

Economic Effects of Tourism Development in South Sumatra on the Communities around Tourism Regions

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Economic Effects of Tourism Development in South Sumatra on the Communities around Tourism Regions

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Abstract

Tourism can be considered as an industry. The development of this industry provides multiplier effects for other sectors. The positive effects of tourism on the economy can be seen from various aspects including foreign exchange revenue, foreign exchange earnings, employment absorption, infrastructure development, and economic empowerment of local communities. Since Palembang the capital city of South Sumatra Province was determined as a tourism destination of MICE (Meeting, Incentive, Convention and Exhibition) in 2011, various facilities and infrastructure needed for MICE activities have been built. There have also been numerous MICE events in Palembang. This study investigates the economic effects of tourism development in South Sumatra.

Keywords : MICE, economic effect of tourism

Introduction

Development in the tourism sector always has multiplier effects on other sectors, such as transportation, trade, hotel and inn services, restaurants, and craft souvenirs of the tourism destinations visited by tourists. These multiplier effects will, of course, make tourism become very interesting to develop.

Every country should develop its tourism based on local wisdom such as halal tourism (Palupi *et al.*, 2017). In addition to multiplier effects, there are 8 (eight) main reasons for developing tourism, namely: (1) Tourism is a triggering factor for national and international economic development, (2) a prosperity trigger through the development of communication, transportation, accommodation, and other services, (3) special attention to the preservation of culture, social values for economic value (4) equal welfare distribution due to the consumption of tourists in a destination, (5) foreign exchange earnings, (6) an international trade trigger, (7) triggering the growth and development of tourism and other special profession education institutions to produce reliable and polite graduates with the soul of hospitality, and (8) the market share for local products so that various products continue to grow along with the socio-economic dynamics of tourism destinations.

According to (Sapta, 2011) tourism development is basically aimed at

- a. Unity of the Nation: Tourism could give a sense of pride and love to the Unitary State of the Republic of Indonesia through travel activities throughout the country by citizens. The expected impact is that with lots of citizens visiting other regions outside their homes will create a sense of brotherhood and understanding of the system and philosophy of life of the people visited so as to increase the sense of national unity
- b. Poverty Alleviation: Tourism development would provide opportunities for all Indonesians to do business and to work. Tourist visits to a region are expected to provide the greatest benefit for welfare improvement of the community. The hope is that tourism should give a great contribution to poverty alleviation in the region with natural and cultural potentials except economic potential for tourism purposes.
- c. Sustainable Development: With the characteristic of tourism activities that offers natural beauty, cultural wealth, and hospitality and services, very few resources are used up to support these

activities. This means that the use of consumable resources tends to be very small so that the sustainability of development will be easy to manage for a relatively long time.

- d. Cultural Preservation: Tourism development should contribute significantly to local and national cultural preservation efforts which include protection, development and utilization of local or national culture. UNESCO and UN-WTO in their joint resolution in 2002 stated that tourism activities are the main tool of cultural preservation. In this context, Indonesia should make tourism development become a cultural preservation booster in various regions.
- e. Fulfillment of the Needs of Life and Human Rights: Nowadays tourism has become the basic necessity of modern society. For certain communities, travel activities have even been linked to human rights, especially through the granting of longer holidays and paid holidays.
- f. Enhancement Economy and Industry: Proper and sustainable tourism management would provide opportunities for economic growth in a tourism destination. The use of local materials and products in tourism services will also provide opportunities for local industries to play a role in the provision of goods and services.
- g. Technology Development: With more complex and high-level competition in bringing tourists to a destination, the need for high technology especially industrial technology will encourage a tourism destination to develop its capability of latest technology application. In this region there will be the development of advanced and efficient technology that will support economic activities. Thus tourism development will provide great and fundamental benefits to the community and local government. Tourism becomes an integral part of regional development and integrated in the framework of regional welfare improvement.

Tourism is a triggering factor for national and international economic development. Tourism becomes a national priority in the Medium-Term Development Plan of 2015-2019. Gradually and annually within a period of 5 years in the Medium-Term Development Plan of 2015-2019 tourism development is prioritized and given the achievement target. In 2019 at the end of the Medium-Term Development Plan, the target of foreign tourists is 20 million people and domestic tourists are 275 million people.

Research Method

This study used a literature survey method. It is documentation of a thorough review of publications and non-publications of secondary sources in the field of particular interest to the researcher (Patisina et al., 2017).

This study used qualitative descriptive analysis technique, analogy, and comparison of several research results and scientific publications related to socio-economic effects of tourism in the city of Palembang.

Results and Discussion

This section discusses the positive effects of tourism on the economy in various aspects, among others foreign exchange revenue, foreign exchange earnings, employment absorption, infrastructure development, and economic empowerment of local communities

1. Foreign Exchange Earnings

Foreign exchange earnings are influenced by the number and expenditure of foreign tourists in Indonesia. In developing national tourism, the increasing number of foreign tourists to Indonesia should be in line with the increasing amount of foreign tourist expenditure in Indonesia, so that the country's foreign exchange earnings from tourism activities will also increase. Foreign exchange earnings have increased significantly. Based on the performance report of tourism ministry in 2016, foreign exchange earnings exceeded the target of Rp. 163 trillion (US\$11.9 billion) or 113.2% of the target (Rp 144 trillion).

Foreign exchange earnings from tourism sector in South Sumatra were reflected by the increasing number of foreign tourists from 8,028 tourists in 2015 to 10,683 tourists in 2016. The increasing number of foreign tourists certainly has an effect on the increasing foreign exchange earnings from tourism sector in South Sumatra.

2. Infrastructure Development

One popular type of tourism is MICE tourism. MICE stands for Meeting, Incentive, Convention, Exhibition. MICE is an activity type in tourism industry; this activity has carefully been planned by a group of people having common purposes in organizing the activity. MICE is a very promising business but it is still new in society and it has not many enthusiasts, unlike in other businesses. The development acceleration in South Sumatra in recent years has been the impact of frequently holding big events in this province, such as National Sports Week XVI in 2004, SEA Games in 2011, Islamic Solidarity Games (ISG) in 2013, Asian University Games (AUG) in 2014 and several other major sports events, all of which are part of the MICE tourism.

All of these events were centered in the city of Palembang though several sports were held at regency level. The city of Palembang benefited from these events mainly due to the construction of infrastructure facilities to support these events. Everyone has to admit that Palembang city continues to grow physically. The development of various sports facilities in Jakabaring, the construction of hotels rated from one-star to five-star, street improvement and construction within the city of Palembang, even the largest and first project in Indonesia, namely the construction of Light Rail Transit (LRT). One question to ask is the socio-economic effects of this development on the communities, especially the people who are in the vicinity of the development region. So that it can improve the community welfare which ultimately can break down and reduce the pockets of poverty and suppress unemployment in the city of Palembang in particular and in South Sumatra in general.

3. Employment Absorption

A large number of MICE activities certainly provide a great job opportunity. This can be seen from the decline of unemployment rates in South Sumatra during the period of 2010 - 2014, as illustrated in the Exhibit 1.

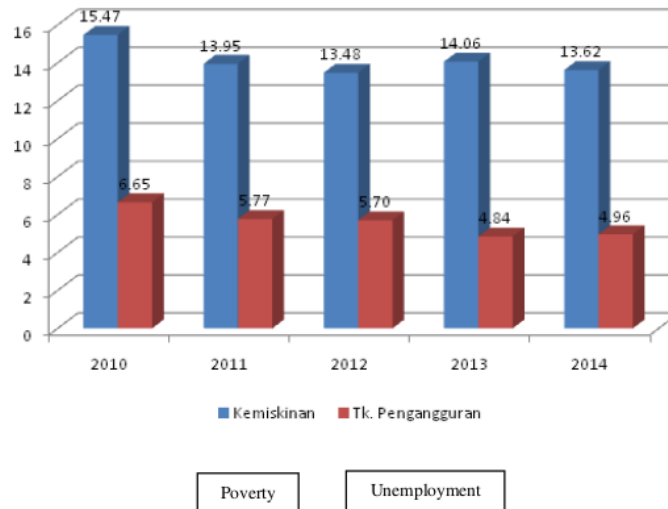


Exhibit 1
Poverty and Unemployment Rates in South Sumatra
Period of 2010 -2014

Source : South Sumatra's Central Bureau of Statistics, 2017

Exhibit 1 shows that the unemployment and poverty rates declined, with the poverty decline rate of 0.65% and the unemployment decline rate of 0.76%. It will take 10-20 years to alleviate poverty and unemployment; therefore, South Sumatra still needs to hold many big events. The economy in the same period, where the economy was still unstable, was reflected by the prices of leading commodities in South Sumatra, such as palm oil, rubber, and coal. However, South Sumatra's economic condition was quite good because South Sumatra's economic growth was above the national growth rate.

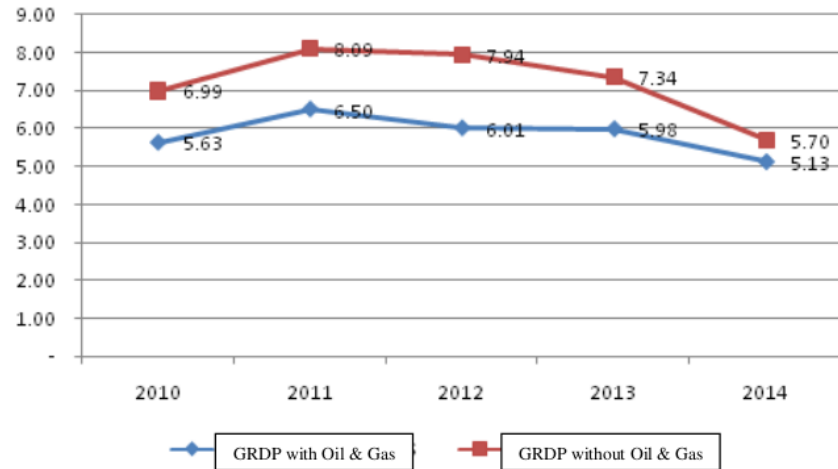


Exhibit 2
Economic Growth Rates of South Sumatra Province
in the Period of 2010-2014 with the Basic Year 2000

Source : South Sumatra's Central Bureau of Statistics, 2017

In terms of sectors, the fast-growing sectors during the period were those related to investment such as buildings and trade, hotels and restaurants, coupled with the supporting sector like freightage and transportation. These three sectors had significant growth compared to previous years, especially starting in 2011 when the SEA Games was held. Most of the venues were centralized in the city of Palembang, but they gave a relatively big effect on South Sumatra's regional economy. Graph 3 below shows the growth of each sector:



Exhibit 3
Economic Growth Rates by Sector in South Sumatra Province
Period of 2010-2014

Source : South Sumatra's Central Bureau of Statistics , 2017

The economic growth rates in South Sumatra in terms of the sources of growth can be seen on Table 1. In the period of 2010-2014 when the major events were held, there was a massive development, especially in the city of Palembang. The development in the trade, hotels and restaurants sector increased significantly, from 0.96 in 2010 to 1.63 in 2014. The increase in this sector was due to the increasing number of tourists coming to Palembang. The number of tourists coming to the Province of South Sumatra is increasing.

4. Foreign Exchange Revenue

The increasing number of tourists coming to the Province of South Sumatra shows that the province is increasingly in demand as a tourist destination by foreign tourists and domestic tourists who increasingly like travelling. In the last five years (2010-2014) the number of foreign tourists tended to increase. Although the number of tourists varied every month, the number in the period of 2010-2014 tended to increase every year. The cumulative number of tourists coming to South Sumatra in 2010 was 2,393 people. In 2014 the number reached 11,044 people. The highest number of tourists coming to the Province of South Sumatra in the last 5 years was 1,890 people in November 2011. The highest number of foreign tourists in November 2011 was because in that month South Sumatra Province hosted the 24th Southeast Asian Games. Besides November 2011, there was an increase in the number of foreign tourists in December 2014 as many as 1,646 people. The increase in the number of foreign tourists was due to the 17th ASEAN University Games (AUG) in Palembang on 9-19 December 2014, with the participants from 11 countries and 20 different sports.

Based on the monthly development of foreign tourists during the period of 5 years, many foreign tourists tended to visit South Sumatra. The high rate of visitors occurred in May, June and September. This high rate is closely related to school holidays and summer holidays abroad.

**Table 1: Economic Growth Rates by Growth Sources in South Sumatra
Period of 2010-2014**

BUSINESS FIELDS	SOURCES OF GROWTH (Y ON Y)				
	2010	2011	2012	2013	2014
(1)	(2)	(3)	(4)	(5)	(6)
Agriculture	0.92	1.03	1.03	0.92	0.01
Mining and Excavation	0.64	0.58	0.09	0.30	0.65
Processing Industry	0.78	0.98	1.00	1.12	0.98
Electricity, Gas and Drinking Water	0.03	0.04	0.04	0.04	0.04
Buildings	0.69	1.04	0.76	0.83	0.44
Trade, Hotels and Restaurants	0.96	1.11	1.34	1.21	1.63
Freightage and Transportation	0.69	0.73	0.69	0.54	0.49
Finance, Tenancy and Company Services	0.31	0.36	0.39	0.38	0.31
Services	0.62	0.63	0.66	0.63	0.59
GRDP with Oil & Gas	5.63	6.50	6.01	5.98	5.13
GRDP without Oil & Gas	6.99	8.09	7.94	7.34	5.70

Source : South Sumatra's Central Bureau of Statistics, 2017

5. Economic empowerment of local communities

Tourism expenditure will activate the local economy, stimulate investment and cause the financial sector to grow along with the growth of other economic sectors. In some countries the arrival of tourists to a destination also leads to the growth of foreign exchange business to provide services and convenience for the tourists during their stay. It is noted that in some countries out of 83% of their top five revenues, 38% of the revenues are derived from foreign exchange earnings, foreign exchange trading. Tourism revenue is often used to measure the economic value of a tourism region. Some local revenues are very difficult to calculate because not all tourist expenditure can be clearly identified, such as the income of informal workers, unofficial taxi drivers, unofficial guides, etc.

The contribution of tourism sector to the economy of South Sumatra Province has been increasing since several international events were held in South Sumatra. The regional government continues to promote South Sumatra's tourism potentials so that the number of tourists increases every year. This has an impact on the increasing number of stays and hotels in South Sumatra, from 39 hotels in 2012 to 54

hotels in 2014. The number of guests staying in hotels and other accommodation in South Sumatra increased, compared to Indonesia in general in the period of 2010-2014. The number of domestic and foreign guests in hotels and other accommodation in South Sumatra increased by 8.52 percent (domestic guests) and 121.73 percent (foreign guests) in 2014. In 2014 the number of tourists visiting South Sumatra was 3 million people, an increase of 5 percent compared to the previous year.

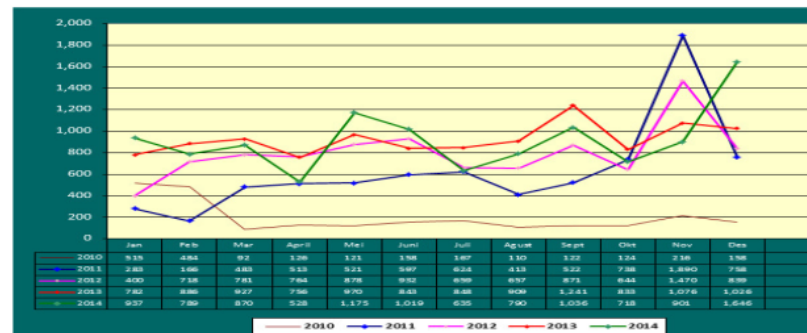


Exhibit 4: Number of Foreign Tourists Coming through Sultan Mahmud Badaruddin II Palembang Airport in the Period 2011-2014

Source : South Sumatra's Central Bureau of Statistics, 2017

Conclusions

From the description above, some conclusions can be drawn as follows:

1. The positive effects of tourism on the economy can be seen from various aspects, among others foreign exchange revenue, foreign exchange earnings, employment absorption, infrastructure development, and economic empowerment of local communities.
2. In general, the effects of tourism on the five aspects have a significant role, but the effects on the economic empowerment of local communities cannot be clearly illustrated due to the limitation of existing data.
3. There should be more MICE tourism activities in South Sumatra to reduce the poverty rate.

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