

TOURISM INVESTMENT , SUPPLY AND DEMAND IN INDONESIA: IMPACT AND FACTOR ANALYSIS

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Abstract

Tourism is one of the most significant contributors to the Indonesia growth of economy, based on data from the Indonesia Central Bureau of Statistics in 2012, the share of national tourism to GDP is 13.9 percent and of course the contribution of the sector to be helpful for the growth of the national economy, through foreign exchange earnings as revenue from tourist consumption. Besides that, it has provided a multiplier effect to other sectors which related to the sectors. Therefore, an improving of the contribution is a one of government's effort to boost economic growth and increasing the welfare, thus the increasing of tourism investment and trade will be focus in the tourism development program. Meanwhile, the Indonesia Coordinating Board (BKPM) stated the average national investment for the tourism sector is Rp. 2.73 billion or 6 percent from total investment during 2006-2012, in other words an investment in tourism sector has not been able to provide optimal contribution to the national economy development considering to its potential.

The purpose of this study was to analyze the determinants of investment, demand and supply of Indonesian tourism sector. Regarding to answer the problems, this research used series data from 1990 – 2012 periods, by using **simultaneous** model (2SLS) the model analyzed impact of investment, and international trade of Indonesia tourism sector to the national economic growth. Based on the Two Stages Least Squares method on simultaneous model, the results of the analysis gives some conclusions including: (1) tourism arrivals, tourism expenditure, investment, consumption price index, total consumption, government spending, export and import tourism affected the national tourism demand, (2) Current investment and investment on previous year, total consumption on previous year, and travel warning have positive impact to national tourism supply, (3) GDP was the most influenced variable beside Indonesia tourism price and neighbor countries' tourism price as competitors of Indonesia tourism. Finally, the simulations showed the fiscal and monetary policy impact to the national economic tourism sector.

Keyword: Impact, investment, international trade, supply and demand tourism, and economic growth

1. INTRODUCTION

Tourism is one sector of the economy that great contributed to the economic development of a country, based on data from the Indonesia Central Bureau of Statistics, in 2012 the share of national tourism around 13.9 percent of the total GDP and of course the contribution of the sector to be useful for the growth of the national economy , through foreign exchange earnings received from the large consumption incurred by the traveler to national goods and services. It is also able to provide a multiplier effect of tourism to other sectors related either directly or indirectly (Reuters, 1999).

Historically, the development of tourism be able to encourage and accelerate national economic growth whereas tourism activities create demand, both consumption and investment, which in turn will lead to the production of goods and services. During the activity in tourism, tourists will be doing his shopping and spend their money to consume for travelling, thereby directly causing demand (tourism final demand) market for goods and services. Furthermore final tourism demand indirectly raises demand for capital goods and raw materials (derived investment demand) to produce to meet tourist demand for goods and services. Indonesian tourist area of potential improvement in line with the

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liberalization of trade in services is seen from the increasing tourist demand internationally, it is seemingly in Table 1, where in 2012 there was an increase of 5.8 percent when compared to 2011, with the amount of foreign exchange earned by 8,6 million tourists, an increase of 13.6 percent compared to the previous period.

Table 1: Number of tourism arrival and expenditures in 2005-2012

Specification	2005	2006	2007	2008	2009	2010	2011	2012
Tourism Arrival (in thousands arrival)	5002.1	4971.35	5505.76	6234.5	6323.73	7022.94	7245.39	7669.66
International Tourism Expenditure	904	970.09	970.98	1178.54	995.93	1085.75	1118.26	1133.81
Tourism sector income	4521.9	4447.98	5345.98	7347.6	6297.99	7603.5	8591.39	9109.45
Domestic tourists	198.36	204.55	222.39	225.04	2229.73	234.38	237.13	245.07
Domestic Tourism Expenditure	74.72	88.21	108.96	123.17	137.91	150.49	156.98	171.5

Sources: BPS and Indonesia Ministry of Tourism & Creative Economy, 2012

From Table 1 it is clear that an increase in the number of visits is also followed by an increasing as a result of foreign exchange receipts from tourism transactions during some periods. According to the Ministry of Tourism and Creative Economy, said that tourism is able to account for about 8.46 percent of the total employment provided that is equal to 192.210 million in 2012 (Kemenpraf, 2013).

Table 2 shows the extent of the contribution the tourism sector to the national income, which the tourism sector (which are classified in the trade, hotel and restaurant) was third after industry processing and agricultural sectors. The figures show that 13.9 per cent of total GDP in 2012, although slightly lower than in 2009 due to the impact of the economic slowdown faced by some developed countries, especially the United States and most of European Union countries since 2008, according to UNWTO world tourism development due to the economic slowdown in the European Union and the United States amounted to 3 percent that also affect the number of tourist arrivals to Indonesia although the effect is not too significant to national tourism but the conditions need to be addressed by the government in determining future economic development policy.

Table 2: Percentage Distribution of Gross Domestic Product at Current Market Prices by Industrial Origin, 2004-2012

Industrial Origin	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Agriculture, Livestock, Forestry and Fishery	14.30	13.10	13.00	13.70	14.50	15.30	15.29	14.70	14.44
2. Mining and Quarrying	8.90	11.10	11.00	11.20	10.90	10.60	11.16	11.85	11.78
3. Manufacturing Industry	28.10	27.40	27.50	27.10	27.80	26.40	24.80	24.33	23.94
4. Electricity, Gas, and Water Supply	1.00	1.00	0.90	0.90	0.80	0.80	0.76	0.77	0.79
5. Constructions	6.60	7.00	7.50	7.70	8.50	9.90	10.25	10.16	10.45
6. Trade, Hotel, and Restaurant	16.10	15.60	15.00	14.90	14.00	13.30	13.69	13.80	13.90
7. Transport, and Communication	6.20	6.50	6.90	6.70	6.30	6.30	6.56	6.62	6.66
8. Financial, Real Estate, and Business Services	8.50	8.30	8.10	7.70	7.40	7.20	7.24	7.21	7.26
9. Services	10.3	10	10.10	10.10	9.70	10.20	10.24	10.56	10.78
Gross Domestic Product	100	100	100	100	100	100	100	100	100

Source: BPS, 2013

Refer to the government's efforts in improving the contribution of tourism for national economic growth and society welfare therefore the increasing of tourism investment is also the center of attention in the development program, beside that the goal for the investment activities can provide added value as well as lead to increased production because of tourism investment promotion programs, whereas most of tourism investments are oriented labor-intensive investment which is expected to create jobs that are needed by the community so as to improve the welfare and incomes. In table 3 shows that the average investment for the tourism sector is Rp . 2.73 billion during the period 2006-2012 with an average investment made by domestic investment of Rp . 235 Billion and is carried by the Foreign Direct Investment (PMA) average of Rp . 2.45 billion during the period 2006-2012, this figure shows that the contribution of tourism investment to total investment only 6 percent (Kemenpraf, 2012), in other words, an investment in the tourism sector have not been able to contribute optimal for the national economy despite the potential of this sector in contributing to the national economy considering the potential of natural and cultural, as well as the availability of adequate resources to support the growth of tourism).

Table 3: Realization of Tourism Investment, 2006-2012

Year	Foreign Direct Investment (billion Rp)	Domestic Direct Investment (Billion Rp.)	Total
2006	1.115	180	1.295
2007	1.364	127.7	1.492
2008	1.569	238.6	1.808
2009	3.065	357	3.422
2010	3.464	39	3.503
2011	2.422	394	2.816
2012	4.187	678	4.865
Avarage	2.455	235	2.743

Source: BKPM , 2013

So with tourism growth as a result of the increase in tourism demand will increase the demand for infrastructure and facilities to support tourism activities so that, both consumption and investment tourism are the two activities that are important and should be taken into account in determining a policy relating to tourism itself. Due to the growth in the tourism sector will ultimately trigger economic growth both directly and indirectly , not only in the tourism area itself but also affect other areas , especially the areas around the area of tourism and tourism-supporting areas .

2. RESEARCH PROBLEMS AND OBJECTIVES

Based on the background mentioned above , the problem can be formulated as follows : what are the factors that affect investment and tourism trade in goods and services (trade , hotels and restaurants) , and what is impact of investment, and international trade of Indonesia tourism sector to the national economic growth

3. THEORY

3.1 . Tourism and Economic Impact of Tourism on National Economy

The impact of tourism on the economy emerged as a result of supply and demand relationship in the industry , it is caused by the emergence of tourist spending patterns of visitors , and the investment generated by the transaction is tourism which in turn lead to a change in the economic structure of a country. Tourism has economic impacts , where tourists contribute to sales , profits , jobs , tax revenues , and income in a region regrading on promoting economic growth and social welfare . The most immediate impact of the tourism sector is a major with the increasing number of hotels , restaurants , transportation , entertainment , and retail trade , will cause secondary and multiplier effects for economic and social life. An analysis economic impacts of tourism activities generally focused on changes in sales , income , and employment areas generated from tourism activities it means that the impact of tourism can be said to be derived from the results of the activity / event or a specific facilities provided for the development of tourism , so as to increase the income of the people either directly or indirectly . When compared to the physical and social impacts of tourism , economic impacts are relatively easy to measure , this is due to the physical and social effects likely to occur, so it is difficult to quantify or analyze numerically (Mathieson and Wall , 1992) , one of the major issues that arise when discussing the economic impact of tourism is its scale .

The Impact of Tourism. As with other economic, the tourism sector also have the positive and negative impact on economic growth both macro and micro . The positive impact of tourism is generated : Income from Foreign Exchange Rates, Admission Open, Absorption of Labor, Infrastructure Development, and Economic Empowerment of Local Communities. While the negative impacts of tourism is ; 1) Leakage, in tourism development are categorized into two types , namely leakage and leakage keboran import export . Import leakage usually occurs when the demand for the equipment of international standard which is used in the tourism industry , food and beverage imports were not able to be provided by the local community or in the country ; 2) Conceded (Enclave Tourism) , Understanding Enclave tourism is often associated that a tourist destination is considered only as a stopover for example , a tour of the yacht management where they just stop at a destination without skipping a night or stay in hotels that have been provided industry as a result the local cruise ship tourist arrivals benefits are considered very low or even no economic benefits for communities in a destination that is visited; 3) Financing Infrastructure (Infrastructure Cost) , without apparently realizing that the development of an international standard tourism sector can become its own costs for the government and the sector as a

result tend to be charged to tax as a means to build the infrastructure , tax revenues must be increased to the community means tax should be raised . Other sectors such as the reduction of the budget for education and health; 4) Increased dramatically prices (Increase in Prices or Inflation , increased demand for goods and services from the tourists will lead to rising prices in a row inflation which will certainly have a negative impact for local communities who in reality does not increase in proportion of income means income if local communities are increasing but not comparable to the increase in prices will cause the purchasing power of local communities to be low; 5) Sectoral dependence (Economic Dependence) , the diversity of industries in an economy showing soundness of a country , if there is a country that is only dependent on one sector of the economy such as tourism , for example, makes a country becomes dependent on the tourism sector as a result of economic resilience to be very high risk; 6 . Seasonal problems (Seasonal Characteristics , in the tourism industry , recognized the existence of certain seasons , such as the high season " which will have peak tourist arrivals , occupancy rates will be close to the maximum room occupancy rates and conditions will impact business revenue increased tourism . Meanwhile, also low season in which the condition is the average occupancy rate does not match the expectations of the business as a revenue impact tourism industries also declined this is often called a seasonal problem .

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3.2. Concept and Scope of Investment

Typical investment also called by investment or capital formation is a second component that determines the level of aggregate expenditure . Concerning to investmet is an activity in the economy could push up the lower level of the country's economy , it is important to do in country because it can increase production and employment . Investment is the government spending and the company as a whole to purchase real capital goods for setting up a new company or to expand an existing business in order to obtain greater benefits than costs incurred capital to invest .

3.3. The Relationship between Investment on Economic Growth

Investment is an important factor in the sustainability of economic development and long-term economic growth . It will create jobs , increase incomes , which will further increase the market demand . The investment activities consist of direct investment (foreign direct investment / FDI) and portfolio investment . The investments are included a portfolio investment in the form of financial assets such as bonds , stocks , and so on are owned by foreign investors and invested into a country . While direct investment is investment made in plant , capital goods , land and so on , with the exercise control over the investments that are known Foreign Direct Investment (FDI) is the foreign ownership of the assets of a country , so that they can have direct oversight of the use of the asset . FDI recipient country not only receive benefits in the form of capital , but also access to electronic technology , management , market , international network , changes in the structure and export oriented.

3.4 . Investment and Tourism Promotion

Investment in tourism is basically the same understanding of the investment in a general sense , the only difference lies in Fixed Capital Information that relate directly to the development of infrastructure and facilities that improve the growth of tourism . On the issue of funding devoted to tourism infrastructure and tourism facilities such as roads , communication networks , utilities , ports , another distinction is generally financed by the government through the state budget or the budget which is also called the Social Investment Tourism . While the infrastructure and facilities such as hotels , theme parks , tourist transport , and others carried out by the private sector tourism - called direct invesment (Rusman , 2004) .

While promotion is defined as an effort to expand its share of both domestic and international tourism , as well as the efforts of developing countries is generally done by the government , and, if carried out by private parties directly related to the interests of private parties themselves as promotional hotel ,