The Effect of Tourism Sector on Regional Financial Autonomy and Economic Growth in Regency / City of Bali Province

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ABSTRACT: Tourism as one of the sectors that plays a role in regional revenue which further affects the regional autonomy in terms of financial and is expected to accelerate the economic growth. The objectives which need to be achieved: 1) to analyze the influence of the period stay of the tourists, the number of hotels, and occupancy rates of hotel rooms on the regional financial autonomy in Bali, 2) to analyze the influence of the period stay of the tourists, the number of hotels, occupancy rates of hotel rooms, and regional financial autonomy on the economic growth in regencies / cities in the Province of Bali, 3) to determine the indirect effect of the period stay of the tourists, the number of hotels, and occupancy rates of hotel rooms on economic growth through financial autonomy of regencies / cities in the Province of Bali. This study uses secondary data with 81 observations in districts / cities in Bali Province in 2010-2018. The analysis technique used is path analysis. The results show that 1) the number of hotels and occupancy rates of hotel rooms had a significant positive effect on regional financial autonomy while the period stay of the tourists has no positive and not significant effect on regional financial autonomy, 2) the period stay of the tourists had a significant positive effect on economic growth, while the number of hotels and occupancy rates of hotel rooms has no positive and not significant effect on economic growth, and 3) regional financial autonomy mediates the relationship of the number of hotels and occupancy rates of hotel rooms to economic growth, but regional financial autonomy does not mediate the relationship of the period of the tourists’ stay to economic growth in districts / cities in Bali Province.

KEYWORDS: The period stay of the tourists, the number of hotels, occupancy rates of hotel rooms, regional financial autonomy, and economic growth.

I. INTRODUCTION

Regional governments at the provincial and district and city levels are entering a new era with the issuance of Constitution Number 22 of 1999 and Constitution Number 25 of 1999 concerning Fiscal Balance between Central and Regional Governments which is renewed by Constitution No. 32 of 2004 concerning Regional Autonomy. In principle the law regulates the administration of government that prioritizes decentralization and regional autonomy. The importance of the implementation of regional autonomy is proven by Bohte and Meier (2000) who do a comparison of the economic growth in centralized government with decentralized government. Apparently, both of these researchers found that economic growth that is higher and faster ensues in a decentralized government. This is supported by the theory of fiscal federalism developed by Hayek (1945) and Musgrave (1959) in Khusaini (2006) and Oates (1972) which emphasizes that national economic growth can be achieved through accelerating the economic growth of federal states or autonomous regions. Moreover, Mardiasmo (2002: 122) states that giving greater autonomy will have a greater impact on economic growth. However, the reality is local governments in general have not been able to carry out their functions and roles efficiently, especially in the management of regional finances (Abdul Halim and Theresia, 2007: 23). The implementation of regional autonomy which is reflected in the level of financial independence in some regions is still surprisingly on a very low scale (Fajri, 2016).

Table 1. shows that most of the levels of regional financial autonomy in the regencies / cities in the Province of Bali as measured using the ratio of independence are still low. This shows that the regional government is not yet financially independent and still needs help from external parties. In this case, efforts are needed to increase local own-source revenue to influence the regional self-sufficiency ratio.
Table 1. Level of Financial Independence of Regency / City in Bali Province in 2014 - 2018

<table>
<thead>
<tr>
<th>District</th>
<th>Regency / City Regional Financial Independence Level (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Jembrana</td>
<td>10.85</td>
</tr>
<tr>
<td>Tabanan</td>
<td>20.00</td>
</tr>
<tr>
<td>Badung</td>
<td>78.69</td>
</tr>
<tr>
<td>Gianyar</td>
<td>30.30</td>
</tr>
<tr>
<td>Klungkung</td>
<td>11.95</td>
</tr>
<tr>
<td>Bangli</td>
<td>9.59</td>
</tr>
<tr>
<td>Karangasem</td>
<td>19.18</td>
</tr>
<tr>
<td>Denpasar</td>
<td>40.44</td>
</tr>
</tbody>
</table>

Source: https://www.bps.go.id/, 2019 (data processed)

The tourism sector is a local potential which is a major milestone in the economy of the Province of Bali. According to Basyir (2014) tourism is seen as an activity that has multidimensional and is able to have a positive impact on the development of the country which has three core aspects, namely the economic aspect (retribution and tax), the social aspect (job creation), and the cultural aspect (introducing our culture to foreign tourists). With the rapid development of tourism, it will create a direct impact on the trade, hotel and restaurant sectors so that it can increase the region's original income and regional economic growth (Archer, 2000).

The success in the development of the tourism sector is inseparable from the role of tourism which is the main component by taking into account also the factors that influence it, such as the number of attractions offered, the number of tourist visits, hotel occupancy rates, per capita income, facilities and infrastructure, factors security, exchange rate, and investment in the industrial sector (Arlina, 2013). The successful utilization of the resources of an area which is the original regional income will greatly help support the successful implementation of regional autonomy such as financing for the education sector, health services, and the physical infrastructure of the city / district so that it stimulates economic growth (Saragih, 2003: 24).

The purpose of this study is (1) to analyze the effect of the period stay of tourists, the number of hotels, and hotel room occupancy rates on financial autonomy of regencies / cities in Bali Province, (2) to analyze the influence of period stay of tourists, the number of hotels, room occupancy rates hotel and regional financial autonomy to district / city economic growth in Bali Province, and (3) to determine the indirect effect of the period stay of the tourists, the number of hotels, and hotel room occupancy rates on economic growth through financial autonomy of districts / cities in Bali Province. The benefits of this research are expected to be a reference for research afterwards, can provide information and insights on the financial autonomy of regencies / cities in the Province of Bali, and can contribute thoughts to the government in making policies and providing solutions to the government.

II. LITERATURE REVIEW AND HYPOTHESIS OF RESEARCH

Theories of Economic Growth
Sadono Sukirno (2010: 48) states economic growth is defined as the development of activities in the economy that causes the goods and services produced in the community to increase and the prosperity of the community to increase. Economic growth measures the achievements of an economic development. Theories of economic growth that developed include (Sadono Sukirno, 2010: 243-270):

1) Classical Growth Theory
This theory was pioneered by Adam Smith, David Ricardo, Malthus, and John Stuart Mill. According to this theory economic growth is influenced by four factors, namely population, number of capital goods, land area and natural wealth and the technology used.

2) Neo-classical Growth Theory
The neo-classical growth theory was developed by Robert M. Solow (1970) and T.W. Swan (1956). The Solow-Swan model uses elements of population growth, capital accumulation, technological progress, and the amount of output that interacts with each other.

3) Schumpeter Theory
This theory emphasizes innovation by entrepreneurs and says that technological progress is largely determined by the spirit of business (entrepreneurship) in a society that is able to see opportunities and dare to take risks opening new businesses, or expanding existing businesses.
Economic Development Theory

According to Adam Smith in Suryana (2000: 55), economic development is a process of integration between population growth and technological progress. Increasing the population of a country must be balanced with technological advances in production to meet domestic demand. According to Sadono Sukirno (2002: 76), economic development is a process that causes the real per capita income of the population of a society to increase in the long run. Here there are two important aspects that are closely interrelated namely total income or better known as national income and population. Per capita income means total income divided by total population.

According to Schumpeter in Sadono Sukirno (2006: 251) economic development is not a harmonious and gradual process, but it is a spontaneous and uninterrupted process. Economic development is caused by changes, especially in the fields of industry and trade. Based on this understanding economic development occurs on an ongoing basis from time to time and always leads positively to improve things for the better than before. Industry and trade will realize all creativity in economic development with the use of industrial technology and with the existence of trade created economic competition.

Based on the theory and results of empirical studies, several hypotheses can be drawn as follows:

1) The period stay of tourists, number of hotels, and hotel room occupancy rates have a positive effect on the financial autonomy of regencies / cities in Bali Province.
2) The period stay of tourists, the number of hotels, hotel room occupancy rates, and regional financial autonomy have a positive effect on economic growth in regencies / cities in Bali Province.
3) The period stay of tourists, number of hotels, and occupancy rates of hotel rooms indirectly affect economic growth through financial independence of regency / city areas in Bali Province.

III. METHODOLOGY

This research is quantitative and associative in nature. The location of the study was conducted in districts / cities in the Province of Bali with consideration of having specific and unique economic characteristics, namely as a tourist destination. Secondary data sources in this study were obtained from BPS Bali Province, Bali Provincial Tourism Office. The amount of data in the study was 81 observations consisting of 8 districts 1 city within a period of 9 years namely from 2010 - 2018. The analytical technique used for problem solving in this study was to use quantitative analysis techniques with the help of the SPSS program. The analytical method that is used in this study is path analysis. Path analysis is an extension of multiple linear regression analysis, to estimate the causality of relationships between tiered variables based on theory (Suyana Utama, 2012: 159). Path analysis is used to determine the direct relationship of independent variables to the dependent variable and the indirect relationship through intervening variables.

IV. RESULTS AND DISCUSSION

The Effects of Period Stay of tourists, Number of Hotels, and Hotel Room Occupancy Rate on Regional Financial Autonomy

Structure 1 testing was conducted to see the effect of period stay of tourists, the number of hotels, and hotel room occupancy rates on financial autonomy of regencies / cities in Bali Province which was conducted with SPSS Version 21.0, then the regression results are presented in Table 1.

Table 1. Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.47</td>
<td>4.906</td>
<td>.302</td>
</tr>
<tr>
<td></td>
<td>Tourist Length of Stay</td>
<td>-5.930</td>
<td>3.783</td>
<td>-.216</td>
</tr>
<tr>
<td></td>
<td>Number of Hotels</td>
<td>.02</td>
<td>.004</td>
<td>.38</td>
</tr>
<tr>
<td></td>
<td>Hotel Room Occupancy Rate</td>
<td>.975</td>
<td>.198</td>
<td>.704</td>
</tr>
</tbody>
</table>

Based on Table 1, the period stay of tourists has a standardized coefficient beta value of -0.216 and a sig value of 0.121> 0.05 which indicates that the period stay of tourists does not have a positive and not
significant effect on the financial autonomy of the region. This means that each escalation of tourist stay by 1 day will not affect the financial autonomy of the region. The results of this study are equal with research conducted by Yoga Suastika and Mahaendra Yasa (2017), that the period stay of tourists has a negative and not significant effect on the original income of the region. This is caused by the suboptimal absorption of regional income sourced from hotels in the regencies / cities of the Province of Bali, thereby affecting the financial independence of the region. The presence of illegal villas that have sprung up has led to low hotel room occupancy rates and tourism leakage. The amount of number of illegal hotels and villas that have sprung up in regencies / cities in the Province of Bali has caused competition in the accommodation business to become more competitive, even though the number of available hotels is quite large. The low period stay of tourists is due to tourists staying at accommodation providers that are not yet registered in the regencies / cities of Bali Province.

The variable number of hotels has a standardized coefficient beta value of 0.381 and sig. 0.000 <0.05, which shows that the number of hotels has a positive and significant value on regional financial autonomy. This means that increasing the number of hotels by 1 unit will increase regional financial autonomy by 0.381 or 38.1 percent, assuming other variables are considered constant. The results of this study are similar with research from Rozikin (2016) which states that the variable number of hotels has a positive and significant effect on Local Revenue in districts / cities on the island of Lombok. The number of hotels that appear in the tourism area will give effect to the increase in local revenue through hotel and restaurant tax revenues. The determination of hotel tax is determined by the tax rate, which is 10% of total hotel revenue / income. Therefore, the existence of the hotel must be balanced with the number of hotel guests and the length of stay of tourists, the more the number of hotel guests and the longer the tourists stay, the hotel income will also increase as well as the taxes that must be paid.

Variable occupancy rate of hotel rooms has a standardized coefficient beta value of 0.708 and sig. 0.000 <0.05 which indicates that the hotel room occupancy rate has a positive and significant effect on regional financial autonomy. This means that every time there is an increase in hotel room occupancy rates by 1 percent, then the regional financial autonomy will increase by 0.708 or 70.8 percent, assuming other variables are considered constant. The results of this study are in line with research from Yoga Suastika and Mahaendra Yasa (2017) which states that hotel room occupancy rates have a positive and significant effect on local revenue. This is due to the maximum service provided by the hotel to the tourists who visit, and is supported by adequate quality and facilities that will increase the interest of tourists to stay at the hotel.

To find out the value of e1 which shows the variance number of regional financial autonomy variables (Y1) that are not explained by the variable period stay of tourists (X1), number of hotels (X2), and hotel room occupancy rate (X3), calculated using the formula:

\[ e_1 = \sqrt{1 - R^2} = \sqrt{1 - 0.653} = 0.589 \]

\[ Y_1 = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e_1 \]

\[ Y_1 = -0.216X_1 + 0.381X_2 + 0.708X_3 + 0.589 \]

Information:
- X1 = period stay of tourists
- X2 = number of hotels
- X3 = hotel room occupancy rate
- Y1 = financial autonomy
- Y2 = economic growth
- e1 = error

The standard error value of e1 obtained by 0.589 means that 58.9 percent of the total regional financial autonomy variable (Y1) is not explained by the variable period stay of tourists (X1), number of hotels (X2), and hotel room occupancy rate (X3).

The Effect of Period Stay of tourists, Number of Hotels, Hotel Room Occupancy, and Regional Financial Independence on Economic Growth

Structure 2 testing was conducted to see the effect of period stay of tourists, number of hotels, and hotel room occupancy rates, and regional financial autonomy on the economic growth of districts / cities in Bali Province which was carried out with SPSS Version 21.0, then the regression results are presented in Table 2.
Based on Table 2, the period stay of tourists has a standardized coefficient beta value of 0.416 and sig. of 0.048 <0.05 which indicates that the length of stay of tourists has a positive and significant effect on the economic growth. This means that for every 1 day increase in tourist stay, the economic growth will increase by 0.416 or 41.6 percent, assuming the other variables are considered constant. The results of this study are in line with research conducted by Rediteani and Djinar Setiawina (2018) which explains that the period stay of tourists has a direct and significant effect on the economic growth of the Province of Bali. The period stay of foreign tourists is one of the factors determining the size or size of income or foreign exchange received by a country that relies on foreign exchange from the tourism industry (Wijaya, 2011). According to Dayuh Rimbawan (2012), economic growth is closely related to production, which means that more goods and services produced will be followed by higher economic growth. The longer tourists are in the tourist destination, the higher consumption or more money will be spent to support tourism activities and result in increased production of goods and services.

The variable number of hotels has a standardized coefficient beta value of -0.216 and sig. 0.123> 0.05 which shows that the number of hotels has no positive and not significant effect on economic growth. This means an increase in the number of hotels by 1 unit will not have an effect on economic growth. This study is in line with the results of Udiyana Putra and Purbadharmaja (2019) research which states the number of hotels has a negative and significant effect on economic growth. The longer that the number of hotels and economic growth is due to an increase in the number of hotels not accompanied by an increase in the hotel room occupancy rate.

Variable occupancy rate of hotel rooms has a standardized coefficient beta value of -0.170 and sig. 0.488> 0.05 which indicates that hotel room occupancy rates have no positive and not significant effect on economic growth. This means that an increase in hotel room occupancy rates by 1 percent has no effect on economic growth. This study is in line with the results of Dima Sitara Dewi and Bendesa (2016) that hotel room occupancy rates have a negative and significant effect on the acceptance of the Gianyar Regency GRDP. This shows that every time the hotel room occupancy rate decreases, the GRDP revenue has increased, which is a reflection of GDP growth. The negative effect of the hotel room occupancy rate on the GRDP, could have been caused because the occupancy rate did not reflect the facts. Therefore, it is expected that hotel managers can firmly apply the rule where one room can only be occupied for a maximum of two people, except for visitors who stay with toddlers.

Regional financial autonomy variable has a standardized coefficient beta value of 0.440 and sig value 0.011 <0.05, which indicates that regional financial independence has a positive and significant effect on economic growth. This means an increase in regional financial autonomy by 1 percent will have an impact on increasing economic growth by 0.440 or 44.0 percent, assuming other variables are considered constant. This study is in accordance with the results of research by Nana Putri Ani and Dwirandra (2014) which states that the autonomy ratio has a positive and statistically significant effect on economic growth in the regencies / cities of Bali Province. This means that the higher the ratio of regional financial autonomy will further encourage economic growth.

To find out the value of $e^2$ which shows the variance number of economic growth variables ($Y_2$) which is not explained by the variable length of stay of tourists ($X_1$), number of hotels ($X_2$), hotel room occupancy rate ($X_3$), and regional financial autonomy ($Y_1$) then it is calculated using formula:

$$e^2 = \sqrt{1 - R^2} = \sqrt{1-0.248} = 0.867$$

$$Y_2 = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4Y_1 + e_2$$

$$Y_2 = 0.416X_1 - 0.216X_2 - 0.170X_3 + 0.440Y_1 + 0.867$$

Secondary data, 2019
Information :
X1 = period stay of tourists X2 = the number of hotels
X3 = hotel room occupancy rate Y1 = financial autonomy
Y2 = economic growth e2 = error

The standard error value of e2 obtained by 0.867 means that 86.7 percent of the variance of economic growth variables (Y2) is not explained by the variable length of stay of tourists (X1), number of hotels (X2), occupancy rates of hotel rooms (X3), and financial autonomy area (Y1).

To check the validity of the model, there are indicators for checking, namely the coefficient of determination of the total results as follows.

\[ R^2 = 1 - \frac{(Pe_1)^2}{(Pe_2)} \]
\[ = 1 - (0.589)^2(0.867)^2 \]
\[ = 0.74 \]

Information :
\( R^2 \): The coefficient of total determination \( e_1 \) \( e_2 \) : Standard estimated error value

Based on the calculation results, the total determination coefficient of 0.74 shows that the diversity of data that can be explained by the model is 74 percent, meaning that 74 percent of the variable period stay of tourists, the number of hotels, occupancy of hotel rooms, and regional financial autonomy can explain variations (ups and downs) economic growth variable, while the remaining 26 percent is explained by other variables not contained in the model.

The indirect effect of period stay of the tourists on economic growth through regional financial independence in districts / cities in Bali Province.

To examine the influence of regional financial autonomy as a variable mediating the relationship between the period stay of the tourists and regency / city economic growth in Bali Province, calculated using the following formula:

\[ S_{\beta_1\beta_7} = \sqrt{\beta_1^2s^2_{\beta_1} + \beta_7^2s^2_{\beta_7}} \]
\[ = \sqrt{(0.013)^2(3.783)^2 + (-5.930)^2(0.005)^2} \]
\[ = 0.057 \]

Information :
\( S_{\beta_1} \) = standard error of the regression coefficient of the variable X1 to Y1 \( S_{\beta_7} \) = standard error coefficient regression variable Y1 to Y2

To test the significance of the indirect effect, use the z value of the \( \beta_1\beta_7 \) coefficient with the following formula: 

\[ Z = \frac{\beta_1\beta_7}{S_{\beta_1}S_{\beta_7}} \]
\[ = -1.35 \]

Information :
\( \beta_1 \) = regression coefficient effect of variable X1 on Y1
\( \beta_7 \) = regression coefficient effect of the variable Y1 on Y2

Because z count is -1.35 < 1.96 then H1 is rejected and H0 is accepted, meaning that regional financial autonomy (Y1) is not a mediating variable of the influence of the period stay of the tourists (X1) on economic growth (Y2) in districts / cities of Bali Province, or in other words, the period stay of the tourists, tourists do not affect economic growth through regional financial autonomy.
The indirect effect of the number of hotels on economic growth through regional financial autonomy in districts / cities in Bali Province.

To examine the effect of regional financial autonomy as a variable mediating the relationship between the number of hotels and regency / city economic growth in Bali Province, which is calculated using the following formula:

\[ S_{\beta_2 \beta_7} = \sqrt{\beta_7^2 S_{\beta_2}^2 + \beta_2^2 S_{\beta_7}^2} \]

Information:
- \( S_{\beta_2} \) = standard error of the regression coefficient of the variable \( X_2 \) to \( Y_1 \)
- \( S_{\beta_7} \) = standard error coefficient regression variable \( Y_1 \) to \( Y_2 \)

To test the significance of the indirect effect, use the z value of the \( \beta_1 \beta_7 \) coefficient with the following formula:

\[ Z = \frac{(\beta_1 \beta_7) - \beta_1 \beta_7}{S_{\beta_1 \beta_7}} \]

Information:
- \( \beta_2 \) = regression coefficient effect of variable \( X_2 \) on \( Y_1 \)
- \( \beta_7 \) = regression coefficient effect of the variable \( Y_1 \) on \( Y_2 \)

Because \( z \) count is 2.307 > 1.96, \( H_0 \) is rejected and \( H_1 \) is accepted. This means that regional financial autonomy (\( Y_1 \)) as a mediating variable influences the number of hotels (\( X_2 \)) on economic growth (\( Y_2 \)) in Bali Province, or in other words the number of hotels affects economic growth through regional financial autonomy.

The direct effect of hotel room occupancy rates on economic growth through regional financial autonomy in districts / cities in Bali Province.

To examine the effect of regional financial autonomy as a variable mediating the relationship between hotel room occupancy rates and district / city economic growth in Bali Province, calculated using the following formula:

\[ S_{\beta_3 \beta_7} = \sqrt{\beta_7^2 S_{\beta_3}^2 + \beta_3^2 S_{\beta_7}^2} \]

Information:
- \( S_{\beta_3} \) = standard error of the regression coefficient of the variable \( X_3 \) to \( Y_1 \)
- \( S_{\beta_7} \) = standard error coefficient regression variable \( Y_1 \) to \( Y_2 \)

To test the significance of the indirect effect, use the z value of the \( \beta_1 \beta_7 \) coefficient with the following formula:

\[ Z = \frac{(\beta_1 \beta_7) - \beta_1 \beta_7}{S_{\beta_1 \beta_7}} \]

Information:
- \( \beta_3 \) = regression coefficient effect of variable \( X_3 \) on \( Y_1 \)
- \( \beta_7 \) = regression coefficient effect of the variable \( Y_1 \) on \( Y_2 \)

Because \( z \) count is 2.301 > 1.96, \( H_0 \) is rejected and \( H_1 \) is accepted. This means that regional financial autonomy (\( Y_1 \)) as a mediating variable influences the occupancy rate of hotel rooms (\( X_3 \)) on economic growth (\( Y_2 \)) in regencies / cities in Bali Province, or in other words hotel room occupancy rates affect economic growth through regional financial autonomy.
V. CONCLUSION

The conclusions in this study are: 1) the period stay of the tourist tourists has a negative and not significant effect on regional financial autonomy, while the number of hotels and hotel room occupancy has a positive and significant effect on regional financial autonomy in the regency / city of Bali, 2) the period stay of the tourists and the financial autonomy of the region has a positive and significant effect on economic growth, while the number of hotels, and hotel room occupancy rates have a negative and not significant effect on economic growth in the regencies / cities of Bali Province, and 3) regional financial autonomy in the period stay of the tourists does not mediate the period stay of the tourists to the economic growth, but regional financial autonomy mediates the relationship of the number of hotels and hotel room occupancy rates to economic growth in the regencies / cities of Bali Province.

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