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The influence of the tourism sector and financial performance on development performance in regencies/cities in Bali Province

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Abstract---The tourism sector is an important sector that is able to have a positive impact on the socio-economic conditions of the Regency/City community in the Province of Bali. The influence of the tourism sector and financial performance is expected to play a role in the welfare of the community through development performance. The purpose of this research is to find; (1) The influence of the tourism sector and financial performance on the economic performance of the Regency/City in the Province of Bali. Data collection techniques were carried out by observation, in-depth interviews and documentation. The results show that tThe tourism sector and financial performance have a positive and significant impact on the economic performance of districts/cities in Bali Province.

Keywords---tourism, financial performance, development performance.

Introduction

Tourism is one sector that is widely developed by countries in the world, including Indonesia. The tourism sector is one of the foreign exchange

earners, and is assumed to be one of the sectors that can help accelerate the process of economic growth. The existence of tourism activities will move other sectors such as the industrial sector, agriculture and others. Yulianda (2018), conveyed that natural and cultural wealth is an important component in tourist attraction in Indonesia. The diversity of ethnic groups and cultures is a tourism potential that can support the attractiveness of the natural beauty of the Indonesian nation.

Tourism has a strategic position in the development of the Indonesian economy. Basyir (2014), explains that tourism is seen as an activity that has multidimensionality from a series of development processes. The existence of the role of tourism in the global era is increasingly important along with the development of business between regions and the ease of investment. Determination of tourism destination development and marketing policies that lead to increasing the added value of the tourism sector in Indonesia is vital. The development of tourism activities in Indonesia in general and in Bali in particular does not only rely on the presence of foreign tourists.

In 2019 the number of domestic tourists who came to Bali from the previous year experienced a growth of 1.88 percent and for the number of foreign tourists by 3.37 percent, this shows that the number of domestic and foreign tourist visits each year experienced a significant increase, although in 2019 the number of visits Domestic and foreign tourists have decreased due to the COVID-19 pandemic. The tourism sector which is an important sector in regencies/cities in Bali Province is able to have a positive impact on the socio-economic conditions of the community as stated by (Muljadi, 2012), namely contributing to foreign exchange earnings, creating job opportunities, expanding business opportunities in the formal and informal sectors. , increasing regional income through various taxes and levies, increasing community income, and equitable development.

Furthermore, Samimi et al., (2011) stated that the tourism sector increases foreign exchange earnings, creates jobs, stimulates the growth of the tourism industry, therefore it can trigger economic growth; especially this is what encourages various countries to develop this tourism sector. The increasing development of the tourism sector has an effect on increasing the original income of a region. As a tourist destination, a potential source of local tax in the province of Bali is hotel and restaurant taxes. The success of developing the tourism sector in an area which is reflected by the increasing contribution of the trade, hotel and restaurant sector to GDP, as well as the contribution of hotel and restaurant taxes to local revenue will affect regional financial performance. Financial management sourced from the original regional income is a form of regional independence in reducing dependence on the central government, by allocating the funds obtained as well as possible for development purposes.

Regional original income is one source of local government financing whose role is very dependent on the ability and willingness of the region to explore the potential in the region. Ideally, local revenue should be the main source of local revenue, because other sources of income are relatively volatile and tend to be outside the control (authority) of the local government (Sidik, 2002). The

ratio of financial independence of districts/cities in Bali Province for the period 2012-2019 is presented in Figure 1.1.

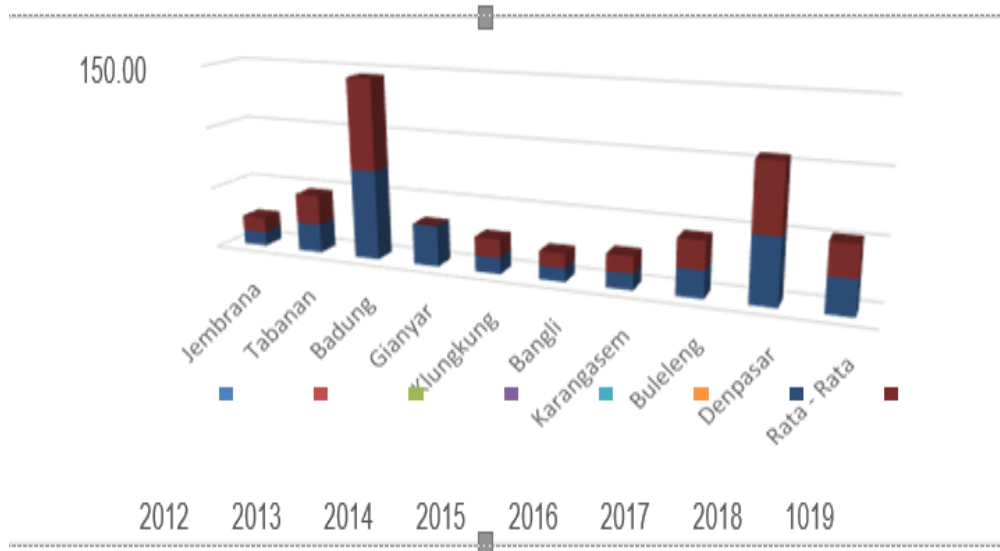


Figure 1.1. District/City Regional Financial Independence Ratio in Bali Province from 2012 to 2019

Source: Central Bureau of Statistics of Bali Province

Based on Figure 1.1, it is known that the financial independence of districts/cities in Bali Province during 2012 to 2019 has on average increased, but the financial independence of districts/cities in Bali Province has not shown encouraging achievements. Only Badung Regency has an average independence ratio above 79 percent, meaning that on average the proportion of Badung Regency's original revenue reaches 79 percent of its total regional income. According to the results of research conducted by Widiastuti (2010), Dwirandra (2008) and Handayani (2006), Suryaningsih (2014) where apart from Badung Regency, other regencies/cities still have a fairly large level of dependence on the central government.

The ratio of regional financial independence is one of the measurements of regional financial performance that shows the ability of local governments to finance their own government activities, development and services to the community. According to Nordiawan (2010: 158), performance measurement is a systematic process to assess whether the planned activity program has been implemented according to the plan, and more importantly whether it has achieved the targeted success at the time of planning.

Regional finance in the regional expenditure budget is an allocation of regional resources and becomes a medium for evaluating regional government achievements in financing regional development for the public interest and a form of regional government accountability, so as to encourage regional development for community welfare (Askam, 2008). In (Sayafie 2011: 8) states

that the government as an important agency must pay attention to public order, demands, expectations, people's opinions, needs, community interests, and regulations governing the participation of all community activities. Thus, the implementation of the duties and functions of the regional government is to be able to improve and resolve the demands/aspirations of the community. The National Development Planning Agency (2017) states that regional development performance is the achievement of the local government's vision and mission and in general the achievement targets of the regional visions and missions.

The implementation of financial performance analysis needs to be done to compare the performance achieved from one period to the previous period, by analyzing financial ratios to measure regional financial performance (Bratakusumah, 2011). Kartika Berliani (2016), states that financial performance affects economic growth and its implications for people's welfare. The development of the tourism sector will also encourage and accelerate economic growth. Economic growth shows the extent to which economic activity is able to generate additional community income within a certain period (Sukirno, 2006). The achievement of high economic growth and equitable distribution of income means that it will directly or indirectly reduce the number of unemployed. To make development in an area run smoothly, it requires the availability of large amounts of funds. It is hoped that every local government in implementing work program policies should be carried out with good and measurable planning and budgeting so that the implementation can be right on target and benefit the community.

According to Arsyad (2005), the main problem in regional development lies in the emphasis on development policies that are based on the peculiarities of the region concerned (endogenous development) by using the potential of human resources, institutions, and resources. physical power locally (region). This orientation leads to taking initiatives originating from the area in the development process to create new job opportunities and stimulate increased economic activity. Local governments must be good at administering their government because changes in government revenues and expenditures have a large enough effect on the economy (Jing Jin, 2002). Measurement of development performance is one way that local governments can use in achieving good governance (Halachmi, 2005). Assessment of development performance for local governments is very important to provide direction and guidance related to the plans that have been set. With this performance appraisal, it is hoped that the local government will work better, transparently and accountably (Sudrajat, 2011). Therefore, as a managerial element, performance is the key to success. Strategic decisions are made through policies to achieve the desired goals and targets. The function of performance measurement can explain (1) evaluation of how the program is running; (2) means of comparison of the services provided; (3) means of communication with the public. This statement is in line with Greiling (2005), who revealed that one of the keys to the success of reform in the public sector is to measure performance.

The relationship between financial performance and development performance Musgrave and Rostow state that government spending is always needed at every stage of development. In the early stages of economic development, the percentage

of government investment to the total investment is large because the government must provide facilities and services such as education, health, transportation. Then in the middle stage of economic development, government investment is still needed to increase economic growth so that it can increase even more, but at this stage the role of private investment is also getting bigger. At the next economic level, Rostow said that government activities shifted from providing infrastructure to spending on social activities such as old age welfare, public health service programs (Guritno, 2001).

The increase in government expenditure has an impact on increasing economic performance which is marked by an increase in Gross Domestic Product (Sukirno, 2001). According to McEachern (2000:84) economic performance in a region can be seen from various indicators, such as: number of workers, average income, and total production. In addition, Abel and Bernake (2001) state that measures of economic performance that are often a concern to determine economic progress in a region or country are economic and labor growth, productivity, living standards, unemployment, inflation, savings and capital formation, as well as other variables. .

Human development or improving the quality of human resources is very important in the national development policy strategy. Human quality in a region has a big role in determining the success of development management in the region. Good education and health will increase capacity and play a role in opening up greater opportunities to earn higher incomes (Lanjouw et al, 2001). The relationship between the performance of regional financial management and human development is actually easy to trace. Budgets in the field of physical and non-physical development are expected to be able to increase people's access to the economy so that efficiency will occur and in turn will increase real consumption per capita (Delavallade, 2006). Increased per capita income and increased spending on government health can increase life expectancy and reduce maternal and infant mortality as one of the components in determining human development. An increase in the budget for education and an increase in people's income will increase public access to education, thereby increasing literacy rates and the average length of schooling.

Research Methods

This study used qualitative approach. Interviews were carried out both structured and in-depth (in-depth interviews) with informants whom the author considers competent for this research, which were carried out at the agency, namely with the Head of SKPD and stakeholders of activities in the Regency/City and Province in Bali related to the need for completeness of data and obtaining information. in depth about an issue or theme raised in research.

Discussion

The Influence of the Tourism Sector on the Economic Performance of Regencies/Cities in Bali Province

So far, Bali tourism has been too comfortable with leisure tourists in the form of mass tourism. For this reason, in the future this must be changed so that Bali tourism becomes more qualified. This was conveyed by the Head of the Bali Provincial Tourism Office, I Putu Astawa at a coordination dialogue event on Tuesday, April 5, 2022 at the Bali Provincial Tourism Office with the theme "The Bali Economy in 2020 amidst the dominance of tourism".

"In the future we have to change, we have to go towards quality tourism. One of them is MICE, because this has been proven to be able to revive the Balinese economy when the issue of Mount Agung erupted. Changing market orientation also needs to be done because many countries that used to be potential markets are no longer there. Instead, they can only bring in lower-class tourists. Vietnam actually has a pretty good economic growth, so promotion to Vietnam needs to be encouraged so that later tourists who come are premium quality tourists. In addition to continuing to promote MICE tourism, this year the Tourism Office will also hold an international-scale tourism event in Bali. By creating an event in Bali, besides being able to serve as a promotional media, it will also benefit the community's economy, until December 2019 the number of foreign tourist visits to Bali has reached 6.7 million. Several international events held on the island of Bali were able to have an effect on Bali's economic growth. "In the last ten years, economic growth has been dominated by the tourism sector, although other sectors have also been developed, tourism remains at the top," he explained. Until now the condition of the tourism sector is in a safe condition, and there is no need to worry too much. But don't be too dependent on the tourism sector and must continue to develop other sectors, just in case the tourism sector collapses," he concluded.

The results of this study support the theoretical and empirical views of previous studies, including the study conducted by Cohen (1984) which classifies the impact of tourism on the socio-economic, namely: 1) foreign exchange earnings, 2) community income, 3) employment opportunities, 4) prices, 5) development in general, and 6) government revenues. Likewise, the results of Arsanda's research (2020) show that the rate of GRDP of the tourism sector in West Manggarai Regency shows a positive trend of tourism development. Labuan Bajo was chosen to be one of the 10 priority destinations and many investors have started investing in West Manggarai to build the tourism sector. . As a tourist destination, hotel and restaurant tax receipts, as well as tourist attraction retribution receipts can help increase local revenue. Natural and cultural wealth is an important component in tourist attraction in Indonesia (Yulianda, et al, 2018). In addition to the fact that the tourism sector is one of the foreign exchange earners, tourism can also help accelerate the process of economic growth because tourism activities will move other sectors such as employment opportunities, the industrial sector and others.

The Effect of Financial Performance on Regency/City Economic Performance in Bali Province

From the results of data collection from 2012–2019, the regional financial performance criteria according to Mahsun, 2006 were determined based on the value of the budget compatibility ratio in the form of a percentage where the best conditions were in very good criteria with the ratio above 40 percent. Overall, in the last 8 years, the budget compatibility of Regency/City in Bali Province is in very good criteria with an average value of 34.65 percent. This budget compatibility ratio is very dependent on the efforts and ability of the regional government to meet the target of its own local revenue, this condition requires an in-depth evaluation, especially from the OPD that carries out the task of collecting local revenue so that the achievement is in accordance with the set target. This is in line with what was conveyed by the Head of the Bali Provincial Bappeda, Wayan Wiasthana Ika Putra who stated that:

“The preparation of the Bali Province Regional Revenue and Expenditure Budget (APBD) as an implementation of balancing the fundamental structure of the Balinese economy between tourism, agriculture, fisheries, marine and industry must be a serious concern of all development planning stakeholders, so that the Bali Provincial Government avoids a deficit. between the budgeted revenues and the regional expenditures issued. Budgeted expenditure compatibility to encourage efforts to increase economic growth and develop new economic centers in accordance with the potential of districts/cities in Bali by empowering local resources to support economic growth in realizing the regional development vision "Nangun Sat Kerthi Loka Bali through the Planned Universal Development Pattern. Towards a New Era of Bali”, which is budgeted annually related to the level of implementation of activities.” (interview April 4, 2022).

On a separate occasion, when asked on the budget compatibility ratio calculated from the proportion of public spending to total regional expenditure in Tabanan Regency, the Head of the Tabanan Regency Bappeda, I Gde Urip Sumaharja stated that:

“The allocation of regional expenditures by taking into account the ratio of regional financial compatibility illustrates the ratio of direct expenditures that can be assessed from the level according to the needs of regional development. The ratio of regional financial compatibility of Tabanan Regency is still not compatible, this means that the Government of Tabanan Regency in the last 8 years has allocated more of its regional budget for personnel expenditure, not for public expenditure which is direct expenditure received by the community” (interview on April 6, 2022).

According to Nurulita (2018), states that when the regional financial independence is high, which is one indicator to measure financial performance, the regional government is less efficient in the production and supply of public goods. Although the independence ratio is high, the distribution of development and improvement in welfare is not felt by the community, so there is no economic growth or declining economic growth. This is partly due to the ability of regions that have not yet reached the stage of being financially independent to carry out

development with their own abilities so that they are still dependent on the central government (Putra & Hidayat, 2016). In addition, according to Ani and Dwiandra (2014) stated that the realization of local government revenues is smaller than the target. The realization of regional revenues that should be able to increase programs to reduce poverty in the districts/cities of Bali Province has become less effective and less well implemented, so it has not been able to reduce poverty. Furthermore, Ani and Dwiandra (2014) say that government spending to obtain greater income, which causes less efficient government spending, so that revenue receipts that should be able to exceed expenditure cannot be used to help improve programs in tackling the level of poverty. In addition, that the increasing regional financial performance as reflected by the ratio of regional financial independence, efforts to collect PAD or the ratio of PAD per capita to GRDP and the ratio of regional financial compatibility, the economic performance of districts/cities in Bali Province will also increase.

Conclusions and Suggestions

Conclusions based on the discussion in this study are the increase in the tourism sector causes economic performance, namely increasing the performance of Regency/City development in the Province of Bali in terms of economic growth, employment and income distribution. Financial performance measured by effectiveness, efficiency, financial independence and efforts to collect PAD does not affect the economic performance of districts/cities in Bali Province. This means that the poor financial performance of the local government as well as the lack of efficiency in the production and supply of public goods by the Regency/City Government in the Province of Bali, will not have an effect on the performance of economic development.

Based on the conclusions of the research results, it is recommended that with the decrease in the number of tourist visits to Bali as a result of the Covid-19 pandemic, it is recommended that the government in the short term make efforts to restore the Indonesian tourism economy in general and Bali in particular by increasing tourism promotion so that the tourism industry in Bali Province develop in a sustainable manner and also develop other sectors as a source of regional income. Management and utilization of regional finances that are right on target in order to improve the performance of community welfare development. Likewise, with the more concentrated development of tourism in the development areas of South Bali (Denpasar, Badung, Gianyar, and Tabanan), this causes income disparities between districts/cities in Bali Province. Therefore, in the long and medium term, it is suggested to the government to change the sectoral development strategy in Bali Province towards a more equitable direction, namely by implementing the concept of Sustainable People's Tourism Development.

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