

CHAPTER III

THE SOCIAL AND ECONOMIC ROLES IN INDONESIAN TOURISM DEVELOPMENT

This chapter describes the role and the general social and economic impacts in Indonesian tourism development. The social part of tourism will be able to open more job opportunities. It provides direct implications to the prosperity of the community. Those impacts will be explained in this chapter. Besides, this chapter also discusses the substantial economic effects of tourism industry toward the Indonesian economy in general.

A. Tourism and Job Opportunities

Tourism is one of the essential aspects of a country. The existence of tourism contributes incomes for the authority of the state or in specific, the local authorities of the tourism objects where they exist. The development of the tourism sector in a country will also support other areas to develop as well because its products are needed to support the tourism industry such as agriculture, livestock, plantations, folk handicrafts, increasing employment opportunities and so on. The chain of activities related to the tourism industry can produce foreign exchange, and it can also be used as a means to absorb human resources, and therefore it potentially reduce unemployment, and increase employment opportunities.

Since Joko Widodo was elected as the President, tourism development in Indonesia has been rapidly growing. Its influence and impacts toward the economic sector have also been widespread, as well as in social and cultural areas. Therefore, tourism business in Indonesia has grown and developed into a new type of industry which can boost national economic growth through absorbing human resources, increasing income, enhancing living standards of the community, and encouraging the growth of other related production sectors.

On the other hand, tourism emerges and plays a role to create world peace, builds a link between bilateral and multilateral cooperation and it turns out to be a social power in conflict resolution, as a medium of understanding process among different cultures, and respect for one another²⁵.

In Indonesia, tourism is highly potentially developed by the government to achieve various national development objectives for the broader community. Revenues earned from domestic tourist spending and foreign exchange income do not only serve as indicators to measure the significance of tourism contribution in Indonesia. Besides the economic dimension, tourism in Indonesia is also expected to play a socio-cultural and political role. From time to time, starting from the beginning period of post-independence to the present day, the meaning of tourism has shifted dynamically. Tourism, which initially played a political role, now is increasingly becoming critical to the economy, and frequently playing socio-cultural roles, placing society, as the subject of development. The achievements of each strategic objectives set are as the following:

Development is a process of change in all areas of life that is done intentionally based on a particular plan. The development process to improve the standard of living of the community can be well achieved when the development is carried out based on proper procedures. Development is a process showing the existence of activities to obtain better conditions compared to the previous ones.

Tourism development is directed to improve tourism as the primary sector to promote economic activities. As a solution, tourism can be taken by developing tourism potentials which socially aims to enhance the welfare of the community since tourism has the most significant multiplier effect of creative industries that have a close relationship with tourism.

²⁵ Prof. Dr. R.B. Soemanto, M. (n.d.). *Sosiologi Pariwisata*

According to the data of the Ministry of Tourism analysis, the most significant tourist contribution has been from cultural tourism destination (cultural and historical heritage tourism, shopping and culinary, city and village) of 60%, natural tourism (marine tourism, ecotourism, adventure) of 35% and artificial tourism (MICE tours and sport events, integrated areas) of 5%²⁶. The Ministry of Tourism has developed tourism destinations by facilitating the three destination products, i.e., cultural, natural and artificial tourism destinations to improve the quality of tourism destinations.

Based on Law No. 10/2009 of Tourism, Indonesian tourism development contain many strategic objectives. Among others, it is expected to improve people's welfare, to eradicate poverty, to overcome unemployment, etc.²⁷ Its goals are not only prioritized for achieving economic interests but also preserving resources, improving national unity and friendship among nations. Therefore, the article as a basis of the tourism affairs has been able to raise a creative economy as the new platform of the creative economy in Indonesia.

In industrial society, in changing the culture, in rural communities, in agriculture and the various types of communities, tourism activities are found to involve some of the community members actively. Social changes at tourist destinations occur as a form of social impacts arising from tourism activities. Tourism cannot also be separated from the development sectors as a whole. That is why tourism conservation should also consider the principles of community participation, local cultural rights, resource conservation aspects, education and training, promotion, accountability, and monitoring and evaluation.²⁸

²⁶ Indonesia, 2016

²⁷ Akiko Nada Atsmara, 2014

²⁸ Ekomila, S. (2017). *Potensi Kepariwisataaan Dalam mendukung pengembangan wawasan kebangsaan*. Proceeding at the Annual National Seminar at Social Sciences Faculty, Medan State University in 2017 Vol.1, 609.

Tourism development is a series of comprehensive measures to attract tourists to visit Indonesia. To this end, natural and human resources show their dimensions. Natural resources and human resources that Indonesia possesses are dominant, and they serve as essential assets in the tourism industry. Tourism is activity directly touching and involving the community, and hence it provides immediate impacts on the society.

The development of tourism destinations is directed to improve the qualities of tourism destinations by:

1. Developing tourism infrastructure and ecosystems, including the development of tourism destinations (national strategic tourism areas and development areas [national agro-tourism], accessibility, attractions, amenities and tourism ecosystems;
2. Developing natural, cultural and artificial tourist destinations that are competitive, including but not limited to the development of culinary and spa tourism, historical and religious tourism, traditional tourism and cultural arts, rural and urban tourism, marine tourism, ecological and adventure tourism, tourist objects, and convention, sports and recreation tourism;
3. Improving the governance of tourism destinations and community empowerment including the management of priority and unique tourism, the internalization and development of tourism awareness, and the development of community potentials in tourism sectors.

On September 1, 2016, the Minister of Tourism issued the Regulation of the RI Minister of Tourism Number 14 of 2016 concerning the Guidelines of Sustainable Tourism Destinations. It states the criteria and indicators of managing sustainable tourism destinations, optimizing the utilization of industrial tourism destination for local communities,

maximizing cultural preservation for the city and visitors, and optimizing environmental conservation.

Concerning the employment issues in Indonesia, tourism turns out to be the added value creator in tourism which absorbs a lot of human resources. At a national level, tourism has contributed 9.8 million jobs or 8.4 percent which ultimately will reduce unemployment and poverty. In job creation, tourism sector recorded the 30 percent growth within five years. The Ministry of Tourism has made efforts to improve the number of tourism businesses through activities such as Technical Guidance for Excellent Services of Tourism Businesses, Developing Investment proposal development and Investment Promotion and community empowerment.

The target achievement of 12 million workers in the tourism sector in 2016, among others, was due to the ease of investment and the increasing number of tourism businesses²⁹. In tourism development context, Indonesia has been able to implement general/pro-growth, pre-employment, pro-community and pro-environment policies. The government has adopted community-based tourism. The tourism sector, therefore, has been able to become one of the economic driving powers.

Tourism sector with its rapid and significant growth is not only able to become one of the most significant foreign exchange contributors but instead, it is also proved to be successful in creating new jobs of 8.41% or 9.8 million workers in Indonesia³⁰. Hence, tourism sector turns out to be a productive sector in responding to the need of increasing economic added value concerning poverty (pro-poor) and job creation (pro-job). Higher increase and even distribution in income, in turn, will affect community welfare nearby the tourist sites.

In increasing tourism contribution to the absorption of the national workforce, the leading performance indicators have been established, involving direct, other workforces of

²⁹ Report of Work Accountability of Ministry of Tourism in 2016, 2017

³⁰ Mut. (2017)from Media Indonesia

the tourism sector. The direct labor of the tourism sector among others engaged workforce working in the area of accommodation, travel agents, airlines and other passenger services, including those working in restaurant business sector and recreational places that directly provided tourists with their services. The indirect workforce, among others, includes workers in tourism promotion sector, furnishing/equipment, transportation, vehicle rental. Other human resources, among others, labor in the food and beverage supply sector, wholesalers, computer utilities and personal services.

The target achievement of the number of direct, indirect and other workers in 2016, among others, was due to the ease of investment and the increasing number of businesses.

³¹Based on the World Bank Report, the rating of business ease in Indonesia has been increasing compared to that of 2015. In the index, Indonesia is on the 109th position out of 189 countries or rises 11 places from that of 2014 at 120. The assessment is based on several indicators, including how investors start businesses in Indonesia, licensing and tax payment processes. The government has committed to simplifying investment. Such an effort that have been carried out through various investment policy packages, including licensing with the launch of central PTSP, 3-hour investment permit service, the facility of direct construction investment (KLIK), and the revision of the negative investment list as stated in the RI Presidential Regulation Number 44 of 2016 concerning a list of business sector that are open to investment terms and conditions. Concerning investment realization, the value of awareness of tourism investment in 2016 recorded the total of US \$ 1,093.65 million³².

Increasingly higher investors' interest in tourism investment may increase the amount of tourism, leading to a positive impact on employment in the tourism sector.

On the one hand, Indonesia should internationally compete with other new and well-developed tourism

³¹Report of Work Accountability of Ministry of Tourism in 2016, 2017

³²Kemenbudpar 2010

destinations to get an adequate/large market niche in the international market. To this end, professional practice with quality service standards is highly required. On the other hand, Indonesia also faces poverty problems and needs to create a job for those unlucky and often with lower education level and in many cases do not have the proper competence to meet open job opportunities.

Based on the Law Number 10 of 2009, there are 13 sectors in tourism business including:

1. Tourist attraction
2. Tourism area
3. Tourist transportation services
4. Travel services
5. Food and beverage services
6. Accommodation provider
7. Entertainment and recreation activity organizer
8. A meeting, incentive trip, conference, and exhibition organizer
9. Tourism information service provider
10. Tourism consultant service provider
11. Tour guide service
12. Marine Tourism
13. Spa

According to BPS, in 2014 there were 41,045 business units in 13 tourism businesses, with the most substantial number in the business of providing accommodation services of 17,484 units. The number of accommodations from year to year has been increasing. This can be seen in the following table:

Table 3.1
Business accommodation 2010-2016

Year	Star Hotel	Other Accommodation	Total
2016	2,387	16,442	18,829
2015	2,197	16,156	18,353
2014	1,996	15,488	17,484

2013	1,778	14,907	16,685
2012	1,623	14,375	15,998
2011	1,489	13,794	15,283
2010	1,306	13,281	14,587

Source: BPS (Central Statistics Agency)

The increasing number of tourism businesses, especially hotels and other accommodations, has had a positive impact on the number of employees in the tourism sector.

B. Increasing Tourism Contribution To National Gross Domestic Product (GDP)

Tourism contributes significantly to the Indonesian economy. The impact of tourism on national Gross Domestic Product (GDP) in 2016 was 4.03% of national GDP³³. The GDP in the tourism sector is created through domestic tourist expenditure, government tourism budget, foreign tourist expenditure and investment in tourism businesses including: business tourism attraction, tourism area business, tourism transportation services, travel services, food and beverage services, accommodation providers, entertainment and recreation activity organizer, meeting organizer, incentive travel, conferences and exhibitions, tourism information services, tourism consulting services, tour guides, water tourism, and Spa.

Various indicators measure the success of the tourism sector. One of them is the level of domestic and foreign tourist visits. The RI Minister of Tourism, Arief Yahya, believes that the tourism sector's potentials to maintain Indonesian economy will continue to grow. Moreover with the rapid promotion that increases the number of foreign tourists visiting Indonesia. The BPS data shows that until September 2017, Indonesia has welcomed 10,458,299 foreign tourists, 25.05 percent increase from last year's achievement 34.Until

³³ Report of Work Accountability of Ministry of Tourism in 2016, 2017

³⁴ Post T. J., 2017 Tourism becomes the new star of Indonesia's economy: Report.

September 2017, China was the biggest foreign tourist contributors for Indonesia with 1,607,615 people, 45.68 percent increase³⁵. Other countries, such as Japan contributed 416,040 people (up 6.46 percent), Australia had 918,957 people (up 1.38 percent), Malaysia had 885,412 people (down 0.16 percent) and Singapore had 1,067,242 people (up 0.36 percent)³⁶.

Back in 2014, Indonesia welcomed 9.3 foreign tourist millions. In 2015 the number reached 12 million people, and up to August of this year, the number reached 9.2 million people³⁷. With infrastructure development continuing to be boosted, tourism will undoubtedly be a new prima donna for foreign exchange income. On the other hand, tourism has many competitive advantages and comparative advantages. In 2019 it is projected that tourism will serve as one of the 4 (four) largest sector earning foreign exchange for Indonesia, amounting the US \$ 24 billion, surpassing oil and gas, coal and palm oil sectors³⁸.

In the presentation of the three-year achievement of Joko Widodo-Jusuf Kalla's administration, tourism economy turns out to be one of Indonesia's main businesses due to its most prominent contributor to GDP, foreign exchange, and employment. Therefore, it can economically solve all bottlenecks at the Ministry of Tourism for the community.

Currently, tourism GDP has contributed 10 percent of national GDP, with the highest nominal in ASEAN. This GDP figure has shown a much higher increase compared to that of the agriculture industry, automotive manufacturing, and mining. The contribution of the tourism sector to 2016 National GDP was 4.03% of the target set at 5%. The realized 2015 National GDP was 4.23%³⁹.

³⁵ Ibid

³⁶ ibid

³⁷ Post, T. J. (2017). Travel Guide. The number of Foreign tourist increases as Indonesia preps for peak season.

³⁸ Khumaed, M. A. 2017, from Republic of Indonesia Cabinet Secretary

³⁹ Kemenpar 2016

C. Increasing Country Reserve

Total foreign exchange income is affected by the number and expenditure of foreign tourists visiting Indonesia. To develop national tourism, an effort to increase the number of foreign tourists to Indonesia is carried out based on the increase in the number of international tourist spending in Indonesia. Hence, foreign reserve from tourism activities will also increase. State foreign exchange is one of the pillars that shows the economic strength of a country. Foreign exchange reserves turn out to be an asset of a nation in the form of foreign exchange that can be spent for international transactions. Foreign exchange reserves become one of the indicators showing the strength of a national economy.

In the Indonesian economy tourism sector has proved to provide a significant contribution to foreign exchange earnings. This can be seen from the ranking of foreign exchange earnings, i.e., in 2009 and 2011, it was positioned at the fourth rank after oil & gas (1st rank), coal (2nd rank), palm oil at 4th rank, while in 2011 to 2012 it was at 5th rank. The results of reserve earnings in the tourism sector from 2009 to 2010 are presented in Table below.

Table 3.2
Foreign Exchanged Earned from the Tourism sector, from 2009 to 2013

Year	Value (million US \$)	Change (%)
2009	6 298.02	
2010	7 602.45	20.71
2011	8 554.40	12.52
2012	9 120.85	6.62
2013	10 054.1	10.23

Source: The Ministry of Tourism and Creative Economy, 2014

Table 1 shows that the foreign exchange earned from the tourism sector has increased or grown, and the highest increase achieved in 2012 by 20.71 percent compared to that

in 2009, while the lowest growth was recorded in 2012 compared to that in 2011.

In 2016, foreign exchange earned from tourism reached 13.5 million US dollars per year. This figure was only defeated by that of CPO which was 15.9 million US dollars per year. Whereas in 2015, tourism was still ranked fourth as the largest sector of reserve exchange contributor. At that time tourism was under the oil and gas sector of 18.5 million US dollars, CPO of 16.4 million US dollars and coal of 14.7 US dollars⁴⁰. But due to the collapse of oil, gas, and also coal prices, the constellation of the reserve exchange contributing sectors changed.

Presently tourism serves as an important sector contributing to foreign exchange for the country. The RI Tourism Minister, Arief Yahya said, foreign tourist visits during January to August 2017 grew by 25.68 percent. Based on this figure, Indonesian reserve exchange recorded the potentials to increase up to 25.68 percent from the position of US \$ 13.57 billion in 2016 to the US \$ 17.05 billion by the end of 2017⁴¹. The reserve exchange earned from tourism sector since 2016 has already outperformed revenues from oil and gas, and it is still below revenues from CPO. In the future, the role of tourism economy will become more and more strategic when primary sector reserves decline, and tourism is expected to play a more significant role in non-oil and gas reserve exchange earnings. So far, tourism still occupies the 4th position of national foreign exchange contributors with a value of 9.3 percent compared to other industries⁴². The growth of the tourism industry currently occupies the highest rank of 13 percent. While natural gas, coal and palm oil industries indicate negative growth.

⁴⁰ Sukmana, Y. (2017). *3 Tahun Jokowi-JK, Pariwisata Sumbang Devisa Terbesar kedua*. Jakarta: Kompas.

⁴¹ Gumelar, G. (2017, October 19). RI Ministry of Tourism claimed that tourism serve as Foreign Exchange Main Contributor, from CNN Indonesia

⁴² In 2016 tourism is expected to shift oil and gas position. (2016) from RI Ministry of Tourism

Indonesia as the world largest crude palm oil and thermal coal exporter has been severely affected by lower commodity prices that have not revived from global economic slowdown⁴³. The tourism sector has turned out to be one of the potentials that the President Jokowi-Jusuf Kalla administration relies on upon the present era. Now, this sector is in the second position as the most significant national reserve exchange earning industry. Tourism is considered to be the future sector of Indonesia.

Referring to the Law number 10 of 2009 concerning tourism, its article 4 states that the objectives of national tourism, among others, are to increase economic growth, overcome unemployment, promote culture and elevate national image⁴⁴. In tourism, Indonesia is committed to making the Indonesian tourism prospect better and more sustainable. With the newly formulated law, the creative economy was considered can improving people's welfare, promote culture, raise the nation's image and strengthen the national identity, unity and international relations.

Tourism sector plays a strategic role in Indonesian development beside oil and gas. Also, to serve as foreign exchange sources, the tourism sector also has an essential role in driving and mobilizing other economic areas. This is natural when oil and gas sector, as well as coal, fail to hold their positions since the two industries are non-renewable energies, and hence, the availability on earth will be decreasing from year to year. While the components of tourism sector involve natural and cultural richness that are renewable energies, and their availability is not exhausted, provided that their existence continues to be developed.

⁴³ Soriaatmadja, W. (2017). Indonesia targets tourism growth to boost revenue. *The Strait Times*.

⁴⁴ Akiko Nada Atsmara, 2014