

## The Effect of The Number of Tourists, Average Tourist Expenditure, And Original Local Government Revenue on The Economic Growth of Bali Province

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### Abstract

*The purpose of this study is to determine the influence of the number of tourists, average tourist expenditure, and Original Local Government Revenue on the economic growth of Bali Province. Tourism has rapidly developed over the past few decades. In Indonesia, tourism significantly contributes to the country's economic growth. Bali is one of the most popular tourist destinations in Indonesia. This study utilizes 12 years of time series data from 2010 to 2021 and is based on secondary data using quantitative methods and multiple linear regression with data processing conducted using SPSS software version 24. Based on the data analysis results, it can be concluded that the number of tourists has a positive and significant effect on the economic growth of Bali Province, the average tourist expenditure has a negative and insignificant effect on the economic growth of Bali Province, and Original Local Government Revenue has a negative and significant effect on the economic growth of Bali Province.*

**Keywords** Economic Growth, Number of Tourists, Average Tourist Expenditure, Original Local Government Revenue.

### INTRODUCTION

Over the past few years, the tourism sector has been experiencing significant growth. Tourism is a human activity involving traveling and staying at travel destinations outside of their usual environment or daily place. Governments worldwide invest in and promote the tourism sector for various reasons, not least because it has a major influence on economic expansion and development. According to the World Travel & Tourism Council (WTTC), the tourism sector contributed 10.3 percent to the global GDP in 2019 (World Travel & Tourism Council, 2022).

In Indonesia, the tourism industry makes a significant contribution to the country's economy. According to the Central Bureau of Statistics, the number of tourists visiting Indonesia in 2019 was 16.1 million, an increase of 1.88% from 15.81 million in 2018. This indicates the industry's growing importance to the Indonesian economy.

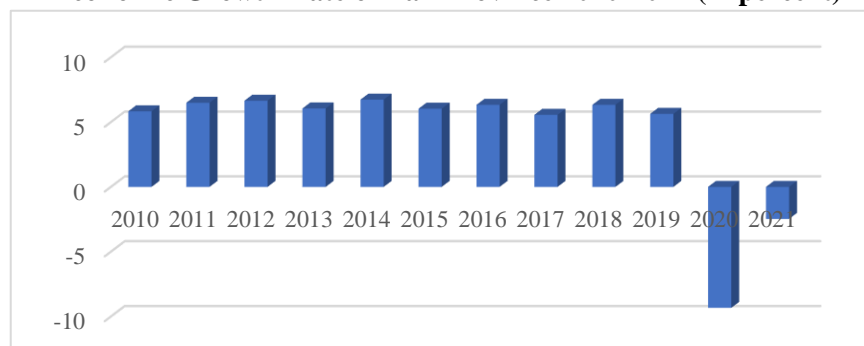
The Covid-19 pandemic that emerged in 2020 has affected all countries across the globe, with tourism being one of the worst affected industries. Governments have introduced global social restrictions to prevent domestic and foreign tourists from traveling to tourist destinations. In 2021, the number of tourists will be 1.57 million, a decrease of 61.57% compared with 2020. The decrease in the number of foreign tourists in Indonesia is due to the government's measures to restrict and suspend international flights to Indonesia, resulting in a decrease in the number of foreign tourists visiting Indonesia.

The province of Bali is the most popular tourist destination in Indonesia. Often referred to as the "Island of the Gods", Bali is a destination of natural beauty, food and culture that has given it its own character in the eyes of tourists and locals.



The tourism industry has the ability to enhance economic development through the creation of new jobs, business opportunities, and also investment opportunities that can improve people's welfare. As the economy of a region improves, it can be reflected in the rate of economic growth.

**Figure 1**  
**Economic Growth Rate of Bali Province 2010-2021 (in percent)**

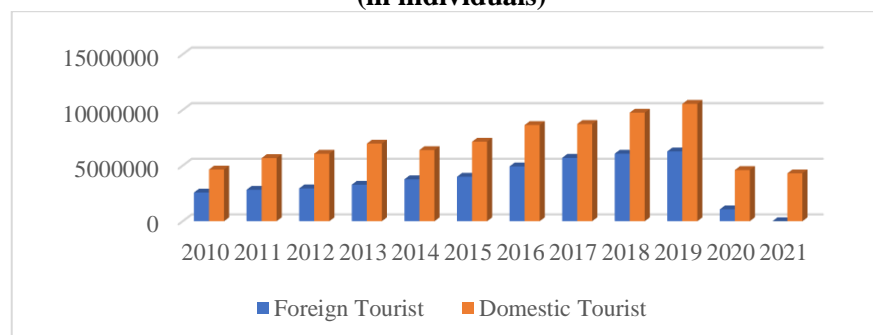


Source: Central Bureau of Statistics, 2023

Figure 1 shows that the economic growth of Bali Province has decreased from 6.65 percent in 2012 to 6.05 percent in 2013. In 2020, the economic growth rate even experienced a significant decline to -9.33 percent, and in 2021 the growth rate was still negative at -2.47 percent. In 2014, Bali Province recorded the highest economic growth rate of 6.73 percent. Suartha & Yasa (2017) state that high economic growth in a region indicates that the quality of economic activity obtained from the constant price GRDP growth rate is getting better.

With the increase in the number of tourist visits, the foreign exchange income received by local governments also increases, thus causing economic growth. According to the United Nations World Tourism Organization (UNWTO), tourists are defined as individuals who visit a foreign country for purposes other than employment or permanent residence, and the duration of their visit is less than one year.

**Figure 2**  
**Number of Foreign Tourist Visits and Domestic Tourist Visits to Bali Province 2010 – 2021 (in individuals)**



Source: Central Bureau of Statistics, 2023

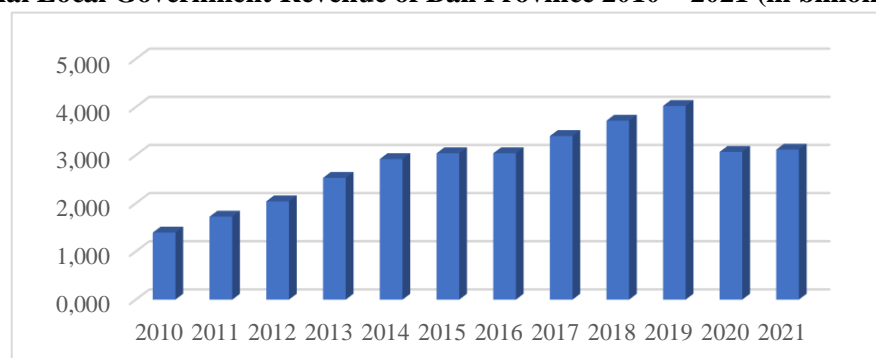
Figure 2 illustrates that tourist visits continued to increase until 2020. In 2021, there was a significant drop in the number of foreign tourist visits to Bali, decreasing by nearly

100 percent from the previous year, with only 51 individuals recorded. The fundamental factor was the closure of international entry at Ngurah Rai Airport.

In addition to the number of tourist visits, other indicators that can be used to measure the economic growth of tourism in Bali Province are the average length of stay and tourist expenditure. According to Suartana et al., (2016), the length of stay of tourists plays an important role in determining tourism revenue. The longer tourists stay, the more they spend in tourist areas. This is the conclusion of a study by Windayani & Sri Budhi, (2016), which states that tourism expenditure includes goods or services purchased to meet their needs during a stay in the region. Data from the Bali Provincial Tourism Office also showed that tourist spending trends continued to increase from 2010 to 2014, but then declined to Rp 2,505,376 in 2015. In 2014, the highest recorded tourist expenditure was Rp2,971,951. Spending by tourists has a direct impact on the economy, especially when they use services and goods such as restaurants, transportation and hotels.

According to Khan et al., (2020), by enhancing the resources and potential of national tourism, the tourism sector can help increase business opportunities and job openings, especially for local residents. From this, it is expected that original local government revenue can increase. Udayantini et al., (2015) concluded that the tourism sector can contribute to increasing the original local government revenue, which is expected to support all local government activities and provide benefits for the overall economic growth of the region. Original local government revenue itself, according to data from Central Bureau of Statistics, consists of several sources of local revenue such as local taxes, local retribution, profit share of BUMD, and other revenues. The graph of Bali Province's Original Local Government Revenue is also presented in the following graph.

**Figure 3**  
**Original Local Government Revenue of Bali Province 2010 – 2021 (in billion rupiah)**



Source: Central Bureau of Statistics, 2023

Figure 3 shows that the Original Local Government Revenue of Bali Province is increasing due to the contribution of the tourism sector from 2010 - 2019. The tourism sector can increase Original Local Government Revenue through levies and also taxes obtained from tourists, tourist attractions, hotels and also restaurants. However, in 2020, the Original Local Government Revenue of Bali Province shrank because the Covid - 19 pandemic



stopped most activities in the tourism sector. Based on the background description above, this study aims to analyze the effect of the number of tourist visits, average tourist expenditure, and Original Local Government Revenue on economic growth in Bali Province.

## METHOD

This research employs a quantitative approach, which is a research method that focuses on the use of numerical data. This approach involves data collection, data interpretation, and presentation of results using numerical data (Arikunto, 2006). The aim of this study is to analyze the influence of the number of tourists, average tourist expenditure, and Regional Original Income (PAD) on the economic growth in Bali Province from 2010 to 2021. The study focuses on Bali Province, which consists of 8 Regencies and 1 City, namely Tabanan Regency, Badung Regency, Gianyar Regency, Klungkung Regency, Bangli Regency, Karangasem Regency, Buleleng Regency, Jembrana Regency, and Denpasar City. In this study, there are three independent variables (X variables): the number of tourists, average tourist expenditure, and Original Local Government Revenue, and one dependent variable (Y variable): economic growth.

In this study, the population used includes all secondary data related to tourism in Bali Province. The sampling method used is purposive sampling. In this study, the type of secondary data obtained and collected from related institutions relevant to the research was used. The data in this study were obtained from several sources, including the Central Bureau of Statistics (BPS) of Bali Province. In addition, data was also collected from literature studies that included journals, articles, and reports. In this study, SPSS (Statistical Package for the Social Sciences) version 24 data processing software was used as a tool to process the data. The analysis method used was multiple linear regression.

## RESULTS AND DISCUSSION

This section will describe the research variables consisting of the Number of Tourists, Average Tourist Expenditure, Original Local Government Revenue (PAD) and Economic Growth of Bali Province during the period 2010-2021.

**Table 1**  
**Development of Economic Growth Rate of Bali Province in 2010 - 2021**

Year	Economic Growth (%)	Growth (%)
2010	5,83	-
2011	6,49	0,66
2012	6,65	0,16
2013	6,05	-0,6
2014	6,73	0,68
2015	6,03	-0,7
2016	6,33	0,3
2017	5,56	-0,77
2018	6,33	0,77
2019	5,63	-0,7

2020	-9,33	-14,96
2021	-2,47	6,86

Source: Bali Central Bureau of Statistics, 2023

Based on Table 1, it can be seen that the development of economic growth in Bali Province from 2010 to 2021 has fluctuated, with uncertain growth and decline. The highest economic growth development in Bali Province occurred in 2021, reaching 6.86% or -2.47%, which is still in the minus number. Meanwhile, the largest decline in economic growth occurred in 2020, which amounted to -14.96% or -9.33%. This can be seen from the 2019 economic growth rate of 5.63% which fell to -9.33%, or a decrease of -14.96%.

**Table 2**  
**Development of the Number of Bali Province Tourists in 2010 - 2021**

Year	Number of Tourists (individu)	Growth (%)
2010	7.222.485	-
2011	8.501.830	17,71
2012	9.012.890	6,01
2013	10.255.134	13,78
2014	10.160.945	-0,92
2015	11.148.935	9,72
2016	13.571.617	21,73
2017	14.433.372	6,35
2018	15.828.464	9,67
2019	16.820.249	6,27
2020	5.665.630	-66,32
2021	4.301.643	-24,07

Source: Bali Central Bureau of Statistics, 2023

Based on Table 4.2, it can be seen that the development of the number of tourists in Bali Province from 2010 to 2021 fluctuates, with erratic increases and decreases. In 2016, the number of tourists increased by 21.73% or 13,571,617 people. Meanwhile, the number of tourists in Bali Province decreased by -66.32% or 5,665,630 people in 2020, after the number of tourists in Bali Province in 2019 was 16,820,249 people. This decline was caused by the Covid-19 virus pandemic that hit the world including Indonesia. The Indonesian government has implemented a very influential lockdown policy to enter the province of Bali. In addition, all types of tourist attractions are completely closed which is also one of the government policies.

**Table 3**  
**Development of Average Tourist Expenditure of Bali Province 2010 - 2021**

Year	Average Tourism Expenditure (rupiah)	Growth (%)
2010	1.835.201	-
2011	1.956.094	6,59



2012	2.092.674	6,98
2013	2.468.828	17,97
2014	2.971.951	20,38
2015	2.505.376	-15,70
2016	2.477.394	-1,12
2017	2.080.941	-16,00
2018	2.631.302	26,45
2019	2.547.730	-3,18
2020	2.626.008	3,07
2021	2.704.286	2,98

Source: Bali Central Bureau of Statistics, 2023

Based on Table 3, it can be seen that the development of average tourist expenditure in Bali Province from 2010 to 2021 has fluctuated, with uncertain growth and decline. The highest average tourist expenditure of 26.45% or Rp2,631,302 occurred in 2018. Meanwhile, the biggest decline occurred in 2017 with a decrease of -16% or Rp2,080,941. This can be seen in the average tourist expenditure in 2016 of Rp2,477,934 which fell to Rp2,080,942 in 2017 or decreased by -16%.

**Table 4**  
**Development of Original Local Government Revenue (PAD) of Bali Province in 2010 - 2021**

Year	Original Local Government Revenue (Rupiah)	Perkembangan (%)
2010	1.393.730.257	-
2011	1.723.807.096	23,68
2012	2.042.091.096	18,46
2013	2.529.976.147	23,89
2014	2.920.416.697	15,43
2015	3.041.266.607	4,14
2016	3.041.195.258	0,00
2017	3.398.472.278	11,75
2018	3.718.499.635	9,42
2019	4.023.156.316	8,19
2020	3.069.474.218	-23,70
2021	3.117.070.009	1,55

Source: Bali Central Bureau of Statistics, 2023

Based on Table 4, it can be seen that the development of Regional Original Revenue (PAD) in Bali Province from 2010 to 2021 tends to fluctuate, with uncertain increases and decreases. The highest Original Local Government Revenue (PAD) development occurred in 2013, reaching 23.89% or Rp2,529,976,147. This was due to an increase in local taxes and levies, including hotel, entertainment, restaurant and parking taxes. In addition, current account receipts are also part of the increase in other legitimate local revenue, while the



highest decline was in 2020 at -23.70% or Rp3,069,474,218.

This can be seen from the amount of Original Local Government Revenue (PAD) in 2019, which amounted to Rp4,023,156,316, which decreased to Rp3,069,474,218 or a decrease of -23.70%.

**Table 5**  
**Multiple Linear Regression Analysis Results**

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	-4.384	6.549		-.669	.522
	NUMBER OF TOURISTS	1.553E-6	.000	1.247	5.498	.001
	AVERAGE TOURIST EXPENDITURE	5.282E-6	.000	.365	1.504	.171
	PAD	-7.271E-9	.000	-1.157	-3.823	.005

a. Dependent Variable: ECONOMIC GROWTH

Source: SPSS data processing results, 2023

Based on the results in Table 5, the regression equation model is as follows:

$$PE(Y) = -4,384 + 1,553E-6 X_1 + 5,282E-6 X_2 - 3.823X_3 + e$$

The model feasibility test or the F-test is the initial step to determine whether the estimated regression model is valid or not. Table 6 shows a significant value of 0.003, which is smaller than the value of  $\alpha = 0.05$ . Therefore, it can be concluded that simultaneously, the variables Number of Tourists (X1), Average Tourist Expenditure (X2), and Original Local Government Revenue (PAD) (X3) have an influence on Economic Growth (Y) in Bali Province.

**Table 6**  
**Feasibility Test Results**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	216.760	3	72.253	11.377	.003 <sup>b</sup>
	Residual	50.807	8	6.351		
	Total	267.567	11			

a. Dependent Variable: ECONOMIC GROWTH

b. Predictors: (Constant), PAD, NUMBER OF TOURISTS, AVERAGE TOURIST EXPENDITURE

Source: SPSS data processing results, 2023

Based on the analysis results, it can be observed that the number of tourists has a positive and significant impact on the economic growth of Bali Province. This implies that when there is an increase in the number of tourist visits to Bali, it will also lead to an increase



in the economic growth of Bali Province. Conversely, the number of tourist visits decreases, it will have a negative impact on economic growth, leading to a decline.

The existence of tourism in Bali has become a great potential that can be maximized for the economic growth of the region. With an increase in the number of tourists coming to Bali, positive impacts can be felt in various aspects of the economy and productivity. For example, an increase in the number of tourists has the potential to encourage business development, create more job opportunities, and increase people's income. All of these things will ultimately contribute to greater economic growth in Bali Province. Tourism has proven to be one of the sectors capable of contributing significantly to the region's economic growth. Thus, the increasing inflow of tourists in Bali Province can have a positive and sustainable impact on the economic development of the region (Wijaya & Kanca, 2019).

The results of this study are in line with the research of Amin, (2023), who argue that tourism has a positive impact on economic growth because the tourism sector is a key sector that can encourage international trade and financial activity through the creation of new businesses, employment opportunities, and infrastructure improvements in popular tourist destinations.

Based on the results of the analysis, it can be seen that the average tourist expenditure has a negative and insignificant effect on economic growth in Bali Province.

has a negative and insignificant effect on economic growth in Bali Province. This is indicated by the decrease in the number of tourists visiting Bali Province in 2021 by 1,363,643 people and the development of tourist spending which is only 2.98% in 2021 which is smaller than in 2020 by 3.07%.

The negative impact of tourist spending on economic growth can be identified by fluctuations in the amount of tourist spending which has an impact on the declining regional economy. It is known that both tourist spending conditions and economic growth in Bali Province always fluctuate, especially during the covid-19 pandemic in 2019-2021. This results in uncertain local investment plans to be carried out in the Bali Province region so that economic growth does not experience an increase in the known tourism sector which is the leading sector in Bali Province (Sudiarta et al., 2021)

In this study, the results found are different from research conducted by Suartana et al., (2016) which explains that the average visitor expenditure has a positive and significant impact on regional economic growth. They argue that more tourist spending will support the movement of the regional economy in better tourist destinations.

Based on the results of the analysis, it can be seen that Original Local Government Revenue has a negative and significant effect on economic growth in Bali Province. Regional Original Revenue of Bali Province experienced better development in 2021 after previously falling in 2020 by -23.70.

The increase in Original Local Government Revenue goes directly with local taxes, local levies, to the results of regional assets and others in the Province of Bali which are getting higher causing entrepreneurs to expand their businesses so that it can reduce economic growth. The high taxes imposed due to the increase in Original Local Government



Revenue will minimize people's purchasing power because it has been used to pay taxes so that it can reduce economic growth.

In line with the research findings of Nisa, (2017), this study states that Original Local Government Revenue has a significant negative effect on economic growth. A similar conclusion is drawn from the research of Mamuka et al., (2019), which states that Original Local Government Revenue has a negative and significant effect on economic growth as one of the sources of funds in infrastructure development but its allocation is only used for the economic sector which aims to obtain revenue through taxes causing resources to be used inefficiently and hampering economic growth.

## CONCLUSION

Based on the results of the research discussion, the conclusion that can be given is that the number of tourists has a positive and significant effect on economic growth in Bali Province in 2010-2021. Average tourist expenditure has a negative and insignificant effect on economic growth in Bali Province in 2010-2021. Original Local Government Revenue (PAD) has a negative and significant effect on economic growth in Bali Province in 2010-2021.

The suggestion that can be given is that the Bali Provincial Government is expected to be able to maintain and increase the number of visitors by preserving tourist attractions that attract domestic and foreign tourists and increasing cooperation with related parties such as the Bali Provincial Tourism Office. Consequently, in order for the government to maintain the amount of money spent by visitors at the same level, the government must simultaneously increase and maintain the same number of tourists. The greater the amount of money spent by visitors in tourist areas, the greater the involvement of the tourism support sector in the provision of products and services. This, in turn, will help contribute to the further enhancement of regional economic development. The Bali Provincial Government is expected to establish cooperation with the private sector and investors in order to improve the promising but undermanaged tourism of the region. The private sector or investors can contribute their money to the development of tourist infrastructure and facilities if they are interested in doing so.

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