

## Role of Tourism in Economy of Bali and Indonesia

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### Abstract

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The role of tourism to the economy of Bali and Indonesia can be seen from the increase in tourist arrivals. The study results showed that if tourism is represented by the trade, hotels and restaurants sector, tourism contribution to the economy of Bali is 27.82% in 2010 to be 31.35% in 2014. If tourism represented by the tertiary sector (services sector), contribution of tourism to the economy is 65.28% in 2010 to be 68.28% in 2014. Tourism is represented trade, hotels and restaurants sector, the number of labor who work in tourism is 571,274 people (26.24%) in 2010 to be 628,585 people (27.64%) in 2014. If tourism is represented the tertiary sector, the number labor who work in the tourism is 1,046,530 people (48.96%) in 2010 to be 1,178,201 people (51.81%) in 2014.

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**Keywords:** Tourism, Economy, Labor force, Bali.

### Introduction

Over the past six decades, tourism has experienced expansion and diversification, so that becoming one of the largest and the fastest economic sector growing in the world. Many new tourist destinations have emerged in Asia and Africa, complementing the traditional favorite tourism destination in Europe and North America. Despite occasional shocks of political, economic and social, tourism has showed growth quite fantastic. Based on the information UNWTO (2015), international tourist arrivals have increased from 25 million globally in 1950 to 278 million in 1980, rising to 527 million in 1995, and 1,133 million in 2014. Similarly, international tourism revenue received by the tourism destination worldwide have jumped from US\$ 2 billion in 1950 to US\$ 104 billion in 1980, US\$ 415 billion in 1995 and US\$ 1,245 billion in 2014.

Increase in tourist arrivals worldwide will increase the tourist spending, and will ultimately increase the growth rate of the world economy. Based on data from the UNWTO (2015), international tourist arrivals worldwide (overnight visitors) increased from 1.1 million in 2013 to 1.3 million in 2014. Demand for tourism products continued to strengthen in most source markets and tourism destinations, despite the geopolitical, economic, and health ongoing be a challenge in some parts of the world. With the addition of over 46 million travelers around the world (+ 4.3%), 2014 marks five years consecutive of strong growth over the long-term average (+3.3% per year) since the 2009 financial crisis. Development of the tourism industry last decades of fluctuating growth due to interference with some events, such as the Gulf War of 2001, the financial crisis that hit Asian countries in 1997/98-2000, followed by events of WTC bombing in the United States, the bombing in Kuta, Bali in 2002 and in 2005, the outbreak of the Iraq war and the spread of SARS (Severe Acute Respiratory Syndrome), the global financial crisis hit the world in late 2008, the economic crisis some European countries such as Greece and Spain in 2014 which lowered income of the people in parts of Europe, and most recently in 2015 is the falling value of the currency several countries in Asia, including Indonesia which accompanied the decline of commodity export countries concerned due to the currency devaluation of the people's Republic of China (PRC), thereby reducing the income of the people in Asian countries. At present in year 2016, the terrorist attacks in several European and Middle-East countries.

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It has implications for the decline in tourist visits, further affecting economic growth, both for developed countries like the United States, Spain, and France as well as for developing countries such as Singapore, Malaysia, Thailand and Indonesia. This proves that the tourism sector is very vulnerable to external shocks, but has a vital role in supporting the economy of a country. It also expressed the World Travel and Tourism Council (UNWTO, 2015) that travel and tourism is the largest industry when the review of economic measures such as total output, value added, capital investment, labor and tax contributions for local government. Anonym (2003) report that tourism is a significant industry in British Columbia It generates more than 4% of real GDP and about 7% of employment.

For Indonesia, the importance of tourism had been strongly stated in the Outlines of State Policy 1998 (1998), it is stated that, "Tourism development is directed at the development of tourism as a major and superior sector in a broad sense is capable of being one foreign exchange earner, stimulate of the economic growth, increase the local revenue, empower the community's economy, expanding of the employment and business opportunities, and improve recognition and marketing of national products in order improve the welfare of the people by constantly maintaining the national identity, religious values as well as the preservation of function and quality of the environment". It is clearly dictated that tourism is developed to become a main sector in the national economic development; while at the same time maintains the national identity and environmental sustainability.

Tourism has become a priority sector in the economic development of Indonesia. It is more emphasized by the statement of the President of the Republic of Indonesia, Mr. Ir Joko Widodo in 2015 that boosted tourism as a source of foreign exchange through some policies, such as increased promotion in foreign policy and add to the visa-free for some countries, such as Soviet Union, the People's Republic of China (PRC) and Japan. Based on the information Website CNN Indonesia (2016), until the beginning of February 2016 the number of countries visa-free visit to Indonesia to 174 countries. The addition of friendly countries gain Visit-Free-Visa is expected to increase tourist visits to Indonesia are expected to reach 20 million until the end of 2019.

Bali is a small island with an area of 5,636.66 km<sup>2</sup> or 0.29% of the total area of Indonesia (Anonym, 2015), one of 34 provinces in Indonesia and became one favourit tourist destinations in Indonesia and even in the world. In the 2015, Bali was ranked second out of 10 best islands in the world according to the magazine published by the American "Travel and Leisure" and his website contains the results of voting on the 10 best island world of hundreds of thousands of islands as a destination travel and places to relax. The Indonesian government is currently very hope that tourism becomes source of foreign exchange complementary foreign exchange from exports of agricultural commodities and oil and gas. Therefore, the Indonesian government to allocate the funds relatively large to promote tourism in Indonesia to the world, which hopes to increase tourist arrivals. Of 10,406,759 people of foreign tourists visiting Indonesia in 2015, a total of 3,766,683 people (36.39%) come directly to Bali. It shows how much value the contribution of Bali tourism to the National Tourism. The Ministry of Tourism said during 2014, the tourism sector accounts for foreign exchange of US\$ 10.69 billion or equivalent to IDR 136 trillion (Website of Kata Data, 2016). If using the parallel thinking method with tourists visiting Bali 36% of the 10 million tourists who visited Indonesia, means about US\$ 3.8 billion or equivalent to IDR 49 trillion Indonesian foreign exchange contributed by the Bali tourism destinations. This shows that the Bali tourism destinations are potential major source of foreign exchange Indonesian government.

From economic perspective, positive impacts of tourism, in Bali can be seen from several indicators, namely (1) as a source of foreign exchange for the country, (2) a potential market for goods and services produced by the local community, (3) to increase the community income whose activities are directly or indirectly related to services of tourism, (4) to increase the job opportunity, either in direct-linkage sectors such as hotel, restaurant, and travel agent, or at indirect linkage sectors such as handicraft industry, supply of agricultural produce, cultural attraction, retail business, and the other service activities, (5) as a source of region's indirect taxes, and (6) to stimulate the artists' creativity, such as those in small-scale industry or in traditional performing arts (Antara and Pitana, 2009). The positive impact of such a large posed by tourism in Bali, because the tourism in Bali has direct, indirect, and induced linkages with activity or other economic sectors (Antara, 1999). Various economic activities in Bali are directly and indirectly linkage to tourism that can be grouped into tourism MSMEs (Antara and Sri Sumarniasih, 2017). The purpose of the study was to identify the role of the tourism sector in the Bali economy and formulate a recommendation for future tourism development. The scope of this study is Bali regional macro using macroeconomic data and using qualitative descriptive analysis method.

The role of tourism to the economy of Bali can be seen from the increase in tourist arrivals which comes directly to Bali as the engine of the economy of Bali, contribution of Bali tourism sector to the Bali economy, and the absorption of labor force by the tourism sector.

## Overview of Bali Tourism

### A Brief History of Bali Tourism

International tourist trips in Bali have started at the beginning of the XX century. However, long before in 1579, the island of Bali has actually visited by foreign nations (Netherlands) relating to Cornelis de Houtman expedition, in order to cruise in search of spices. During a stopover in Bali they were very impressed with the natural beauty and exotic culture of their communities.

Visits strangers, particularly Europe for the purpose of traveling to Bali began in the 1920s, through the Netherlands Trading Company Ships namely K.P.M. (*Koninklijke Paketpart Maatschappij*). Among European tourists who visited Bali there are also the writers, artists, and scientists. Some of them stayed long enough and was writing about Bali, as Gregor Krause German nationality writing a book about the life of the people of Bali are equipped with photographs; R. Goris, wrote a book *Bali Inscription* (1928); Miguel Covarrubias with his book *The Island of Bali* (1936); and Miss.? (Balinese name: K'tut Tantri) with her creation *Revolt In Paradise*.

Among artists known figure painter R. Bonet who settled in the Ubud village and founded the Museum Ratna Warta. In the village of Walter Spies with Tjokorde Sukawati founded the Pita Maha foundation. Besides being known as a painter, Walter Spies also wrote the book with the tittle *Dance and Drama in Bali*. Furthermore, Le Mayeur, a Belgian who was married with Balinese girl Ni Polok since 1930 stayed in Sanur and founded the Le Mayeur museum.

Dissemination of information about Bali well through writing, art work on Bali, as well as through the story of mouth led to Bali becoming known in foreign countries. In anticipation of the arrival of foreign tourists to Bali, so in 1926 established the first hotel in Bali, the Bali Hotel located in the central of Denpasar city. Besides, it also built a rest house in Kintamani Tourism Region is located in a very strategic location, where tourists can enjoy the fresh air and beautiful scenery.

The existence of the Bali Island became increasingly popular after *Legong* dancers from Peliatan Village crossed the globe to Europe (Paris Expo) and the United States in 1932. In the following years the delivery mission of Balinese arts to abroad is increasing. In line with that more increased the foreign tourist visit to Bali and various nicknames was given to Bali, among others: *The Island of Gods*, *The Island of Paradise*, *The Island of Thousand Temples*, *The Morning of the World*, and *The Last Paradise on Earth*.

The outbreak of the World War I (1939-1941) and World War II (1942-1945) brought unfavorable influence on the development of tourism sector in Bali. Similarly, the Revolution of Independence (1942-1949), led to the cessation of tourism activities in Bali. Only in 1956 the development of the tourism sector in Bali was initiated back in. In 1963 established the Bali Beach Hotel (now The Inna Grand Bali Beach) which was inaugurated in November 1966. Development of tourism increasing rapid with the inauguration of Ngurah Rai Airport as International Air Port in August 1969.

### Object and Tourism Attractions

Objects and tourist attraction in Bali is one of the basic capital for the Bali tourism development. The types of objects and tourist attraction in Bali are very varied which is often a blend of natural and cultural elements. The number of objects and tourism attraction in Bali in 2015 recorded 239 pieces, spread across nine counties and cities in Bali. Of these amount, Gianyar district has the highest number (50 pieces), while the lowest was Bangli regency. More complete, objects and tourist attraction of the districts / cities in Bali are as follows: Denpasar 30 pieces, Badung 35 pieces, Jembrana 15 pieces, Buleleng 38 pieces, Klungkung 25 pieces, Tabanan 24 pieces and Karangasem 16 pieces (Website of Ministry of Tourism of the Republic of Indonesia. 2016). Objects and tourist attraction generally visit through a package tour managed by a number of travel agents. At least 14 tour packages are well known in the world of tourism in Bali, namely: City Tour of Denpasar, Uluwatu Tour, Serangan Tour, Ubud Tour, Kintamani Tour, Besakih Tour, Karangasem Tour, Tanah Lot Tour, Bedugul Tour, Singaraja Tour, National Park of West Bali Tour, Trunyan Tour, Archeological Tour and Diving Tour (Website of Ministry of Tourism of the Republic of Indonesia. 2016).

In addition to the various types of objects and tourist attraction in the above, since in recent years began to develop environment tourism product or eco-tourism, spiritual tourism, spa treatments, travel aerospace, agro-tourism and rural tourism. Ecotourism is quite popular lately associated with the worldwide trend back to nature. Some ecotourism products that can be enjoyed by tourists in Bali, such as mangrove tour, snorkeling, diving, bird watching, trekking to naturally area, dolphin tour, and ecotourism turtle. Bali is also famous for its culinary tourism attractions with typical Balinese food with unique flavor and inviting addiction for foreign tourists tongue. Antara and Hendrayana (2016) state that uniqueness of the traditional Balinese cuisine can be packaged in such a way as a tourist attraction. This is confirmed by Öktem and Purina (2016) that one of the elements of attraction in tourism sector is food and beverage.

Facility of spa treatment also seems to be increasingly popular. Most of the star hotels are equipped with facilities ranging spa treatments. This facility seems to be expanding in the area of Nusa Dua Tourism, Ubud, Sanur, Kuta, Tuban and Candidasa. Not a few hotels that provide spa facilities combined with massage treatment.

Spiritual tourism is also quite developed by utilizing atmosphere provides peace and silence, like in nearby holy, sacred places, hills, waterfalls, beaches and natural springs. The forms of tourism activities, among others meditationi spiritual, yoga, prayer, "melukat", or simply a moment of thought. It seems natural atmosphere hills and mountains of North Bali, the silence of nature and the rural banks of the Central and East Bali, as well as the atmosphere of silence and sacred in some temples in Bali utilized for the development of this travel package. Even the self-cleaning activities and thoughts (*melukat*) with holy water from springs such as "Tirta Empul" is also used for this spiritual tour packages.

Aerospace travel is also increasingly in demand by tourists. One that stands out is the paragliding and hang gliding. Both attractions have evolved in *Nusa Dua* Tourism, especially in the area of *Kutuh* and *Sawangan*. Things to do paragliding and hang gliding are often seen passing over the area of the *Gunung Payung* Temple (Kutuh) and *Karang Boma* (Sawangan). This attraction has also been touched height of the holiest places in Bali, namely *Gunung Agung*, as ever broadcast by a private TV station in Bali.

### **Growth of the Foreign Tourist Visits**

Bali island has been known by foreign tourists as one of the world tourist destination since the 1920s. With the number of objects and tourist attraction owned by the Province of Bali, which is a beautiful panorama, the diversity of art and culture, then since development of the first five years (*Pelita I*, 1969-2016), the development in Bali province was prioritized on the agricultural sector in the broad sense and the development of tourism and craft industry support the tourism. This development priorities based on the consideration that the total area of the island of Bali is very narrow, which is only 0.29% of the territory of the Republic of Indonesia. In addition, Bali does not has natural resources of minerals and energy, as well as the less enables the development of manufacturing large scale.

As a growing recognition of Bali as a tourist destination in Indonesia, even in the world, causing Bali to be primadona for tourists visiting Indonesia. This is evidenced by the increase in foreign tourist arrivals to Bali every year, and an increasing contribution to the national tourist visit. The growth of the foreign tourist visit directly to Bali and Indonesia in period 2003-2010 are presented in Table 1. In 2003 the foreign tourist visit to Bali only as much as 993, 029 people and contributing to foreign tourist visit to Indonesia increase amounted to 22.23%. In 2010 the visit of foreign tourist to Bali increased to 2,576,142 people and contribution to foreign tourist visit to Indonesia increased to 36.79%. However, in 2015 the foreign tourist visit to Bali increased to be 4,001,835 people and its contribution to foreign tourist visit to Indonesia increased to be 41.22%. So we can say that in the last 13-year period (2003-2015) foreign tourist visit to Bali continues to increase, as well as its contribution to the foreign tourist visit to Indonesia also increased. Increase in foreign tourist visit to Bali, according to Suryawan Wiranatha et al. (2016) seems to be caused by a significant relationship between satisfaction and loyalty of foreign tourists come to Bali.

For Indonesia, the role of tourism to the national economy, especially in the foreign exchange earner more so important after the weakening of the role of oil and gas. Even in 2015, President of Republic of Indonesia Ir. Joko Widodo confirmed the tourism sector as a source of foreign exchange to boost tourist arrivals every year with a cumulative target of achieving 20 million tourists in 2019. So the increase in tourist arrivals and tourist expenditure per person per day each year already would increase foreign exchange earnings for the country.

**Table 1. Growth of Foreign Tourist Visits to Indonesia and Straight to Bali, and Contribution Balito Indonesia**

Year	Foreign Tourist Visits to Bali		Foreign Tourist Visits to Indonesia (people)	Contribution Bali to Indonesia (%)
	Amount (people)	Growth (%)		
2003	993,029	-22.77	4,467,021	22.23
2004	1,458,309	46.85	5,321,165	27.41
2005	1,526,438	4.67	5,002,101	30.52
2006	1,601,243	4.90	4,871,351	32.87
2007	1,668,531	4.20	5,505,759	30.31
2008	2,085,084	24.97	6,234,497	33.44
2009	2,385,122	14.39	6,323,730	37.72
2010	2,576,142	8.01	7,002,944	36.79
2011	2,756,579	11.0	7,649,731	36.03
2012	2,949,332	6.99	8,044,462	36.66
2013	3,278,598	11.16	8,802,129	37.25
2014	3,766,638	14.89	9,435,411	39.92
2015	4,001,835	6.24	9,708,897	41.22

Source: Central Bureau of Bali Statistic for Foreign tourist visit to Bali (Website: Bali Statistik Central Bureau, 2016). Central Bureau of Indonesia Statistic for Foreign tourist Visit to Indonesia (Website: Central Bureau of Indonesia Statistic, 2016).

### Growth in the Number of Hotel

To respond to the increase in tourist arrivals to Bali, then continuously improved the amount and quality of tourism services and supporting facilities, such as an increase in the number of hotels and hotel rooms. In Table 2 it appears that in the period 1981 to 2014 the number of hotels (stars and non-stars) and hotel rooms (star and non-star) tends to increase. In 1981 the number of star hotel as much as 23 units with number of rooms as many as 2,451 rooms, and the number of non-star hotels as much as 399 units with number of rooms as many as 4,843 rooms. In 2014 the number of star hotels increased to 249 units with number of rooms as much as 28,811 rooms, and the number of non-star hotels (jasmine=*melati*) increased to 1,091 units with number of rooms as many as 26,013 rooms. If Table 2 observed, the cumulative number of star hotels to 2014 less than the non-star hotels (jasmine), but has a cumulative number of rooms are more than the non-star hotels (jasmine=*melati*) (Website of Central Bureau of Statistics of Bali Province. 2016 and Website of Bali Tourism Office, 2016). Generally the star hotel is for guests of the upper middle class who are more concerned with service classness, while the non-star hotels (jasmine) to a slim pocket or backpackers (Hampton, 1998). Star hotels are generally located in the tourist area of Nusa Dua, Jimbaran and Sanur, while the non-star hotels are generally located in Kuta, and Denpasar. According to Antara et al (2016), currently marketing hotels and villas in Bali generally and in North Kuta in particular mostly using online travel agent, OTA). Meanwhile, Kim et al. (2016) found that Members of the hotel's loyalty program were found to have stronger ties between attitudinal loyalty and behavioral loyalty.

**Table 2. Growth of Number of Star and Non Star Hotels in Bali**

Year	Star Hotel		Non Star Hotel		Total (Star and Non Star)	
	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms
1981	23	2,451	399	4,843	422	7,294
1986	28	4,015	592	7,674	620	11,689
1991	36	5,604	954	14,098	990	19,702
1996	87	13,936	1,045	17,410	1,132	31,346
2001	122	17,063	1,036	19,398	1,158	36,461
2005	143	19,812	1,045	19,420	1,188	39,232
2010	155	20,588	1,026	21,931	1,181	42,519
2011	198	21,133	1,036	23,569	1,234	44,702
2012	218	22,794	1,031	24,322	1,249	47,116
2013	227	24,860	1,091	26,013	1,318	50,873
2014	249	28,811	1,091	26,013	1,427	54,824

Source: Website of Central Bureau of Bali Statistik (2016), and Website of Bali Tourism Office (2016).

## Role of Tourism in Economy

### Role of the Tourism in the Economy of Indonesia

So far, there isn't tourism sector term as daily speaking in the sectors of Gross Domestic Product (GDP) or Gross Regional Domestic Product (GRDP). It has been suggested the tourism sector represented by sector of trade, hotel and restaurant in gross domestic product (GDP) for national level or gross regional domestic product (GRDP) for level regional, some are interpreting the tourism sector is represented by the tertiary sector or the services sector, because most of tourism activity included the service activity. Although in theory of Tourism Satellite Account (TSA) contribution of tourism spread in all of economy sector, but difficult to identification role of tourism in economy.

If the tourism is represented by the trade, hotels and restaurants sector, the tourism contribution to the economy of Indonesia (Gross Domestic Product, GDP) amounted to 16.15% in 2000 decrease to be 14.60% in 2014. This facts show that contribution of tourism sector in Indonesia economy decrease over the last 14 years. However, if tourism represented by the tertiary sector (services sector), contribution of tourism to the Indonesia economy (GDP) amounted to 38.48% in 2010 increased to be 40.62% in 2014 (Website of Bali Tourism Office, 2016). So, if tourism represented by tertiary sector, its mean role of tourism sector increase over the last 14 years (Table 3).

**Table 3. Share of Economic Sectors on Gross Domestic Product of Indonesia According Current Price**

No	Sectors	Share to GDP at Current Market Price (%)						
		2000	2005	2010	2011	2012	2013	2014*)
I	Primary Sector	27.67	24.27	26.45	26.53	26.31	25.71	24.82
	Agriculture, Forestry, Animal Husbandry and Fishery	15.60	13.13	15.29	14.71	14.50	14.42	14.33
	Quarrying	12.07	11.14	11.16	11.82	11.81	11.29	10.49
II	Secondary Sector	33.86	35.4	35.81	35.25	34.98	34.44	34.56
	Manufacturing	27.75	27.41	24.80	24.34	23.96	23.69	23.71
	Electricity, Gas and Water Supply	0.60	0.96	0.76	0.75	0.76	0.77	0.80
	Construction	5.51	7.03	10.25	10.16	10.26	9.98	10.05
III	Tertiary Sector	38.48	40.34	37.73	38.21	38.71	39.84	40.62
	Trade, Hotel and Restaurant	16.15	15.56	13.69	13.80	13.96	14.32	14.60
	Transportation and Communication	4.68	6.51	6.56	6.62	6.67	6.99	7.39
	Financial, Insurance, and Enterprise Services	8.31	8.31	7.24	7.21	7.27	7.52	7.65
	Other Services	9.34	9.96	10.24	10.58	10.81	11.01	10.98
	GDP of Indonesia	100.0	100.0	100.0	100.0	100.0	100.00	100.0

Source: Website of Central Bureau of Indonesia Statistic (2016).

Note: \*) = temporary data

The other economic indicator of tourism is the foreign exchange earned, which is important for any country in doing international transaction. Through money changer or banking system, foreign currencies are exchanged to local currencies at destination. In foreign exchange earnings, tourism contributes the fifth biggest in 2010-2012. The position of tourism increase, and in 2013-2014 is the fourth (Table 4)(Website of Ministry of Tourism of the Republic of Indonesia, 2016).

The fluctuation of this position is closely associated with the fluctuation of tourist arrival to the country. Even though fluctuating, it is clear that the role of tourism is significant in the economic development of Indonesia. Even more if the indirect economic impacts are calculated, such as poverty alleviation and job creation.

**Table 4. Foreign Exchange of Tourism in Comparison to the Other Export Commodities 2010-2024 (US\$ Million)**

No	Commodity	2010	2011	2012	2013	2014
1	Oil & gas	28,039.60 (1)	41,477.10 (1)	36,977.00 (1)	32,633.20 (1)	30,318.80 (1)
2	Coal	18,499.30 (2)	27,221.80 (2)	26,166.30 (2)	24,501.40 (2)	20,819.30 (2)
3	Palm oil	13,468.97 (3)	17,261.30 (3)	18,845.00 (3)	15,839.10 (3)	17,464.90 (3)
4	Processed Rubber	9,314.97 (4)	14,258.20 (4)	10,394.50 (4)	9,316.60 (5)	7,021.70 (6)
5	Tourism	7,603.45 (5)	8,554.39 (5)	9,120.85 (5)	10,054.15 (4)	11,166.13 (4)
6	Finished cloth	6,598.11 (6)	7,801.50 (6)	7,304.70 (6)	7,501.00 (6)	7,450.90 (5)
7	Electric tools	6,337.50 (7)	7,364.30 (7)	6,481.90 (7)	6,418.60 (7)	6,259.10 (8)
8	Textiles	4,721.77 (8)	5,563.30 (8)	5,278.10 (8)	5,293.60 (9)	5,379.70 (9)
9	Paper and paper products	4,241.79 (9)	4,214.40 (11)	3,972.00 (10)	3,802.20 (10)	3,780.00 (12)
10	processed foods	3,620.86 (10)	4,802.10 (9)	5,135.60 (9)	5,434.80 (8)	6,486.80 (7)
11	Chemical material	3,381.85 (11)	4,630.00 (10)	3,636.30 (11)	3,501.60 (12)	3,853.70 (11)
12	Processed wood	2,870.49 (12)	3,288.90 (12)	3,337.70 (12)	3,514.50 (11)	3,914.10 (10)

Source: Website of Ministry of Tourism of Republic of Indonesia (2016).

Note: ( ) = Ranking

Minister of Indonesia Tourism, Yahya (2016) state that in the next five years or in 2019 the tourism sector is targeted to contribute to the national GDP amounted to 8%, foreign exchange generated to IDR 240 trillion, create jobs in areas of tourism many as 13 million people, the target of foreign tourist arrivals (foreigners) as many as 20 million foreign tourists and domestic tourist movements (domestics) of 275 million, as well as Indonesia's tourism competitiveness index ranks 30 world. In an effort to achieve these targets, the Government did effort regulation by extending the provision of Visits-Free-Visa (VFV), which currently reaches 90 countries (Presidential Decree 104 in 2015). Planned this year will be increased to 174 countries. With the Visits-Free-Visa (VFV) policy is projected this year will increase by 1 million tourists with foreign exchange of US\$ 1 billion.

### Role of the Tourism in the Economy of Bali

#### Role of Tourism in the Formation on Bali's GDP

A better outlook can be drawn from the case of Bali, the tourism capital of Indonesia. Because of the intensity of tourism development in the island, the economy of this island-province is that of tourism-dominance, quite different from the other provinces in Indonesia. Tourism has become the leading sector in the economy, pushing other economic activities. The dominance of tourism has led the network of the economy spreads from local, national and international. These results in the significant contribution of the related sectors, such as hotel, restaurant, trade, transportation, finance, and other services, to the formation of the regional GDP and foreign exchange earnings.

In the period of 2010-2014, th sector called 'trade, hotel and restaurant' contributes averagely 29.10% to the Bali's GDP (or Gross regional Domestic Bruto, GRDP). Its share to the regional GDP tend to increases in line with to the increase of foreign tourist arrival. In 2010, tourism contributes 27.82% to the formation of Bali's GDP; in 2011 it increased to 28.25%, its contribution to GDP increase 31.35% in 2014 (Table 5) (Website of Central Bureau of Statistics of Bali Province, 2016). However, if the economic sectors are grouped into three main sectors (primary, secondary, and tertiary sectors) like shown in Table 5, and tertiary sector assumed represent tourism sector, there has been a change in the Bali economic structure, from the primary sector (agricultural and Quarrying) to the tertiary sector (services of tourism) without through industrialization process, because Bali hasn't the natural resources to process to be industry activity.

This is evidenced by the decline in the contribution of primary sector from 18.38% in 2010 to be 15.89% in 2014, and secondary sector from 16.34% in 2010 to be 15.72% in 2014. On the other hand the role of tertiary sector assumed represent the services of tourism sector tend increase from 65.28% in 2010 to be 68.28% in 2014 to the Bali's GDP (Gross Regional Domestic Product, GRDP). This is in line with the general patterns that the increase of the per capita income tends to hand in hand with the decrease of the role of primary sectors. The economic structure tends to shift from primary to tertiary sector without going through the development of the secondary sector. But According Suryawardani et al. (2016), Bali's economy driven by tourism has leakage. This means that Bali's GRDP dominated is sourced from tourism flowing outside Bali to import various needs of tourism products and equipment. Meanwhile according Suryawan Wiranatha et al. (2017), Bali tourism leakage impact on the growth of economic sectors, employment and income distribution in Bali, Indonesia.

**Table 5. The Formation of Bali's GDP by Sectors, at Current Prices, 2010–2014**

No	Sectors	Share to Bali's GDP at Current Market Price (%)				
		2010	2011	2012	2012	2014
I	Primary Sector	18.38	17.48	17.01	16.53	15.89
1	Agriculture	17.17	16.23	15.7	15.22	14.64
2	Quarrying	1.21	1.25	1.31	1.31	1.25
II	Secondary Sector	16.34	16.1	17.08	16.64	15.72
3	Manufacturing	7.00	6.69	6.53	6.44	6.38
4	Electricity & Water Supply	0.46	0.43	0.41	0.33	0.32
5	Construction	8.88	8.98	10.14	9.87	9.02
III	Tertiary Sector	65.28	66.42	65.57	67.26	68.28
6	Trade, Hotel and Restaurant	27.82	28.25	28.23	29.84	31.35
7	Transportation and Communication	13.67	13.88	13.82	14.28	14.22
8	Banking and Other Financial Intermediaries	9.91	9.65	9.86	9.74	9.48
9	Services	13.88	14.64	13.66	13.40	13.23
	Total	100.00	100.00	100.00	100.00	100.00

Source: Website of Central Bureau of Bali Statistic (2016) (processed).

### Role of Tourism in Create of Job Opportunity

The role of tourism sector not only can be seen from its contribution to the Bali's GDP, but also can be seen from its ability create the job or absorb the labor force. Based on the data is published by Statistic Central Bureau of Bali Province in some years, the tourism sector represented by 'Trade, Hotel and Restaurant' able to create the employment opportunity or absorb the labor force as many 571,274 people in 2010 increase to be as many 628,585 people in 2014. However, if the tourism sector represented by tertiary sector, can be create the job opportunity as many 1,046,530 people in 2010 increase to be 1,178,201 people in 2014 (Table 6)(Website of Central Bureau of Statistics of Bali Province, 2016). If on the one hand the tertiary sector tend to increase in create the job opportunity and the secondary sector increased slightly, on the other hand primary sector (represent agriculture and quarrying) tend to decrease in absorb the labor force. This fact linked with previous facts, namely decrease contribution of primary sector (agriculture and quarrying) to the Bali's GDP is followed by decrease of absorb the labor force of this sector. Meanwhile increase contribution the tertiary sector (represent the services of tourism) to the Bali's GDP is followed by increase of this sector in absorb the labor force. So, can be said that the tourism sector (represented by hotel, trade, and restaurant or tertiary sector) is important role in Bali economy which is dominated by the activity of tourism services. Bali tourism has indeed proven to absorb many Bali local laborforce. However, according to Darma Oka et al. (2015) many Balinese women laborforce choose to work outside Bali that is on a cruise ship.



**Table 6. Labor force According to the Sectors of Bali Economic, Indonesia, 2010-2014 (People)**

No	Sectors	Labor force Absorption per Year				
		2010	2011	2012	2013	2014 <sup>a)</sup>
I	Primary Sector	679,246	569,250	580,322	554,893	554,893
1	Agriculture	672,204	556,615	572,685	545,827	545,827
2	Quarrying	7,042	12,635	7,637	9,066	9,066
II	Secondary Sector	451,582	482,696	503,336	540,803	540,803
3	Manufacturing	303,589	290,132	311,225	320,555	320,555
4	Electricity & Water Supply	3,952	6,859	6,347	9,155	9,155
5	Construction	144,041	185,705	185,764	211,093	211,093
III	Tertiary Sector	1,046,530	1,152,928	1,185,050	1,178,201	1,178,201
6	Trade, Hotel and Restaurant	571,274	596,527	625,302	628,585	628,585
7	Transportation and Communication	95,202	81,744	85,711	72,764	72,764
8	Banking and Other Financial Intermediaries	58,832	83,281	83,876	93,368	93,368
9	Services	321,222	391,376	390,161	383,484	383,484
	Total	2,177,358	2,204,874	2,268,708	2,273,897	2,273,897

Source: Website of Bali Statistic Central Bureau (2016)(be processed).

Note: Bali Statistic Central Bureau assume that the temporary data 2014 same with the data 2013

### Multiplier of Job Opportunity from Tourism Satellite Account

Based on Bali Tourism Satellite Account (TSA) 2007 (Department of Culture and Tourism, 2007), can be calculated the multiplier index of tourists expenditure on job opportunity in tourism is 0.0000002775 and in the economy of Bali 0.0000006756. Meaning, every IDR 1,000,000,000,000 (IDR 1 trillion) of tourists' expenditure will create 27,750 job opportunity in tourism, and 67,566 in the economy of Bali as a whole. Obviously, tourism has become the engine of employment opportunity in Bali. The increase in tourist number visiting the island will increase tourist's expenditure, and hence will increase employment opportunity, not only in tourism, but also in various economic activities, as tourism has strong linkages with other sectors.

Based on data of total tourist arrivals to Bali as many as 4,001,835 in 2015 (Website of Central Bureau of Statistics of Bali Province, 2016: Website of Bali Tourism Office, 2016), and information spent of foreign tourist in Bali in 2015 an average of IDR 1.76 million per person per day and length of stay 8.19 days (Kompas.Com, 2016), so that the total expenditure of foreign tourists in Bali during 2015 amounted to IDR 57,684,050,424,000. Using 'the multiplier index of tourists' expenditure in tourism sector is 0.0000002775 and in the economy of Bali 0.0000006756, so this expenditure creates in tourism sector are 1,600,732 job opportunity (direct, indirect, and induced effect of tourism) and in the overall Bali's economy are 3,897,134 job opportunity (direct, indirect, and induced effect of tourism). Clearly that in the case of Bali, tourism has been creation engine of job opportunity significantly. Acher and Flecher (1996) state that Increasing of tourists visiting that followed by increasing of tourist expenditure, so to increase demand of economy outputs, direct, indirect as well as induced, and finally to increase creation of job employment. Antara (1999) state that direct, indirect, and induced effect of Bali tourism not only in Bali economy alone, but also out of Bali economy, like East and West Nusa Tenggara economy, East Java economy, and other province economy in Indonesia.

### Conclusions and Recommendations

#### Conclusions

1. Contribution of Bali tourism to the National Tourism is such important, because 36% of total foreign tourists visiting Indonesia in 2015 come directly to Bali. This shows that the Bali tourism destinations are potential major source of foreign exchange of Indonesia government. Hence, the Indonesian government is currently very hope that tourism becomes source of foreign exchange complementary foreign exchange from exports of agricultural commodities and oil and gas.
2. So far, there isn't tourism sector term in the sectors of Gross Domestic Product (GDP). If the tourism is represented by the trade, hotels and restaurants sector, the tourism contribution to the economy of Bali (Gross Domestic Regional Product, GRDP) amounted to 27.82% in 2010 increased to be 31.35% in 2014.

However, if tourism represented by the tertiary sector (services sector), contribution of tourism to the economy of Bali (Bali GRDP) amounted to 65.28% in 2010 increased to be 68.28% in 2014. This mean, tourism role in formation of Bali's GDP or tourism role as prime mover of Bali economy.

3. Many economic activities in Bali (even out of Bali) related directly, indirectly and induced to tourism services, so that economic activity is widely absorbing labor force. If tourism is represented by trade, hotels and restaurants sector, the number of labor who work in tourism as many as 571,274 people (26.24%) in 2010, and increased to be 628,585 people (27.64%) in 2014. If tourism is represented by the tertiary sector (services sector), then the number labor who work in the tourism as many as 1,046,530 people (48.96%) in 2010, and increased to be 1,178,201 people (51.81%) in 2014. This means that the tourism in Bali role in absorbs the labor force or creates the job opportunity.

### Recommendations

Based on the results of the study can be recommended that the development of tourism in Bali should be maintained and even improved because of their role as a driver engine of the economy of Bali. But its development must be harmonized with the development of other sectors such as agriculture and small industry/handicraft, because these three sectors are interrelated to one another. Agriculture with its aspects of the culture and customs is the capital of Bali tourism development, while tourism is a blessing for the people living in Bali.

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