

The Effect of the Number of Tourist Visits, the Role of the Government, and Local Own Revenue (LOR) on the Economic Growth of the Regency/City of Bali Province

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Abstract

Bali Province is one of the provinces in Indonesia that operates and relies on the tourism sector as a source of income which contributes quite a lot to local revenue and Bali's economic growth. The role of the government whose program is aimed at the welfare of the community is also a key role in economic growth. The purpose of this study is to analyze the influence of the number of tourist visits and government budget directly on local revenue (PAD) of the Regency/City of Bali Province, to analyze the effect of the number of tourist visits, government budget, and local revenue (PAD) directly on the economic growth of the district. /City of Bali Province, and Analyzing Original Regional Revenue (PAD) in Mediating the Number of Tourist Visits and Government Budgets on Economic Growth in the Regency/City of Bali Province. This study uses secondary data starting from 2015-2019 obtained from the publications of the Bali Provincial Statistics Center and the Bali Provincial Tourism Office, with a total of 45 observations. The analytical technique used is path analysis using SPSS Software. The results of the study indicate that the number of tourist visits directly has a significant and positive relationship to the Regional Original Income (PAD) of the Regency / City of Bali Province. While the Government Budget has a significant relationship but has a negative relationship to the Regional Original Revenue (PAD) of the Regency/City of Bali Province; The number of tourist visits and the government's budget directly have a negative and insignificant effect on the economic growth of the Regency/City of the Province of Bali. While Regional Original Income (PAD) directly has a significant effect and has a positive relationship on the Economic Growth of the Regency/City of the Province of Bali; and Regional Original Revenue (PAD) mediates the Number of Tourist Visits and Government Budget on the Economic Growth of Regency/City Bali Province..

Keywords: *Number of Tourist Visits, Government Budget, Local Own Revenue, Economic Growth.*

1. Introduction

Tourism is the main source of economic driving in developing countries. Tourism is a labor-intensive industry. Industrial development is an activity that has the potential to be developed so that it is sufficient to contribute to improving welfare (Budiarta and Trunajaya, 2013). Tourism development causes an increase in regional income, besides that the tourism sector can stimulate new infrastructure investment to support the sustainability of tourism in an area. According to Rosen (1993: 35) Tourism is an industry that is able to provide rapid economic growth in terms of providing employment, income, standard of living, and in activating other production sectors in tourist receiving countries.

One of the provinces in Indonesia that is engaged in the tourism sector is the Bali Province. Tajeddini et al (2017) argued that Bali Province is one of the islands in Indonesia that has its own charm with its natural beauty and all the cultural tourism it has. Bali has beautiful beaches, biodiversity and artistic and cultural heritage creating opportunities in the tourism sector. The tourism sector in Bali is the main source of driving economic growth. The development of tourism in Bali makes this industry a mainstay industry for the regional economy and regional development. Ernita (2013) states that economic growth is a process of changing the economic conditions of a country on an ongoing basis towards a better state over a certain period. Economic growth is a long-term economic problem of a country because it is the main measure of the success of development and the results will be enjoyed by the community to the bottom. Regional economic growth is proxied using Gross Regional Domestic Product (GRDP). Economic growth is inseparable from the role of the government whose program aims to improve the welfare of the community.

The freedom of local governments to make and regulate finances and policies that affect regional progress and to support regional progress, regional governments allocate regional budgets that are used to meet public needs for the necessary public facilities and infrastructure. The realization of the Regional Revenue and Expenditure Budget (APBD), which is a representation of local government spending, will have an impact on economic performance in the region which is reflected in the Gross Regional Domestic Product (GRDP). Based on the theory of government spending which explains that government spending on various development activities will increase aggregate expenditure and increase the level of state economic activity (Sukirno, 2006: 168) then if it is associated with local government spending as reflected in the realization of the APBD, the greater local government spending it will be. the greater the impact on the regional economy (Darise, 2006: 142 & 145).

The financial capacity of a region can be seen from the size of the LOR obtained from the region concerned. Local Own Revenue (LOR) is an important benchmark to determine the level of regional capability in implementing regional autonomy in a real and responsible manner. LOR plays an important role in the progress of a region, making the government try to increase the contribution of LOR to the APBD. In the future, local governments will make policies regarding the structure of PAD through local taxes and levies (Bartle et al, 2011). To increase local revenue, the government needs to develop and facilitate tourism places so that the tourism sector can contribute to economic development. The tourism sector has a strategic role and function in development, in addition to being a foreign exchange earner for the country and generating income close to the potential level or desired level for the region, it can also increase community economic growth (Lewis, 2006).

Based on the background that economic growth is influenced by two factors, such as the service sector and the role of the government through the government budget, this can be seen from the number of tourist visits that are able to increase local revenue and the appropriate budget allocation that can increase LOR and become a stimulus to economic growth in Regency/City of Bali Province. Therefore, this study was conducted to see the effect of the number of tourist visits, the role of the government and local revenue on the economic growth of the regency/cities of Bali Province.

2. Literature Review

Local Own Revenue (LOR)

According to Law no. 28 of 2009 local own revenue is a regional financial source that is extracted from the region concerned which consists of the results of regional taxes, regional levies, the results of separated regional wealth management and other legitimate income. Pertiwi (2014) states that the number of tourist visits, tourist attraction retribution income, hotel and restaurant taxes have a significant influence on the LOR of Gianyar Regency in 1993-2012. That the retribution for tourism objects will contribute to efforts to increase the LOR of an area. So, if the levy on tourism objects decreases, it will result in a decrease in LOR Based on the results of research by Ni Nyoman Suartini (2013) the number of tourist visits has a positive and partially significant effect on the Local Own Revenue (LOR) of Gianyar Regency. tourist visits, entertainment taxes, hotel and restaurant taxes have a significant effect on Gianyar Regency's LOR for Fiscal Year 1991-2010

Economic Growth

According to Kuznet, economic growth is the process of increasing the long-term production capacity of a country to provide economic goods to its population. According to Sadono (2000), a tool to measure the economic success of a region is the economic growth of the region itself. The regional economy will increase from year to year due to the addition of production factors. In addition, the number of the working force will increase from year to year so that if used properly it will increase economic growth.

Tourism

Tourism can be interpreted as a trip that is carried out repeatedly by visiting one place to another. Everyone who travels from his place of residence to visit other places by enjoying trips and visits is called a traveler, while people who travel across a country without stopping even though the trip itself exceeds a period of 24 hours is called a tourist (Damardjati, 2001: 125). The increase in global tourism travel is supported by several things, namely; vacation days are getting longer, people's savings are getting bigger, family size is getting smaller, the level of health is getting better, the ease of obtaining tourism information and the level of public education are getting higher. Widyaningsih and Budhi (2014) state that tourist visits do not directly affect PAD, but indirectly through hotel tax and restaurant tax receipts.

Regional Revenue and Expenditure Budget

The definition of Regional Revenue and Expenditure Budget, hereinafter referred to as APBD in Law no. 32 of 2004 is the annual financial plan of the regional government determined by regional regulations. Regional budgets are used as a tool for determining the amount of income and expenditure, assisting decision making and development planning, authorizing future expenditures, a source for developing standard measures for performance evaluation, a tool for motivating employees, and a coordination tool for all activities. from various work units. In this regard, the process of preparing and implementing the budget should be focused on efforts to support the implementation of activities or programs that are the priorities and preferences of the region concerned (Sasana, 2009).

3. Problem Formulation

The hypothesis of this project is:

- a) The Number of Tourist Visits and the Government Budget have a positive effect on Local Own Revenue.
- b) The Number of Tourist Visits, Government Budget and Local Own Revenue has a positive effect on Economic Growth.
- c) The number of Tourist Visits, Government Budget indirectly has a significant effect on Economic Growth through Local Own Revenue.

4. Research Methodology

In this study using the variables of the Number of Tourist Visits, the Ratio of APBD to GRDP, Local Own Revenue and Economic Growth of Regency / City of Bali Province. The location of this research was conducted in the Regency/City of Bali Province, such as Jembrana Regency, Tabanan Regency, Badung Regency, Gianyar Regency, Klungkung Regency, Bangli Regency, Karangasem Regency, Buleleng Regency and Denpasar City from 2015-2019. This study uses quantitative data and secondary data obtained from the official website of the Bali Province Central Statistics Agency and from the Bali Provincial Tourism Office. The method of data collection in this research is to use the non-participant observation method. The number of observations in this study were in nine regency/cities of Bali Province in the span of 2015 to 2019 (5 years), so the number of observations was $9 \times 5 = 45$ observations by combining time series and cross section data (panel data). The data analysis technique used is path analysis.

5. Analysis Result

Simple Linear Regression Analysis

1) Direct Effect of Number of Tourist Visits, Government Budget on Local Own Revenue (LOR) of Regency/City of Bali Province

Table 1. Substructural Path Coefficient I

Regression	Koef. Reg Standar	t count	P. Value/ sig.	Information
$X_1 \longrightarrow Y_1$	0,521	4.566	0,000	Significant
$X_2 \longrightarrow Y_1$	- 0,356	-3.118	0,003	Significant

Based on the results of calculations using SPSS for windows 25 obtained a significance value of $0.000 < 0.05$ so it can be concluded that the number of tourist visits has a significant effect on local own revenue in Bali Province. The significance value of the government budget on local revenue is $0.003 < 0.05$, which means that the government budget has a significant effect on local own revenue in Bali Province.

2) Direct Effect of Number of Tourist Visits, Government Budget and Local Own Revenue on Economic Growth of Regency/City of Bali Province

Table 2. Substructural Path Coefficient II

Regression	Koef. Reg Standar	t count	P. Value/sig	Information
$X_1 \rightarrow Y_2$	-0,048	-0,298	0,767	Not significant
$X_2 \rightarrow Y_2$	- 0,116	-0,800	0,428	Not significant
$Y_1 \rightarrow Y_2$	0,425	2,630	0,012	Significant

Based on the results of calculations using SPSS for windows series 25, the significance value of the number of tourist visits on economic growth is $0.767 > 0.05$, which means that the number of tourist visits has no significant effect on economic growth in Bali Province. The significance value of the government budget on economic growth is $0.428 > 0.05$, which means that the government budget has no significant effect on economic growth. The significance value of local own revenue on economic growth is $0.012 < 0.05$, which means that local own revenue has a significant effect on economic growth.

Total Determination Coefficient Value

Based on the results of the calculation of the coefficient of total determination, it is obtained that the diversity of data that can be explained by the model is 66.6 percent or in other words the information contained in the data of 66.6 percent can be explained by the model, while 33.4 percent is explained by other variables which is not included in the model.

Direct Effect Test

1. The direct effect of the Number of Tourist Visits (X1) on Local Own Revenue (Y1) Regency/City of Bali Province

The standardized coefficients Beta value is 0.521 with sig 0.000 < 0.05, which means that the number of tourist visits has a positive and significant effect on Local Own Revenue in the Regency / City of Bali Province. Purwanti (2014), the tourism sector, namely the number of tourist visits, is a sector that has the potential to be developed as one of the local own revenue. Thus, the number of tourist visits has a positive and significant effect on local revenue in districts/cities in the province of Bali. This means that if the number of tourist visits to Bali Province increases, the local own revenue will increase. The longer the tourist stays in the Regency/City in the Province of Bali, the opportunities for tourists to spend will increase so that it will increase local revenue through revenues sourced from tax object levies, hotel taxes and restaurant taxes. The development of the tourism sector in the Regency/City of the Province of Bali is used as a potential source of income for the region and can create jobs for the Balinese people. To achieve this goal, the government of the Province of Bali must continue to strive to increase the number of tourist visits visiting the Regency/City in the Province of Bali. The results of the above study which states that the number of tourist visits has a positive and significant effect on local revenue in regencies/cities in Bali Province in line with the results obtained by Purwanti (2014), regarding the number of tourist visits on local revenue, where the number of tourist visits has a significant effect to local revenue of Mojokerto Regency in 2006-2013.

2. The direct effect of the Government Budget (X2) on Local Own Revenue (Y1) Regency/City of Bali Province

The standardized coefficients Beta value is -0.356 with sig 0.003 < 0.05, which means that the Government Budget has a negative and significant effect on the Local Own Revenue of the Regency/City of Bali Province for the 2015-2019 period. According to Swadewi (2014) the existence of an additional government budget will certainly increase the LOR thereby increasing the calculation of the ratio which is an indicator of financial independence. This research is also supported by research conducted by Yuliyanto (2018) which also found the contribution of the budget to have a positive and significant influence in East Java Province for the 2014-2016 period. The research suggests that the independence in the APBD is related to local revenue, because the larger the budget is from regional potential, not from central or provincial government assistance, the region can be said to be financially independent and the region is more flexible to accommodate the interests of the community without an inappropriate central government charge. with the needs of the local community. This research is also supported by the opinion of Abimayu (2005:40) which states that the development of existing infrastructure and facilities in the region will have an impact on increasing local own revenue. If the facilities and infrastructure owned by the region are adequate, the community can carry out their daily activities safely and comfortably

which will affect the level of productivity that is increasing, and with adequate infrastructure it will attract investors who open businesses in the area. This study is in line with the research of Pahala Bellarminus (2015) which shows that the variables of government expenditure and GRDP have a significant effect on local own revenue.

3. The direct effect of the number of tourist visits (X1) on economic growth (Y2) Regency/City of Bali Province

The standardized coefficients Beta value is -0.048 with a sig. of 0.767 > 0.05 which means that the number of tourist visits does not directly affect the economic growth in the Regency/City of the Province of Bali. This means that when the variable number of tourist visits increases, it does not increase Economic Growth in the Regency / City of Bali Province. The results of this study are in accordance with Windayani's research (2016) which states that tourist visits have a positive and insignificant effect on economic growth in Bali Province in 1995-2016. The relationship has a positive and insignificant effect on the number of tourist visits on economic growth because economic growth is not measured by the results of visa receipts issued by tourists but is measured by the added value of goods and services generated from all economic activities of a region, so that the number of tourist visits does not have a significant effect on economic growth. According to (Austriana, 2005) the longer tourists stay in a tourist destination, the more money is spent in the tourist destination for the purposes of eating, drinking and lodging. Various kinds of tourist needs during a tourist trip will cause consumptive symptoms for products that exist in tourist destinations. Consumptive activities of foreign and domestic tourists will increase the income of a region's tourism sector.

4. The direct effect of Government Budget (X2) on Economic Growth (Y2) Regency/City of Bali Province

The standardized coefficients Beta value is -0.116 with sig 0.428 > 0.05 which means that the Government Budget has a negative and insignificant effect on Economic Growth in the Regency / City of Bali Province. The ratio of expenditure to GRDP describes the productivity and effectiveness of the region in spending its budget (UNDP, 2007). The lower the ratio means the more effective the government in spending its budget because the ratio of expenditure to GRDP is a comparison between the amount of realized regional expenditure and the gross regional domestic income of the region. This study is not in line with the results of previous research conducted by Osborn (2007) which stated that capital expenditures had a positive and significant effect on economic growth and routine expenditures had no significant effect on economic growth. However, this study is in line with research conducted by Dayu (2018) which concluded that government spending has an insignificant negative effect on economic growth in the City of Parepare. Where the increase in government spending will be accompanied by a decrease in the rate of economic growth, although the decline is not significant.

5. The direct effect of Local Own Revenue (Y1) on Economic Growth (Y2) Regency/City of Bali Province

The standardized coefficients Beta value is 0.425 with sig 0.012 < 0.05, which means that the Local Own Revenue has a positive and significant effect on Economic Growth in the Regency / City of Bali Province. The results of research conducted by Siswiyanti (2015) state that Local Own Revenue has a positive and significant effect on Economic Growth. Regional autonomy gives full authority to local governments to regulate and manage their own revenues, including local revenue. Regional Original Income is one source of income that functions to finance regional needs such as infrastructure and infrastructure development. The pace of the economy in an area is also influenced by the infrastructure in the area, the better the facilities and infrastructure in the area, the more it will affect the rate of economic growth in the area. Similarly, the research conducted by Putri (2015) states that Local Own Revenue has a positive and significant influence on economic growth in the Regency/City of Central Java Province. The results of this study are in line with research conducted by Maryati and Ulfi (2010). This means that the higher the LOR generated by the local government, the higher the value of the GRDP of the local government and the local government is better able to optimize the potential of the Local Own Revenue.

Indirect Effect Test (Sobel test)

1. Indirect effect of the number of tourist visits (X1) on Economic Growth (Y2) through Local Own Revenue (PAD) (Y1) Regency/City of Bali Province

Based on the calculation results, the calculated Z value is 41.31 > 1.96, which means Local Own Revenue (Y1) as an intervening variable/mediation of the effect of the Number of Tourist Visits (X1) on Economic Growth (Y2) Regency / City Bali Province. In other words, the number of tourists visits indirectly affects the economic growth of the Regency/City of Bali Province.

2. Indirect effect of the Government Budget (X2) on Economic Growth (Y2) through Local Own Revenue (Y1) Regency/City of Bali Province

Based on the calculation results, the calculated Z value is $146.06 > 1.96$, which means that the Local Own Revenue (Y1) as the intervening/mediation variable of the effect of the Government Budget (X2) on Economic Growth (Y2) Regency/City Bali Province. In other words, the Government Budget indirectly affects the Economic Growth of the Regency/City of Bali Province.

6. Conclusion

Based on the results of the analysis and discussion, the following conclusions can be drawn: the number of tourist visits directly has a significant and positive relationship to the Local Own Revenue of the Regency/City of the Province of Bali; The Government's budget directly has a significant and negative relationship to the Local Own Revenue of the Regency/City of Bali Province; The number of tourist arrivals directly has no significant effect and has a negative relationship on the Economic Growth of the Regency/City of the Province of Bali; Government budget directly has no significant effect and has a negative relationship to the Economic Growth of the Regency/City of the Province of Bali; Local Own Revenue directly has a significant effect and has a positive relationship on the Economic Growth of the Regency/City of Bali Province; The number of tourist visits and the government's budget have an indirect effect on the economic growth of the Regency/City of Bali Province through Local Own Revenue.

Based on the results of the analysis and conclusions, it can be suggested as follows: Tourism promotion must continue to be encouraged and further explore new tourist attraction objects to attract foreign and domestic tourists to stay longer in Bali Province. Providing attractive offers to foreign and domestic tourists such as accommodation, travel agencies, restaurants, and recreation which will provide great benefits for local governments and entrepreneurs where tourists who visit will spend a lot of funds for recreation or entertainment so as to increase Local Own Revenue and through LOR's contribution will increase the Economic Growth of Bali Province. Local governments can explore more sources of tourism potential from each region and further improve the management of existing resources in each Regency / City of Bali Province to increase Local Own Revenue. The government must reformulate an efficient and effective system for the applicable local revenue collection system so that it is more beneficial for the development of economic growth in the Regency/City of Bali Province. Local governments must allocate regional budgets to all sectors that are able to increase economic growth and carry out development that can support the tourism sector which is expected to increase Local Own Revenue and design more appropriate programs for the benefit of the community in the Regency / City of Bali Province.

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