

CHAPTER I

INTRODUCTION

1.1 Problem Identification

Indonesia is one of the largest archipelagic countries in the world. That is, Therefore, Indonesia also has wealth in terms of natural resources, culture, and diversity of customs. With the potential it has, Indonesia has a great opportunity to develop the tourism industry. Tourism is one of the sectors that contributes to local revenue and has the potential to be developed. There are development programs as well as utilization of resources and tourism potential that will contribute to economic development and have an impact on increasing regional income. According to Law Number 10 of 2009 concerning Tourism explained that tourism activities are aimed at increasing income at the national level in order to improve the welfare and prosperity of the people, expand and equalize opportunities in business and employment, encourage regional development, introduce and utilize objects as well as tourist attractions in Indonesia and foster a sense of love for the homeland and strengthen relations between nations.

According to Alouw (2021), in general, tourism can be expressed as a crucial sector that is integrated into the economic development strategy of a country, region, and region. According to Sari (2014), the aim of the implementation of tourism based on the Law on Tourism, namely the existence of objects tourism in an area, can have an impact on increasing Regional Original Income (PAD). With all the natural beauty and uniqueness that Indonesia has, this has attracted world attention. In fact, according to Forbes (2022), Indonesia is the most beautiful country in the world, with the top position. This survey proves that

the tourism sector in Indonesia has enormous potential to contribute to national income. The 2020-2024 Kemenparekraf/Parekraf Strategic Plan contains the strategic goal to increase the contribution of tourism and the economy towards economic resilience. This goal also carries out mission number 2 of the President as stated in the Medium-Long Term Plan National (RPJMN) 2020-2024. One of the provinces in Indonesia with a very popular tourism sector among tourists is West Sumatra Province. This province has a variety of good tourist attractions, including natural tourism, religious tourism, cultural tourism, and others.

Indonesia is a country that has implemented the widest possible regional autonomy within the framework of the Unitary State of the Republic of Indonesia based on the 1945 Constitution of the Republic of Indonesia (Roorda, 2016). Since the enactment of regional autonomy, which was established in 2001, the government has made efforts to increase sources originating from its Own source revenue (PAD) for sustainable development and increased economic growth. In other words, the implementation of domestic development will run smoothly when the contribution is from Own source revenue (PAD), which has a big impact or has increased compared to parts of other sources. So, In this incident, the Regional Government is required to participate in increasing the effectiveness of revenue collection and continuously trying to explore new sources of income that enable its potential for tax collection and retribution with the aim of increasing its source revenue (PAD). To support this, a regional financial management system that is truly well structured is required in the hope of regulating and decentralizing effectively, efficiently, openly, and economically.

According to Warsito (2001), Own source revenue (PAD) is income that is sourced and collected by the local government. Sources of PAD consist of regional taxes, regional levies, profits from regional companies, and other legitimate regionally generated revenues. Meanwhile, Own source revenue (PAD) obtained through tourism activities or tourism sector regional original income comes from taxes and levies, namely hotel taxes, restaurant taxes, entertainment taxes, recreation area levies, and others. PAD is also one of the factors in creating regional autonomy that is independent in increasing sources of revenue by developing the capabilities of the region. With an increase in PAD, the area will be more independent so that it can make decisions and develop policies (Sari, 2013).

The large number of regional needs can be financed by Own source revenue (PAD); the higher the level of quality of regional autonomy, the more independent the area of regional finance. The regional government of Pesisir Selatan Regency is faced with limited development financing to carry out the government's function as executor and overseer of this development. Basically, tourism affairs are related to tourism promotion both locally, regionally, and abroad. Own source revenue (PAD) is all regional revenues originating from regional original economic sources. But in reality, there are still many regions that rely on assistance from the central government. This happens because many regions do not realize the potential of the existing PAD sectors in their area and do not make their regions a potential source of PAD.

One of the factors that can support PAD growth is the tourism factor. Tourism will also help accelerate the process of economic growth. This is because tourism is a driving force for other sectors, such as the industrial and service sectors.

The positive impact of tourism on economic development includes the impact on job creation, sources of foreign exchange, and distribution of development.

Pesisir Selatan Regency is one of the regencies in West Sumatra Province, making the tourism sector the main source of regional income compared to other regencies and cities in the province. Pesisir Selatan Regency is also following the positive trend that has occurred in Indonesia and West Sumatra Province in 2021-2022, where the condition of the regional original income for Pesisir Selatan Regency has also increased from 2021 to 2022. This is inseparable from the various efforts that have been made by the regional government of Pesisir Selatan Regency, one of which is to carry out Government Investment and enter into cooperation to obtain private investment.

Investment is defined as the investment of funds in order to obtain greater profits in the future. There are two types of investment, namely Government Investment and Private Investment. Government investment can be seen from the amount of government expenditure through the State Revenue and Expenditure Budget (APBN) at the central government level and the Regional Revenue and Expenditure Budget (APBD) at the regional government level. Then, private investment is seen from Foreign Direct Investment (FDI) and Private Domestic Investment (PDI). Government and private direct investment occurs in every business sector and provides a total investment value that will contribute to national income (GDP) in a country and Gross Regional Domestic Product (GDP) in a region.

Table 1. 1 Data on Government Investment and Private Investment on Tourism for Pesisir Selatan Regency for 2020-2022

Years	Government Investment on tourism (Millions of Rupiah)	Private Investment on tourism (Millions of Rupiah)
2020	IDR 5,690,000,000	IDR 29,250,000,000
2021	IDR 7,840,000,000	IDR 29,150,000,000
2022	IDR 15,560,000,000	IDR 32,470,000,000

Source : BPS Kab Pesisir Selatan

Based on Table 1.1, both Government Investment and Private Investment have fluctuated in the 2020-2022 period, whereas from 2020 to 2021, there has been an increase, namely government investment of IDR 5,690,000,000 to Rp. IDR 15,560,000,000 in 2022. As for private investment, it was IDR 29,250,000,000 in 2020 to IDR 32,470,000,000 in 2022.

The above phenomenon will have a direct influence on the regional original income in Pesisir Selatan Regency. Finding out directly how government and private investment in the tourism sector influence local revenue in the Pesisir Selatan district makes this a very interesting issue to study. Thus, the researcher conducted research related to this topic entitled "The Influence of Government Investment and Private Investment in the Tourism Sector on Regional Original Income in Pesisir Selatan District".

Tourism is one of the largest and fastest contributing sectors to the world economy. 2016 This sector contributes 10% of the world's total Gross Domestic Product (GDP) with 1,235 million foreign tourists, expanding job opportunities in a ratio of 1 10 and ranking 3rd in world exports after petroleum, chemicals, and

automotive products and food (Lenggogeni & Elfindri, 2017). This is in line with research results (Arianti, 2014) that have a multiplier effect on all sectors related to it. Tourism has a relatively large influence on the output multiplier, household income, and employment. Tourism is growing and dynamic, followed by the emergence of various fragmentation of tourism products in various areas and countries so that tourism concepts develop, such as halal tourism, digital tourism co-creation and sustainable tourism, safety tourism, and others. All the development of this concept arises from the vulnerability of the tourism industry itself to unavoidable global external factors such as the increasing trend in the number of Muslim tourists in the world, the increasing intensity of crises and disasters, the influence of the digital era, and sharing economics, thus influencing the desire for impactful tourism on world tourism trends.

In the tourism system at the provincial level, many basic problems still need to be solved. Behind increasing the role of community participatory in various regions from all tourism stakeholders, preparation of destination planning and management based on ultimate experience, market design, and marketing strategy that must adapt to the main destination as well as prevailing trends and patterns tourism community empowerment as measured through each tourism parameter target regions viewed from a demand and supply perspective.

Tourism, through the multiplier effect, can accelerate economic growth and job creation so that the government makes the tourism sector strong and competitive for other regions in Indonesia (Erry, 2014). Well, tourism can create a creative economy as a potential category that is worth developing (Nurul, 2019). Step At the beginning of anticipating and accommodating changes in the development

paradigm in the reform era, the government has ratified and implemented Law No. 22 of 1999 concerning Regional Government and Law No. 25 of 1999 concerning Central and Regional Financial Balance, which provides implications regarding the authority of the Regional Government as the main actor in development in terms of planning, implementation, evaluation, and development financing (Mahmudi, 2010). The enactment of these two laws, Apart from having positive implications for the Regional Government, is also a challenge. It is well anticipated that it will have a negative impact on regional regulation number 3 of 2014 concerning the next master plan for tourism development called RIP KP, which is a development planning document for provincial tourism for a period of 12 (twelve) years from 2014 to 2025. Provincial tourism development in 2014 – 2025 includes the development of tourism destinations, tourism marketing development, tourism industry development, and tourism institutional development. The Provincial Tourism Development Vision is the realization of West Sumatra as the main destination for religious and cultural-based tourism in the Region of Western Indonesia, which is able to encourage regional economic growth and people's welfare. In realizing the vision of provincial tourism development as intended by the development mission, provincial tourism develops tourism destinations based on religion and culture to support a sustainable economic growth environment to improve community welfare (West et al., 2014).

The acceleration of the tourism sector in 2012 – 2017 was at 1.22, with an above-average growth rate in national economic growth compared to other sectors (Adam, 2018). The existence of adequate tourism infrastructure is a condition for increasing the growth rate of the tourism sector. Development of transportation

facilities, information, and accommodation is very much needed to attract foreign tourists and needs a fee of IDR 4,000 trillion. This amount can generate an added value of Rp 7,718 trillion or 1.93 times. The impact of economic activity supported by this infrastructure provided an added value of IDR 7,718 trillion from the value of infrastructure investment, with labor contributions reaching IDR 11.097 trillion (BPS, 2019).

The government needs to provide better incentives for the management of Special Economic Zones (SEZ) because there are so many tourist attractions ranging from nature and traces of civilization to the present. However, the contribution of the tourism sector still needs to be impressive due to inadequate infrastructure and weak management. A comprehensive competitive tourism development design must include the pillars of physical infrastructure, human resources, finance, and financing, as well as governance. These dimensions can become a benchmark for the realization of a quality tourism sector's alternative sources of income and national identity at the global level. Pesisir Selatan Regency in West Sumatra Province has many interesting tourist destinations, such as Carocok Painan Beach with Cingkuak Island in the IV Jurai sub-district and the Mandeh tourist area in the Koto XI Tarusan sub-district. There are also Bukik Langkisau, Bayang Sani Waterfall, Timbulun Waterfall, Tarusan Kamang Root Bridge, and Batu. Apart from that, this district also has historical tourist attractions such as the Rubiah Gadang Mandeh House, the Old Mosque, the Portuguese Fort, and the Rabab Pasisie art. The Mandeh area is also one of the Main Tourist Destination Areas (DUPK) of the Pesisir Selatan Regency. However, each tourist attraction above has several weaknesses that need to be corrected. To increase

tourism potential, investments are needed, such as adding boats and tour guides, developing facilities and infrastructure, building attractions and sea games, as well as building hotels, resorts, and other facilities. Apart from that, it is also necessary to develop culinary centers, develop rural tourist areas, build seawater swimming pools, and conserve endemic biodata. In connection with the above, the Pesisir Selatan district government continues to innovate in developing the tourism sector in an effort to increase the number of tourist visits to the region. According to (BPS, 2019).

One of the provinces in Indonesia with a very popular tourism sector among tourists is West Sumatra Province. This province has a variety of good tourist attractions, including natural tourism, religious tourism, cultural tourism, and others. In 2021-2022, Indonesian Statistics include data that West Sumatra Province is in 11th place with the highest number of tourists out of 34 provinces; this shows that West Sumatra Province can still compete with Bali, which in fact is a city that is quite popular internationally.

Table 1. 2 Data On The Number Of Tourist Visits By Province

No	Province	Number of Tourist Visits	
		2021	2022
1	Jawa Timur	158.616.085	198.913.339
2	Jawa Barat	97.358.488	128.667.116
3	Jawa Tengah	134.782.286	103.991.668
4	Dki Jakarta	51.705.258	63.081.040
5	Banten	38.396.859	48.935.825
6	Sulawesi Selatan	9.974.040	30.089.324
7	Sumatera Utara	16.857.305	21.892.296
8	Di Yogyakarta	24.551.526	18.888.517
9	Sulawesi Tenggara	2.509.188	12.754.805

No	Province	Number of Tourist Visits	
		2021	2022
10	Bali	9.009.667	11.132.389
11	Sumatera Barat	8.477.593	10.750.168
12	Lampung	8.855.256	10.745.577
13	Riau	6.465.613	9.084.411

Source : BPS Provinsi Sumatera Barat

From table 1.2, it can be seen the development of tourist visits every year increases. The increase every year proves that West Sumatra Province is one of the favorite areas to visit by tourists. In accordance with the table which states that West Sumatra Province is the area most visited by travelers. The high number of tourist visits means there are lots of interesting tourist attractions to visit.



Figure 1. 1 Data Number Of Visits In Pesisir Selatan

From Figure 1.1, it can be seen that the number of tourist attractions in Pesisir Selatan continues to increase every year. It means this is also in line with the increase in the number of tourist visits. More and more tourist attractions will increasingly attract the attention of tourists to visit, which can increase tourist visits. The large number of tourists and tourist attractions will open up opportunities. However, in 2019 and 2020, the tourism business experienced a drastic decline due to the COVID-19 pandemic, which affected not only Pesisir Selatan districts but

also the world. After the COVID-19 pandemic, it is proven in Table 1.3 that the number of tourist visits increased from the previous year because the government had lifted the stay-at-home rule after COVID-19.

1.2 Problem Statement

1. How does government investment affect regional original income in pesisir selatan districts of West Sumatra Province in 2008 - 2022?
2. What is the influence of private investment on local revenue in the Pesisir Selatan district of West Sumatra Province in 2008-2022?
3. What is the influence of the number of tourist visits on local revenue in Pesisir Selatan districts of West Sumatra Province in 2008-2022?
4. What is the influence of regional regulation number 3 of 2014 concerning tourism on original income in Pesisir Selatan districts of West Sumatra Province in 2008-2022?
5. What is the influence of government investment, private investment, number of visits, and policies on local original income in pesisir selatan districts of West Sumatra Province in 2008-2022?

1.3 General Research Objectives

1. To find out the effect of government investment on regional original income in pesisir selatan districts of West Sumatra Province in 2008 – 2022.
2. To determine the effect of private investment on local revenue pesisir selatan Regency, West Sumatra Province in 2008-2022.
3. To determine the effect of the number of tourist visits on local revenue pesisir selatan districts of West Sumatra Province in 2008-2022.

4. To determine the effect of regional regulation number 3 of 2014 concerning tourism on original income areas in Pesisir Selatan districts of West Sumatra Province in 2008-2022.
5. To determine the effect of government investment, private investment, number of visits, and policies on local original income in pesisir selatan districts of West Sumatra Province in 2008-2022.

1.4 Research Advantage

1. As an academic requirement to obtain a bachelor's degree in economics from the Faculty of Economics and Business, Universitas Andalas and add insight, especially in tourism, investment and local revenue.
2. This research can be used as material for consideration by the government, especially for the Tourism, Youth and Sports Office of Pesisir Selatan Regency, in an effort to increase economic growth in Pesisir Selatan Regency.
3. It is hoped that this research can become a form of reference for further researchers, and it is hoped and believed that further research will be able to correct and complement all the deficiencies found in this study.