

CHAPTER I

INTRODUCTION

1.1 Problem Identification

Poverty, which is a general issue discussed in the Sustainable Development Goals (SDGs), is a challenge faced globally, especially in densely populated developing countries like Indonesia. Even though economic development is ongoing, Indonesia still struggles with significant poverty problems in Indonesia. Poverty remains a persistent challenge that efforts are ongoing to eliminate, as evident in the mandates outlined in Articles 33, 34, and 27 paragraph (2) of the 1945 Constitution, which obligate the government to prevent and alleviate poverty. Moreover, data from 2010 shows a starting percentage of 13.33%, gradually decreasing to 9.22% by 2019. Progress in poverty reduction continues to be pursued, resulting in a gradual decline as depicted in Table 1.

Table 1.1 percentage of poor people in Indonesia in 2017-2022

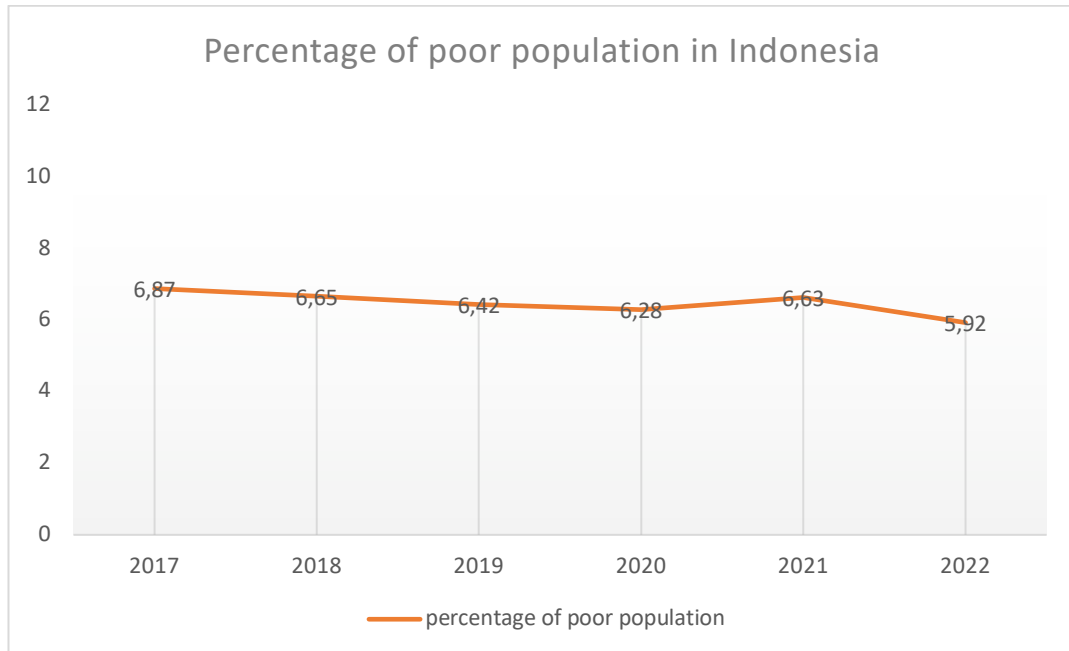
Year	Number of poor population (Thousand persons)	Percentage of poor population (%)
2017	26.580.000	10,12
2018	25.670.000	9,66
2019	24.780.000	9,22
2020	27.550.000	10,19
2021	26.500.000	9,71
2022	26.360.000	9,57

Source: Central Statistics Agency West Sumatra Province, 2023

The Indonesian population experiencing poverty reached its lowest percentage of 9.22% in September 2019, demonstrating that the efforts to eliminate poverty have been relatively effective, although the target of 6% to 7% by 2022 (RPJMN 2020-

2024) has not yet been achieved. This collective endeavor involves contributions from all provinces in Indonesia, including West Sumatra.

Figure 1.1 percentage of poor population in West Sumatra province 2017-2022



Source: Central Statistics Agency West Sumatra Province 2017-2022

In West Sumatra province, the percentage of impoverished individuals declined from 6.65% in 2018 to 5.92% in 2022. However, there was a slight increase observed between 2019 and 2021. Despite achieving the target poverty rate of 6.28% by the end of 2022, as outlined in the 2019-2024 Regional Medium-Term Development Plan for West Sumatra Province, the local government remains hopeful that poverty rates can be substantially reduced from 2018 to 2023. The targeted poverty rate for West Sumatra Province in 2023 is 5.73%.

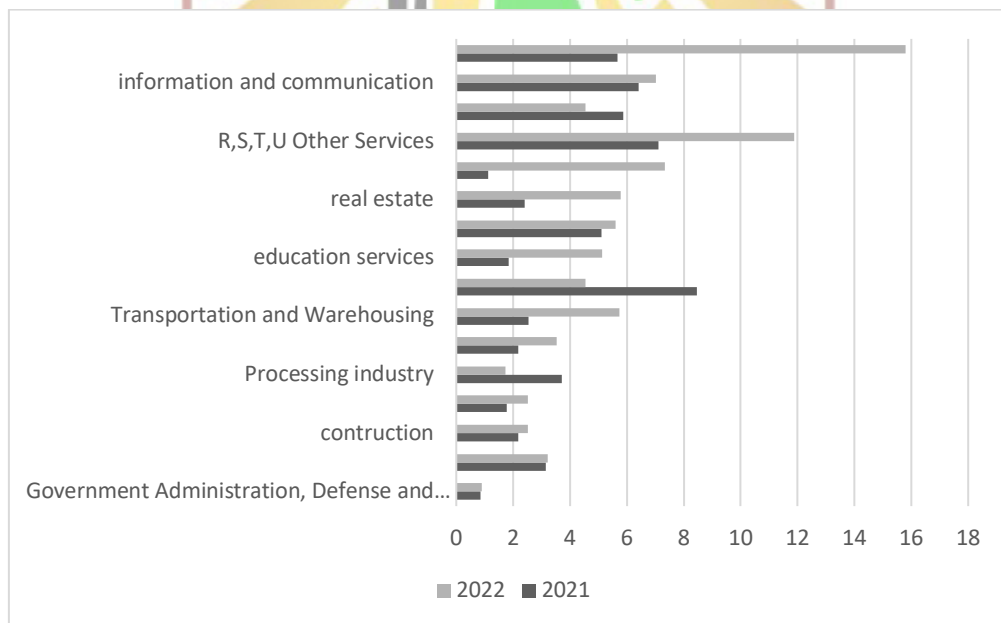
The prevalence of poverty in West Sumatra, while relatively lower compared to other provinces in Indonesia, remains a significant developmental challenge for the region. Once poverty reaches a certain level, often referred to as "hard rock poverty," eradication exceedingly difficult, as observed with the impoverished population in West Sumatra. However, based on the trends of pull and push factors

moving in a positive direction, it is anticipated that the poverty rate can be substantially reduced from 2021 to 2026.

According to Hawkin and Mann (2007), the key to development and poverty alleviation lies in leveraging tourism. Their research suggests that tourism serves as a viable option for poverty reduction in 80% of the 56 countries studied. Given the dynamic nature of the global tourism industry, competition among countries as tourist destinations intensifies both regionally and internationally. Countries that excel in this competition attract more tourists, resulting in increased spending within the destination country. As a result, Gross Domestic Product (GDP), overall economic growth, and societal economic well-being are poised to improve. As seen in graph 1.2, there are three dominant sectors in the West Sumatra GRDP data and the highest are accommodation and beverage providers which describe the tourism sector.



Figure 1.2 West Sumatra Economic Growth Rate by Business Sector (%), 2021 - 2022



Source: Central Statistics Agency West Sumatra Province, 2023

We can see that during 2021 to 2022, more than half of the economic categories out of 17 categories experienced accelerated growth, except for the categories of

trade services, electricity and gas, construction, government administration, health services, mining and quarrying as well as agriculture. What happened was that the highest growth was experienced in the Accommodation Provision category such as hotels/inns and restaurants at 15.80%, and the next growth was also experienced by the R.S.T.U and other services category which reached 11.88%. After we look at the plans and growth rate of the tourism sector, which has great potential if it continues to be developed in West Sumatra, it will become a large foreign exchange contributor for the West Sumatra region itself. So, tourists will continue to increase with the improvement of the tourism sector.

West Sumatra Province is one of the popular tourist destinations that is always visited by tourists, which has natural and cultural diversity which is an attraction for domestic and foreign tourists. With tourism diversity, it aims to support the achievement of tourism development targets which are related to the preservation and development of culture to utilize all the natural wealth in West Sumatra Province. By utilizing natural resources as a strategic asset to encourage development in certain areas that have potential tourist attractions. West Sumatra Province is one of the provinces in Indonesia which is an attractive tourist destination for tourists, both local and foreign tourists. West Sumatra has exotic natural potential coupled with the strength of its unique traditions and culture. The presence of this tourism potential has made the West Sumatra Government strive to continue developing the tourism sector into an important sector in regional development. If developed well, the tourism sector in West Sumatra Province will create new opportunities for labor absorption so that it is hoped that it will play a role in reducing poverty. Based on data from BPS (2023), West Sumatra province is included in the top 10 in the number of domestic tourists visited among 38 other provinces in Indonesia.

Table 1.2 Number of Domestic Tourists to West Sumatra Province 2017-2022 (in person)

Year	Number of Domestic Tourists
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2017	10.308.799
2018	10.912.929
2019	11.643.593
2020	7.914.388
2021	4.789.130
2022	5.913.795

Source: Central Statistics Agency West Sumatra Province, 2023

The growth of the tourism sector is typically gauged by the increase in tourist visits to popular destinations. According to Kreishan (2014), tourism plays a pivotal role in contributing significantly to the economy by generating employment opportunities, boosting income levels, and acting as a catalyst for economic expansion, prompting other sectors to align with the tourism industry. Data from the Central Statistics Agency for West Sumatra Province reveals a steady rise in tourist arrivals, averaging 7.9% annually. In 2022, the number of domestic tourists visiting West Sumatra is projected to reach 5,913,795 individuals, marking a notable increase of 23.56% compared to the previous year.

The tourism potential in West Sumatra can also be seen from the number of hotels in West Sumatra. The increase in the number of tourists to West Sumatra needs to be balanced with an increase in the supply of hotels room/accomodation both star and non-star hotels, there is no gap between demand and supply for hotels. We can then conclude that the increasing number of hotels in West Sumatra strengthens that West Sumatra has the potential to develop its tourism sector. The higher the hotel room occupancy rate, the more income earned (Austriana, 2005). According to BPS data, the number of hotels that have been classified as star and non-star hotels. in 2022 the number of non-star hotels will increase by 70.98% from 2018, and star hotels will experience an increase of 12.82%.

According to Rindi (2014) a restaurant is an object in the form of a building that is used as a place for someone to get food and drink services that are organized on a commercial basis. The number of restaurants is expected to create new jobs,

increase people's income, and provide encouragement for economic diversification and infrastructure improvement. As an important part of the tourism industry, entrepreneurs must be able to manage and maintain the quality of restaurants in order to create a good response for tourists or visiting guests. Good management of a restaurant will certainly create a positive impression for guests or tourists who will always become regulars at the restaurant.

The progress of tourism in West Sumatra plays a significant role in influencing economic growth and regional development, as evident in the metrics of Original Local Government Revenue (PAD). PAD represents the income accrued by a region from local sources, encompassing regional taxes, levies, proceeds from wealth management segregation, and other legitimate components determined by regional regulations and in compliance with prevailing laws (Suwandika, Yasa, 2015). The presence of PAD has the potential to stimulate pro-people economic growth, as asserted by Mills and Pernia (1993) in Tambunan. Their perspective suggests that high economic growth correlates with reduced poverty levels in a country.

The advancement of tourism in West Sumatra Province presents investment prospects for potential investors to cater to the demands of tourists. Investments are sought in various sectors including transportation, hospitality, craftsmanship, consumer goods, services, and dining establishments (Spillane, 2004). This underscores how tourism fosters investment opportunities and broadens employment prospects in tourist-centric areas. Communities surrounding tourist destinations also stand to augment their income by catering to tourist necessities such as food, beverages, transportation rentals, entertainment, and souvenirs. Moreover, the establishment of hotels, eateries, currency exchange services, transportation rentals, tour packages, and guiding services are service-oriented businesses that require a considerable workforce. The creation of new job openings has a ripple effect, bolstering labor absorption and mitigating unemployment rates in West Sumatra Province. Samimi (2011) asserts that the tourism industry not only

enhances foreign exchange earnings but also generates employment opportunities, thereby stimulating economic growth.

Based on the data and theories presented in the background above, the author wants to find out more about the influence of the tourism sector in West Sumatra Province on poverty reduction. Therefore, the author formulates the problem as follows

1.2 Problem Statement

The problem that will be discussed in this research is how does the tourism sector in West Sumatra Province influence poverty reduction?

1.3 General Research Objectives

In accordance with the research problems mentioned above, the aim of this research was formulated to determine the influence of the tourism sector in West Sumatra Province on poverty reduction.

1.4 Benefit of Research

The benefit of this research is seen from its benefits for scientific/academic development from practical development. Based on the stated objectives, the following are the expected benefits of the research, including;

A. Academic Benefits

a. It is hoped that this research can provide additional references for the development of economic knowledge regarding poverty alleviation which can be carried out through the development of the tourism sector

b. The results of this research can be used as a basis for creating concepts and strategies regarding the role of tourism which can be used as an alternative in efforts to eradicate poverty through providing employment opportunities, increasing and equalizing income, supported by education and training related to tourism.

c. It is hoped that this research can provide input for the development of economic research methods in integrating quantitative approaches.

B. Practical Benefits

a. As input for consideration to the Central Government and Regional Governments (Regencies/Cities) to develop tourism development strategies that are pro-poor, so that the community also feels the positive impact of tourism development.

b. As a consideration for developing tourism by involving community participation, so that tourism can develop and community income also increases.

