



## EFFECT OF TOURISM AND ECONOMIC PERFORMANCE ON POVERTY IN BALI

**I Made Patera**

Doctoral Study Program in Tourism  
University of Udayana  
Bali, Indonesia

**Made Sukarsa**

Doctoral Study Program in Tourism  
University of Udayana  
Bali, Indonesia

**A.A Suryawan Wiranatha**

Doctoral Study Program in Tourism  
University of Udayana  
Bali, Indonesia

### Preliminary

Increased tourist arrivals to Bali have an impact on the growing Gross Regional Domestic Product (GDP) and the growth of micro-economic activities scattered throughout Bali. Other impacts can be seen from the opening of the various jobs in the tourism sector we know today growing very rapidly as one of the world's leading service industry and potentially a major source of foreign exchange earnings. A variety of other benefits such as bringing investment, increase tax revenues, employment opportunities and the introduction and management of modern technology is useful for the development of the nation. However, according to statistical records of Bali in 2009-2013 recorded the number of poor people in Bali are still ranging between 4-5 percent. This study aims to: (1) analyze the influence of tourism on the economy's performance in Badung, (2) to analyze the effect of economic performance on poverty in the Badung regency, (3) to analyze the influence of tourism on poverty alleviation in Badung.

Grand Theory used in this study refers to the paradigm of neoliberalism, that is also used by The World Bank as the study of the economy in the broad sense, and to understand the problems of poverty. This research was supported by the Social Democratic Theory and Theory of Empowerment.



## Theory of Neoliberalism

The historical development of economic theory today originated from the school of Mercantilism is a long journey and the trading history of economic thought which grew in Europe in 1500-1800 AD. Theory of neoliberalism, that is supported by the concepts of the global economy through international cooperation carried out by the World Trade Organization (World Trade Organization), the International Monetary Fund (International Monetary Fund), World Bank (World Bank) and various other international organizations. Neoliberal economy according to Robinson (2004), is an economic system which tends to favor transnational capitalist groups to harness the power of the market and look at the problem of poverty solely as an individual issue. By applying the power of the market economy, differences in poverty are getting wider and made the poor increasingly marginalized. Paradigm raised by the many theories on poverty reduction is evident that there has not been a whole system that is capable of creating the achievement of prosperity. The Asian economic crisis of 1998 proved that the system of economic liberalization adopted by developing countries led to a multi-dimensional crisis and lead to the dependence of many countries including Indonesia to the International Monetary Fund (IMF).

Indonesia's economy becomes unstable, the Indonesian Currency (rupiah) dropped sharply and the impact on the increasingly widespread poverty. Kakwani and Pernia (2000) states that the concept of neoliberalism restore the hegemony of capital, with the concept of prosperity trickling down from the wealth of a handful of people as the owner sectors of big business, will flow from the top to the other sectors below and then distributed to the poor at the bottom. This concept is very possible number of poverty will further increase as a result of the income received by the public that should not occur proportionately. The opposite is true where the advantages enjoyed by the workers



should be returned to the owners of capital. Based on the principle of free trade economy of neoliberal conducted multi internationally, making the development of the global economy more quickly through arrangements made by international institutions such as the World Bank (World Bank), the International Monetary Fund (International Monetary Fund) shortened the IMF and the World Trade Organization (World Trade Organization). With the power of big capital, enabling global capitalist system continues to grow throughout the world to provide financial assistance to poor countries. This assistance will be helping with economic growth and reduce poverty in developing countries (Harvey, 2009: 121). This is contrary to the views of Stiglitz (2003: 105) which says that the economic practices of the system of neoliberalism as an anomaly of the modern world, because the burden of debt payments for most developing countries.

### **Tourism Concept**

World Tourism Organization (WTO) defines tourism as an activity of a person or group of people to live outside their own homes for a time, not more than one consecutive year for tourist purposes or other purposes that do not aim to get a job or a salary in place visited. Tourism is formed by the relationship between the company that provides travel services, supported by government and business entities engaged in tourism to prepare the facilities required by tourists Theobald (2005: 17). According to Jamieson et al (2004: 2), Reisinger (2009: 8), tourism is the whole activity involving governments, companies driven by the private sector, other agencies related to tourism and the community with the aim to provide and regulate the needs of tourists as prepare for a stay, activities of travel services for goods and services the needs of tourists. Cooper et al (1993: 4) states that tourism is a multidimensional activity, with the following main elements: (1) Tourism is an activity people travel from their place of origin, to many different destinations (Tourism arises out of a



movement of people to, and their stay in, various destinations, (2) There are two elements in tourism that visit the area a tourist destination and stay while doing activities in tourist destinations (There are two elements in tourism, the journey to the destination and the stay (including activities) at the destination), (3) Tourism is traveling for a while to do outside the home where they live and work. As he traveled they perform different activities to what is done by people in their place of origin (The journey and stay take place outside the normal place of residence and work, so that tourism Gives rise to activities the which are distinct from the resident and working polulations of the places through and in the which they travel and stay),(4) Travel to the tourist destination is a temporary activity in the short term with the aim that they will return to the place their home after a few days, weeks or months (The movement to destinations is temporary and short-term in character-the intention is return home within a few days, weeks or months),and (5) The purpose of the tour is a visit with the aim of not settling to find a permanent job (Destinations are visited for purposes other than taking up permanent residence or employment).

### **Pro-Poor Tourism**

The introduction of Pro-Poor Tourism (PPT) as an international discourse has been started since 1999, initiated by various multilateral institutions and by non-governmental organizations in the world. They argued that tourism can contribute significantly to the economic growth of a country, improving welfare and play a role in alleviating poverty (Scheynes, Momsen, 2008). Pro-poor tourism (PPT) is not a piece or a particular product from tourism, but an approach attempts to open up various opportunities that were previously closed and not able to be accessed by local people. With a program of pro-poor tourism, it is possible for a wider opening of employment opportunities that were once difficult to obtain by the public. Pro-poor tourism allows conduct training for local people for the work they will do. With the increasing



skill, higher incomes and better lives. Based on the limited available natural resources, pro-poor tourism allows providing education and training related to the importance of nature conservation as part of a caring community to feel ownership and protecting the environment better. Furthermore, pro-poor tourism is intended to engage the community as partners in the development of tourism, especially in the decision making process about the survival of tourism in its region (Roe et al., 2001). The presence of the government in tourism development, contributes to involve the stakeholders of tourism to bring in investors to invest in tourism development and ensuring that tourism will provide benefits to the community through increased economic activity and increased purchasing power. Results of tourism management, is expected to contribute positively to the acceleration of poverty alleviation for local people (Ashley et al 2001: 2; Hall, 2007: 37).

Pro-poor orientation of tourism associated with the presence of tourism in a tourist destination has a clear goal to improve their existence through education and the availability of health facilities. With growing prosperity, they are liberated from poverty to enjoy a better life (Anwar, 2012: 15). Pro-poor tourism strategy relates essentially to what can be enjoyed by the poor as well as by the non-poor, done by integrating tourism development to increase people's income (Harrison, 2008). As for the understanding of tourism as part of a pro-poor, the necessary awareness about the importance of applying the principle of pro-poor tourism related to the characteristics of tourism by hiring people involve their participation in planning and decision makers that tourism can provide benefits to the local community (Roe et al., 2004: 20)

## **Research Methods**

This study uses a combination of quantitative and qualitative research. The reason for choosing a qualitative approach, because most



of the problems under study conducted through an exploration such as: observation, interviews, library research, and focus group discussions. Researcher as a key instrument, does the research directly. Further, quantitative research conducted through the collection of secondary data that is obtained from data sources available at Statistics Office Badung Regency or from other agencies related to the research. Data were processed by inferential statistical analysis using Partial Least Partial (PLS). Results of hypothesis testing is used to confirm the results of previous studies or referring to existing theories. (Jennings, 2001: 35; Denzin and Lincoln, 2009: 1-4; Tewksbury, 2009; Babbie, 2005: 389-390). To determine the characteristics of poverty used descriptive statistics that is to confirm the results of quantitative analysis. In accordance with the qualitative approach (Moleong, 2002: 9-11; and Jennings (2001:210-211), a phenomenological paradigm using an inductive methodology to reveal the relationship of various factors to find the concept as the basis for creating a grounded theory. In this study qualitative methods intended for reconforming the results of quantitative research.

### **Location, Time and Research Object**

This research was conducted in the area of Badung District of South Kuta and Jimbaran Pecatu area and in North Badung District of evening and turn Sidan Pelaga area. Research on the impact of tourism on poverty conducted during October 2014-April 2015 on the basis of the following considerations: (1) District of South Kuta is an area of intensive tourism activity is growing massively, diverse tourism activities from small scale to large scale found in South Kuta. Powered by the characteristics of the beach and the beautiful cliffs and warm air, this area is growing rapidly in all aspects of tourism development. South Kuta is the largest contributor of local revenue from taxes hotels and restaurants, making it the richest regions in the Badung regency in Bali,(2) District of evening as non-intensive tourism areas that tourism



growth is limited to agro-tourism. With the characteristics of the mountains and the people are very dependent on agriculture, livestock, fisheries and other natural resource management, and (3) There has been no research on the role of tourism to poverty reduction or equivalent in Badung Badung North and South.

### **Research Instruments**

In accordance with the characteristics of qualitative research, research instruments that are used in the form of interview guidelines are guidelines that are used to ask questions to the informant. Researchers is a key instrument, which by direct observation, interviewing, collecting data, analyzing and determining the quality of research data. Researchers must select people who eally know the problems to be studied. Within the limitations of doing research, the researcher allowed to equip themselves with the research tools such as interview guides, tape recorders or cameras and other recording tools required (Jennings, 2001: 158; Cooper and Schlinder, 2008: 62, Jonker et. al., (2011: 59-60).

### **Research Variables**

This research uses three variables: (1) Variable Tourism Development (PP) or X1, consists of: The number of tourist arrivals (X1.1), Contributions Hotel and Restaurant (X1.2), length of stay tourists (X1.3), and Spending money (X1.4), (2) Variable Economic Performance (KP) or X2), comprising: GDP Growth (X2.1), absorption of labor (X2.2) and Investment (X2.3), and ( 3) Variable Poverty (KM) or Y1, comprising: Number of poor (Y1.1), severity of poverty (Y1.2), and the depth of poverty (Y1.3). The method used in this study: (1) Quantitative Analysis to answer the problems first, second and third by using analysis Partial Least Square (PLS). The reason is that as Herman Wold (1966) developed the PLS as an alternative to Structural Equation Modeling the theoretical foundation is weak, it can also be



used as a confirmation of the theory. Indicators of Latent Variables do not meet reflexive models only, but can also be a formative model. Reflective model is the latent variable model that could be the result of reflection indicator (factor), and Formative Model is a model where the latent variables can be created (compiled) by the indicator (Ghozali 2011: 7-17), and (2) Qualitative analysis to answer the problem formulation the fourth is how to develop strategies to increase the role of tourism in poverty pengantasan in Badung with the approach of Strength, Weakness, Opportunity and Threat (SWOT).

## **Results and Discussion**

### **Hypothesis testing 1. Effect of Tourism Development on Economic Performance.**

The first hypothesis testing results show that the effect of tourism on the development of economic performance shows the value of path coefficient of 0.871 with a t-statistic value of 71.567. The statistics t value is greater than t-table value of 2.201 which indicates that there is a significant relationship between the variables of tourism development on the economic performance. Path coefficient indicates that the development of tourism have a positive influence on the performance of the economy, meaning that the better development of tourism, economic performance will also increase. This means that the hypothesis 1 is accepted.

The empirical results are in line with the view Theobald (2005: 79) which states that tourism contributes to the improvement of the economy, especially as a source of division revenues, increase investment, taxation and employment. The results support the results Gibson (2009: 527-528); Leon (2006: 34); World Tourism Organization (2014); Asley et al (2001 in Hall 2008); Pangerstu (2013: 14-25), which states that tourism plays an important role in the economy at the macro and micro. Further stated the role of tourism in the context of



the economy comes from the increase in tourist traffic which led to increased GDP, employment and investment (WTO, 2014; Pangestu, 2013; Disparda Bali, 2014; Ashley et al, 2001).

The study also supports research Nurhayati (2012); Ramadlani (2012) and Asr (2008), which examine the role of tourism in reducing poverty which is known as Pro-Poor Tourism or abbreviated PPT. Nurhayati (2012), which conducts research on agro-tourism in East Java stated PPT can be used as a strategy to improve the welfare of the community with their local employment where agrotourism is developed. Further stated PPT can improve the macro economy that support the tourism industry, increase public revenues and the benefits of non-economic as the exchange of cultural values because of the interaction between tourists and local communities or host (Nurhayati, 2012; Ashley et al., 2001). The empirical results support the research Wahyudi (2007) who studied the effect of tourism on poverty reduction in the Millennium Development Goals (MDGs), noted that the effect of tourism on the economy as increasing foreign exchange earnings and investment. The study's findings also reinforce the research results Gibson (2009), which states tourism plays an important role in improving the economy.

## **Testing the hypothesis 2. Economic Performance significant effect on poverty.**

The second hypothesis test results showed no significant effect of variable economic performance (KP) against poverty (KM) dengai path coefficient value of -0.762 with a t-statistic value of 15.462. The statistics t value greater than t-table value of 2.201 indicates that there is a significant relationship between economic performance variables on poverty. The path coefficients are negative suggests that economic performance had a negative impact on poverty. Indicates, the higher the economic performance (KP), the poverty (KM) decreases. 2 This



means that the hypothesis is accepted. The results support the research Wahyudi (2007) which states that tourism is not confined merely as a source of foreign exchange earnings but also contribute to an increase in tax revenue, investments and opening up employment opportunities for the equal distribution of household incomes and reduce poverty. Results of this study strengthen the results Jonaidi (2012); Siregar (2010); Dewanto et al (2014) who found the influence of the economy on poverty. Generally described the growing economy (GDP, investment impact on poverty reduction. Jonaidi (2012), conducted a study on 33 provinces in Indonesia investigated the influence of investment, life expectancy, literacy, education and economic growth on poverty. The research found the economic growth a significant effect against poverty, economic growth, positive effect on poverty reduction. Further domestic and foreign investment is expressed negatively correlated to poverty, meaning that increased foreign investment in the country and led to reduced levels of poverty in Indonesia.

### **Testing the hypothesis 3. The development of tourism significant effect on poverty.**

The path coefficients perkembangan influence of tourism on poverty is equal to the value of -0.207 with a t-statistic of 4.099. The statistics t value greater than t-table value of 2.201 indicates that there is a significant relationship between the variables of tourism development with poverty. Path coefficient indicates that the development of tourism had a negative impact on poverty, it means that the higher the tourism development, then poverty will decrease. This means that the hypothesis 3 is accepted. The results support the results Anwar (2012); Karim et al (2012); Wood (2005), which examines pro-poor community-based tourism. Both found the role of community-based tourism can reduce poverty. Hereinafter referred to pro-poor tourism development strategy can serve the role of the community to participate in the tourism sector so that it will be able to improve the



lives of marginalized people. Indicates that the development of community-based tourism can be one of the strategies to reduce poverty.

It relates with Spenceley and Saif (2003) who analyzed the strategies of five private companies engaged in tourism in South Africa to address the problem of poverty and foster development for the people living in the area of tourism and analysis of the costs and impacts of the pro-poor approach to tourism in South Africa. This research was conducted on tourism company engaged in the operation of services of safari's tour, diving, and casino facilities with a golf course. The findings of this study stated that there is a direct relationship between economic benefits and non-poor economies in the implementation of pro-poor tourism and the opening of the tourism impact on the livelihoods of the rural poor. The indirect effect of tourism development on Poverty through Economic Performance based on the path coefficients can be explained that coefficient indirect pathways influence of tourism development on Poverty through Economic Performance of -0.664, meaning that the indirect effect of tourism development (PP) against poverty (KM) through economic performance (KP) amounted to -66.4%. PP affects indirectly 64 percent reduction in poverty (KM) through the KP, the growth of regional gross domestic product (GDP), employment (TK), and investments (INV). It also indicates that poverty (KM) not only directly influenced by the development of tourism (PP), namely: the number of tourists (JKW) and the contribution of hotel and restaurant tax (PHR) but indirectly reduce the number of poor (JPM), the index of the depth of poverty (IDK ) and poverty severity index (CPI) through KP, namely GDP, PTK, and INV.



## CONCLUSIONS AND SUGGESTIONS

### Conclusion

Development of tourism (PP) provide a significant and positive effect on economic performance (KP), which means that the better development of tourism (PP), the economic performance (KP) will also increase Economic performance (KP) provide a significant and negative effect on poverty (KM) means highereconomic performance (KP), the poverty (KM) decreases. Development of tourism (PP) provide a significant and negative effect on poverty (KM), meaning that the higher the development of tourism (PP), then poverty (KM) will decrease.

### Suggestion

Based on the analysis of the results of the research, findings and limitations of this study, it can be formulated several recommendations for future research presented some suggestions as follows:(1) To improve future research needs to be added non-economic variables as variables mediating between Tourism Development and Poverty,(2) Research the future need to use primary data to determine the effect of PP, KP against poverty, (3) Maintain and increase the involvement of people directly and indirectly in the tourism industry, and (4) Increase the role of government and tourism stakeholders in improving public education, especially education related to tourism.

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