs are in the agriculture, forestry and fisheries sectors, followed by wholesale and retail

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trade which includes car and motorcycle repairs. This shows that the main job of the Balinese people does not only rely on the tourism sector but tourism acts as an additional source of income that can be done outside of the main working hours, as described by Edgell & Swanson (2019) that tourism can provide additional income in addition to the main income that can help improve the quality of life of the Balinese people.

Table 8. Main Occupations of the People of Bali Province 2021

Business Field			
	Male	**Female**	**Total**
Agriculture, Forestry, and Fisheries	317.978	216.727	534.705
Mining and Quarrying	5.431	2.428	7.859
Processing Industry	143.618	250.507	394.125
Electricity and Gas Procurement	3.475	228	3.703
Water Procurement, Waste Management, Waste and Recycling	4.669	1.817	6.486
Construction	141.470	13.991	155.461
Wholesale and Retail;	236.898	274.823	511.721
Repair of Cars and Motorcycles	53.156	4.513	57.669
Transportation and Warehousing	113.103	120.708	233.811
Provision of Accommodation and Food & Beverages			
Information and Communication	11.401	5.093	16.494
Financial Services and Insurance	33.447	29.261	62.708
Real Estate	2.046	692	2.738
Company Services	23.904	9.860	33.764
Government Administration, Defense, and Compulsory Social Security	95.562	41.407	136.969
Educational Services	43.228	66.221	109.449
Health and Social Servives	20.582	35.680	56.262
Other Services	59.604	58.326	117.930

Source: BPS Bali Province, 2022 [15]

CONCLUSION

Tourism in Indonesia has a positive impact on national economic growth as seen from the Gross Domestic Product which increases every year. At the regional level, Bali Province, which makes tourism as one of the mainstays, has a fairly rapid economic growth as seen from the local revenue from year to year which has increased consistently. Tourism has been able to feel its economic benefits by the community which has been seen from the increase every year based on 5 (five) indicators of economic growth by Edgell & Swanson (2019). However, because tourism is very vulnerable to issues and changes, there were fluctuations in 2019-2021 caused by the covid-19 pandemic and had a major impact on tourism around the world.

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