

The Relationship of Government Support in the Tourism Sector to the Level of Economic Inclusivity in the Regions

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Abstract

Economic development that creates broad access and opportunities for all segments of society, fosters equitable prosperity, and reduces disparities between groups and regions has been a global challenge up to today. The lack of an inclusive economy leads to higher inequality in regions, specifically for underprivileged communities in underdeveloped regions. In line with this, the government has encouraged the development of new tourism to boost economic growth aiming to reduce regional development disparities. However, empirical studies that prove the relationship between tourism and economic inclusiveness still need to be completed due to limited data in measuring economic inclusiveness. Using the Inclusive Development Index with panel data regression from 514 districts in Indonesia from 2016 to 2019, it is expected that this study will contribute to the literature, primarily related to inclusive tourism development. This study detected that government spending has a significant but adverse relationship with the level of economic inclusivity in the regions.

Keywords: Inclusive Economy; Government Support; Tourism; Panel Data Regression.

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1. Introduction

A massive development does not guarantee equity. On a global scale, there have been decreases in poverty and inequality between nations, but disparities within individual countries tend to rise (Summers & Balls, 2015). One of the reasons for this rising inequality is that several countries are focusing on growth (Jian & Warner, 1996; Chen & Haynes, 2017), which subsequently affects social stability and hampers the economy (Anand & Kanbur, 1993; Bourguignon & Morrisson, 1998). This underlies the global commitment among countries to achieve inclusive economic development as part of the pillars of the Sustainable Development Goals/SDGs (Bakker & Messerli, 2017). One country with a high level of economic inequality that is committed to achieving the SDGs is Indonesia.

Inequality in Indonesia exists among islands, as well as among provinces and between rural and urban areas within a region. Based on data from the Central Statistics Agency (BPS), from 2014 to 2018, there was inequality among islands in terms of Regional Gross Domestic Product (PDRB), with high PDRB dominated by provinces in Java Island (58%) and Sumatra (22%) (Figure 1). The western region of Indonesia contributed about 80-81% of economic growth, while only about 19-20% came from the eastern region of Indonesia. In addition, the inequality among provinces within the island region varies, with the highest being in Java-Bali and Kalimantan and the highest inequality between rural and urban areas being in Java-Bali, Nusa Tenggara, and Sulawesi (Bappenas, 2020). This inequality indicates the existence of marginalized groups with limited access to economic opportunities.

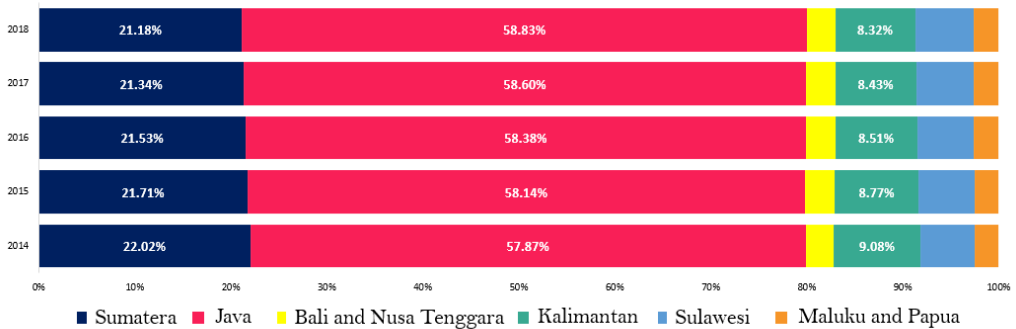


Figure 1. Distribution of GDP in Indonesia 2014–2018

Source: Central Statistics Agency (BPS), 2022 (processed)

In responding to the regional inequality challenges in Indonesia, various policies are continually being implemented to achieve inclusive development. One of the leading sectors aimed at boosting the economy in regions is the tourism sector (Presidential Staff Office, 2018). Tourism is designated as a priority sector under the National Tourism Development Master Plan 2010–2025 and is elaborated in the National Medium-Term Plan (RPJMN) and the Annual Government Work Plan (RKP). The government has begun opening new tourism growth centers by designating National Priority Destinations (DPN) and tourist villages (*desa wisata*) scattered across 214 districts in Indonesia. The development of these new tourism areas is expected to stimulate the economy in regions, including those outside of Java Island, which are relatively less developed compared to Java Island. Nevertheless, it is necessary to examine the objective of promoting equitable development through tourism concerning its role in fostering a balance between growth and equity.

Studies comparing tourism and economic inclusivity are still limited. Based on various empirical studies related to tourism and the economy in regions, most of them have focused on examining the relationship between tourism and economic growth. Tourism research typically explores the relationship between the number of tourist arrivals and economic growth, as seen in studies by Brida & Pulina (2010), Yang & Wong (2012), Marrocu & Paci (2013), Vieira (2017), and Romao & Nijkamp (2018). The theoretical framework for exploring the relationship between tourism and economic inclusivity has not yet been fully developed. In general, the correlation between tourism and regional equality is generally based on the Kuznets curve theory. This theory is supported by research conducted by Alam & Paramati (2016), which found that tourism impacts inequality during the early stages of a country's development. Other studies by Wattanakuljarus & Coxhead (2008) in Thailand and Uzar & Eyuboglu (2019) in Turkey also support this hypothesis, showing that tourism positively impacts inequality. Other studies conducted by Lee (2011) have revealed that income inequality between states in the United States tends to be higher in states that rely heavily on tourism services compared to those that support the Kuznets Curve theory. However, there are empirical studies that are not consistent with the Kuznets curve hypothesis. Mahadevan & Suardi (2019) and Lv (2019) found that there is a negative correlation between tourism and regional inequality. Other findings from Anwar (2012), Gatti (2013), and Li et al. (2016) also indicate that tourism can improve the economy of the poor or reduce inequality.

The differences in the positive and negative impacts of tourism on inequality or its influence on economic inclusivity indicate a diverse pattern of tourism impact among regions. Within the country, Incera et al. (2015), in their study of developed regions in Spain, identified differences in which high-income households showed a greater dependence on tourism compared to low-income households. Meanwhile, a study by Tang & Tan (2018) states that the economic effects of tourism can vary among countries, depending on their income levels and institutional quality. Chi (2019) also discovered differences in the impact of inequality between developed and developing countries. Chi found that tourism in developing countries has a significant impact on inequality.

Considering these findings, it is necessary to examine the impact of tourism and its relationship with economic inclusivity further within a country. Previous studies generally compared tourism and inequality between countries, but more comparisons between regions within a country are needed. Previous studies that compared regions within a country by Wen & Sinha (2009), Haddad et al. (2013) Incera et al (2015), and Li et al. (2016) were generally conducted at the provincial level. The novelty of this research is sampling at the district/city level and focusing on the influence of government support. Emphasizing the impact of government support is important because tourism is an industry based on natural and social resources, requiring substantial government support (Dans & Gonzalez, 2019). Additionally, Indonesia was chosen considering its characteristics as an archipelagic nation, reflecting the diversity of social and economic characteristics among regions.

The research indicates that the role of the government in encouraging the development of new tourism has a significant relationship to economic inclusiveness in the region. Through panel data regression methods from 514 districts/cities in Indonesia from 2016-2019, found that government support had a significant but adverse relationship with the level of economic inclusion in the regions, which is in line with the Kuznets curve theory, as also proven in research by Lee (2011), Alam & Paramati (2016), Nuryanto (2017), Uzar &

Eyuboglu (2019) and Chi (2021). This research also provides new findings regarding the influence of tourism, which is different between developing areas (KSPN) and new areas (non-KSPN).

2. Data and Method

2.1. Data

Theory and empirical studies are the basis for determining research data. The unit of analysis used is at the district level (Kabupaten/Kota) from 2016 to 2019. The number of districts in Indonesia is 514 districts, resulting in 2,056 observations over four years. This study utilizes data from several agencies, including the Central Statistics Agency (BPS), the Ministry of National Development Planning (Bappenas), the Ministry of Tourism, and the Ministry of Finance.

First, data from the Inclusive Economic Development Index (IPEI) under Bappenas and available from 2011-2020 at a district level. This variable is used as a proxy to measure the Inclusive Economy in Indonesia. The higher the level of inclusiveness, the more equitable economic development in a region. This is a novelty because this data has not been used in previous studies. Empirical studies that examine the relationship between inclusive economic development and tourism are limited to descriptive analysis or to use quantitative data with inequality between regions as a variable.

Second, special allocation funds for tourism (DAK Pariwisata), as a proxy for government spending for regional tourism development, were obtained from the Ministry of Finance. Nationally, the tourism sector has been proven to drive economic growth, but its impact on achieving inclusive economic development has not yet been demonstrated. The development of new tourism centers based on natural and social resources requires substantial government support, one of which is through DAK Pariwisata. The distribution of DAK Pariwisata has been carried out since 2016, and its effectiveness in influencing inclusive economic development in the regions needs to be assessed. The use of data is in line with research by Nuryanto (2017) and Jodilistyo (2019) in Indonesia cases, which uses government expenditure allocations in the tourism sector as a variable that reflects the contribution to tourism development which is linked to regional economic equality. Apart from that, research by Nguyen et al. (2020) also used variable government support for the tourism sector concerning the government's role in tourism development.

The following data comes from BPS as control variables, including population variable, Gross Regional Domestic Product (GRDP) variable, and education variable. The perspective of classical economic theory (John Stuart Mill, David Ricardo, Thomas Robert Malthus, and Adam Smith) suggests that population size is one of the driving factors of economic growth, which will subsequently lead to an increase in economic inclusivity in the region. This is also in line with research by Ali & Son (2007), which states that inclusive growth depends on the average opportunities available to the population and the distribution of opportunities within the population. GRDP, when used as an income level variable, has an impact on equality, including in tourism studies, as in previous studies by Alam & Paramati (2016), Nuryanto (2017), and Chi (2021). The education variable, which is proxy by average years of schooling, is also important as the most crucial element in empowering people with skills and knowledge and giving them access to productive work (Artiles & Dyson, 2005).

2.2. Method

This study uses panel data for analysis. Gujarati & Porter (2009) stated that panel data regression refers to data on the same cross-sectional unit over several periods. Panel data analysis makes it possible to study more complex behavioral models due to repeated cross-sectional observations. The use of panel data can also control variables that do not change over time. In this study, a fixed-effect model was chosen based on the Breusch and Pagan Lagrangian multiplier test and the Hausman test. The fixed-effect model is intended to accommodate variables that are not captured in the model (unobserved heterogeneity). This is important because several variables influence the level of economic inclusivity in the region that cannot be explained by control variables in the study, such as area size, religious diversity level in a district/city, cultural and racial composition of a district/city, and geographical conditions. This method is consistent with the research conducted by Wen Li et al. (2016) on tourism and regional income inequality by taking 30 provinces in China, and Nuryanto (2017) on the impact of government spending on the tourism sector and inequality in 9 provinces in Bali that apply fixed effects to accommodate diversity between provinces and districts/cities. If this problem is not addressed, the resulting estimation will potentially have an omitted variable bias due to ignored variables as determinants of the level of economic inclusivity.

The panel data model to answer research questions in analyzing government support for the tourism sector on the level of economic inclusiveness is expressed in equation (1) as follows:

$$IPEI_{it} = \alpha_0 + \alpha_1 GovP_{it} + \alpha_2 pop_{it} + \alpha_3 GRDP_{it} + \alpha_4 Edu_{it} + \varepsilon_i \quad (1)$$

To overcome the large gap between the variables in the research, the model equation was then transformed into a natural logarithmic form, except for the government expenditure (GovP) variable. The purpose of this logarithmic transformation is also to change the data to be normally distributed. It is recommended that the data be converted into logarithmic form through normality testing. Apart from that, this logarithmic form also aims to make the estimated coefficients directly interpreted as elasticities so that the equation becomes:

$$\ln IPEI_{it} = \beta_0 + \beta_1 \ln GovP_{it} + \beta_2 \ln pop_{it} + \beta_3 \ln GRDP_{it} + \beta_4 \ln Edu_{it} + \varepsilon_i \quad (2)$$

In the equation, the $\ln IPEI$ notation is the level of inclusiveness in the area specified as the dependent variable. Meanwhile, the independent variables are tourism support (GovP), population level (pop), income level (GRDP), and education level (Edu).

This regression analysis aims to determine partially or simultaneously the influence of independent variables on the dependent variable and to determine the proportion of independent variables in explaining changes in the dependent variable. These tests include the t-test (Partial Significance), F-Test (Overall Significance Test), and Coefficient of Determination Test (R^2).

2.3. Hypothesis

Previous studies comparing the relationship between tourism and inequality within regions of a country include those conducted by Wen & Sinha (2009), Haddad et al. (2013), and Li et al. (2016). These studies collectively suggest that tourism influences reducing inequality between regions. On the other hand, the Kuznets curve theory suggests that there is potential for increased inequality at the onset of tourism development. The Kuznets curve hypothesis shows that the tourism industry can increase income inequality in the early stages of the development of a region. However, it will reduce income inequality significantly after reaching a particular stage of development. This is aligned with research conducted by Lee (2011), Alam & Paramati (2016), Uzar & Eyuboglu (2019), and Chi (2021).

Considering the condition of Indonesia, which is in the early stages of tourism development with a diversity of social and economic conditions, the hypothesis in this research considers the Kuznets curve hypothesis. The research model (equation 2) suggests that government support for tourism development through the allocation of the national budget (DAK Pariwisata) to support tourism attractions and amenities has an adverse relationship with the level of economic inclusivity in the regions.

3. Results, Analysis, and Discussions

3.1. Descriptive Statistics

Table 1 summarizes the number of observations, average value, standard deviation, and highest and lowest values of each research variable. It shows that there are five research variables, consisting of the level of inclusive economic development (IPEI), government support for the tourism sector with the DAK Pariwisata proxy (GovP), and education level (Edu), population rate (Pop), and income level (GRDP). Total observations are as many as 2,056, consisting of 514 districts spread across 34 provinces from 2016 to 2019.

Table 1. Summary Statistics

Variable	(1) N	(2) mean	(3) Sd	(4) Min	(5) max
Inclusive Economy (IPEI) (Indeks 0-10)	2.056	6,30	0,45	4,08	7,63
Government Support for the Tourism Sector	2.056	0,32	0,46	0	1
Education Level: average years of schooling (year)	2.056	8,04	1,66	0,7	12,64
Population Rate (number)	2.056	514.069	635.441	13.400	5.965.006
Income Level (billion rupiah)	2.056	20.080,98	3.792,67	117	452.519

Source: author's data processing

Regarding inclusive economy as a dependent variable, the average output is higher than 5 points of 10 points. However, this value has disparities, as evidenced by the smaller standard deviation (SD) compared to the average. This indicates varying variations between districts/cities. Clearly, the visualization of the economic inclusivity level in the region is shown in Figure 2.

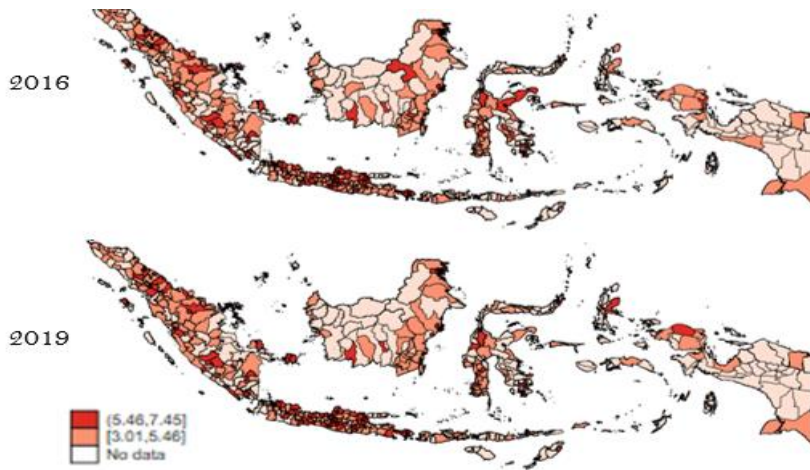


Figure 2. Comparison of Regional Economic Inclusiveness Levels in 2016 and 2019

Source: author's data processing

Figure 2 shows the distribution of the level of economic inclusiveness in Indonesia between 2016 and 2019. Based on the map, it is evident that Java Island falls into the category of islands with a high level of economic inclusivity, followed by Sumatra, Sulawesi, Kalimantan, and Bali. In contrast, Nusa Tenggara, Maluku, and Papua appear relatively lower compared to other islands. Distribution trends of inclusivity level data by island and trends over time can be observed in Figure 3.

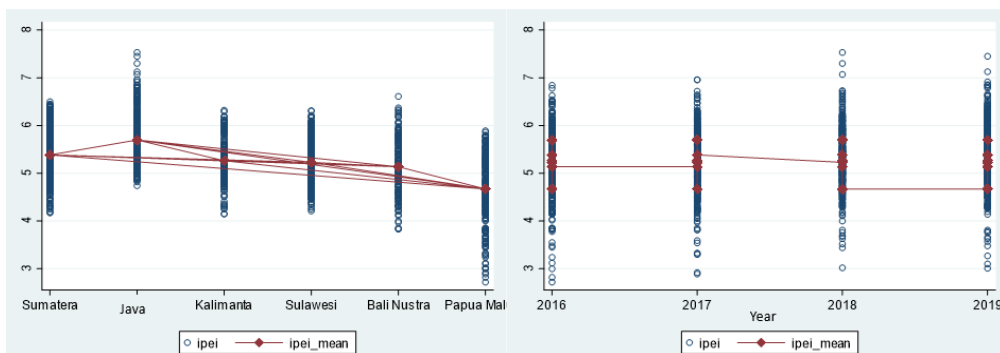


Figure 3. Trends in the Distribution of Levels of Economic Inclusiveness in Regions

Source: author's data processing

The distribution trends of economic inclusivity levels above are analyzed based on major islands in Indonesia from 2016 to 2019. It can be observed that Java Island has the highest average economic inclusivity levels, while the islands with the lowest average inclusivity levels are Papua-Maluku. As for the annual trends, it is noticeable that the highest economic inclusivity level is in 2019, while the lowest is in 2016.

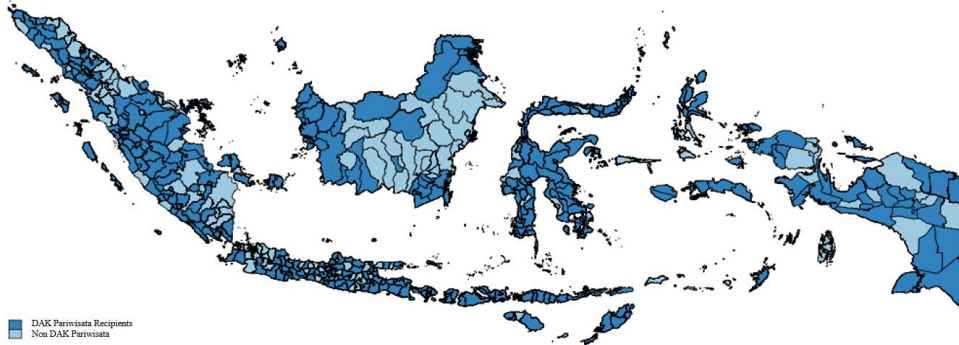


Figure 4. Map of Distribution of DAK Pariwisata Recipients 2016-2019

Source: author's data processing

The independent variable that is the focus of this research, which is government support for the tourism sector, is represented as a dummy variable. This representation is chosen due to the annual variation in DAK Pariwisata allocation. DAK Pariwisata was first established in 2016 and has been increasing each year since. On the map (figure 4), Sumatra, Java, Sumatra, and Bali-Nusa Tenggara have broader coverage of DAK recipients compared to Kalimantan and Papua. This aligns with the distribution of National Priority Regions (DPN) scattered in the Indonesian archipelago, consisting of Sumatra (11), Java (11), Bali and Nusa Tenggara (8), Sulawesi (5), while the other only 15 DPNs on Kalimantan, Maluku, and Papua. In terms of provincial coverage, only Jakarta does not receive DAK Pariwisata, as its fiscal capacity is already sufficient. The distribution of DAK Tourism is also prioritized in 10 KSPN (Figure 5) which spreads across 214 districts/cities in Indonesia (Figure 6).



Figure 4. Map of Major Tourism Distribution in Indonesia

Source: Bappenas, 2020

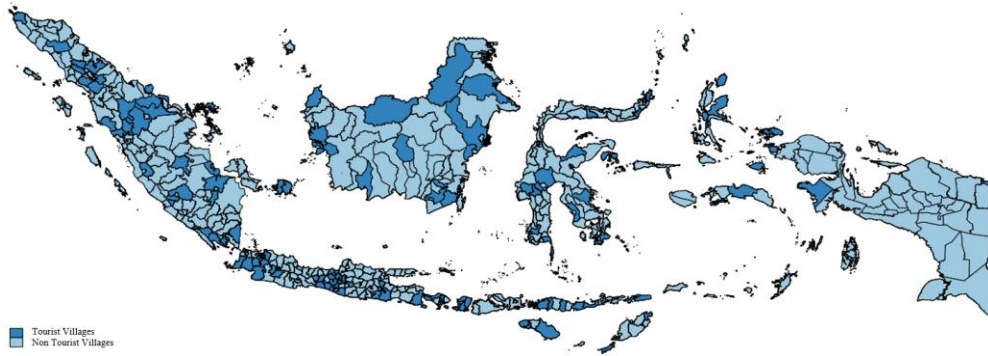


Figure 5. Map of the Distribution of Tourist Villages in Indonesia

Source: author's data processing

3.2. Statistical Testing

Based on the Lagrange Multiplier (LM) test and Hausman test, the fixed effect model (FEM) is the best estimation method in the regression model of economic inclusiveness associated with tourism. The model test results are as follows:

1) Chow Test

Based on the FEM estimation results, the results obtained are $\text{Prob} > \chi^2 = 0.000$, then H_0 is accepted, so the FEM model is better than the OLS model.

2) LM Test

Based on the LM Test estimation results, the results obtained are $\text{Prob} > \chi^2 = 0.000$, then H_0 is accepted, so the REM model is better than the OLS model.

3) Hausman Test

Furthermore, because the selected model has REM, a Hausman test is carried out, which compares the REM and FEM models. Based on the estimation results, the results obtained are $\text{Prob} > \chi^2 = 0.000$, then H_1 is accepted, so the best model chosen is the FEM model.

Table 2. Classic Assumption Test

Multicollinearity Test	Heteroscedasticity Test
Multicollinearity does not occur: average VIF 2.6 < 10 GovP VIF 1.02 Income rate VIF 4.3 Population VIF 3.8 Education VIF 1.28	Heteroscedasticity: $(\text{Prob} > \chi^2) < \alpha$ yaitu 0,000

Source: author's data processing

From the results above, the most suitable method for analysis in this research is fixed effects. In addition, the results of the classical assumption test showed a heteroskedasticity problem (table 2), which was subsequently addressed by transforming the research data into logarithmic form and using robust standard errors in the research equation using Stata.

Table 3. Relation of Government Support in the Tourism Sector to the Level of Economic Inclusivity in the Regions 2016-2019

Variable	Equation Model		
	Indonesia	KSPN Area ¹	Non-KSPN Area
IPEI			
Govp	-0.002** [0.001]	- 0.005** [0.002]	- 0.001 [0.002]
IPopulation	0.036 [0.025]	0.105** [0.048]	0.018 [0.023]
IEducation	0.217*** [0.066]	0.168** [0.074]	0.242** [0.094]
IIncome/GRDP	0.184*** [0.031]	0.198*** [0.028]	0.170*** [0.045]
_cons	- 0.897*** [0.248]	-1.755*** [0.503]	-0.612** [0.271]
N	2,056	856	1,200
r ²	0.38	0.50	0.34
Dummy district/city	Yes	Yes	Yes
<i>Dummy</i> Year	No	No	No

Standard errors in brackets

* p<0.10 ** p<0.05 *** p<0.01

Source: author's data processing

¹ KSPN Areas located in the National Tourism Strategic Area which consists of 214 districts spread across North Sulawesi, Bangka Belitung, Central Java, Yogyakarta, East Java, Bali, NTT, NTB, Southeast Sulawesi, North Maluku, West Papua

3.3. Fixed Effect Model Analysis

The relationship between government support for the tourism sector using the DAK Pariwisata as a proxy and the level of economic inclusiveness in the region was analyzed using a fixed effect model. The estimation results are shown in Table 3.

Simultaneously (F test) shows $\text{Prob} > F = 0.0000$ in each research model, which indicates that each equation model can provide a relationship between the independent variables (government support, population, education, GRDP) and dependent variables (level of economic inclusivity/IPEI).

The estimation results, on a national scale, show that education and income variables have an effect with a significance level of 1 percent; government support variable an effect with a significance level of 5 percent; and there is no relationship between population variable and IPEI. In KSPN areas, the income variable shows an effect with a significance level of 1 percent; and government support for the tourism sector, population, and education variables shows a significant effect with a level of 5 percent. In non-KSPN areas, the income variable showed an effect at a significance level of 1 percent; the education variable at a significance level of 5 percent; and government support and population variables did not have a significant effect.

Government support has a significant and adverse relationship with the level of economic inclusivity (IPEI), nationally and specifically in KSPN areas. This indicates that regions that receive government support will have a higher influence on reducing economic inclusiveness than regions that do not receive government support. For population variable has a positive relationship with an increase in the inclusive economy of 0.105 percent in areas that include KSPN area, while in non-KSPN areas does not have a significant effect. For education variable has a positive relationship to increasing inclusive economy by 0.217 percent nationally, in KSPN areas (0.168 percent), and in non-KSPN areas (0.242 percent). For the income level variable, it has a positive relationship to increase IPEI of 0.184 percent nationally, in KSPN areas (0.198 percent) and non-KSPN areas (0.170 percent).

3.4. Discussion

Based on the results of the analysis in this study, it can be concluded that there is a significant but adverse relationship between government support for the tourism sector (GovP) and inclusive economy (IPEI), especially in KSPN areas (table 3). Government support, which should be able to stimulate investment in the tourism sector (Nguyen et al., 2020), in the case of Indonesia, has yet to have a positive relationship. This finding aligns with an empirical study in Indonesia by Jodilistyo (2019) at the provincial level from 2010-2017, which shows that government spending in the tourism sector has no significant effect on increasing tourism output. This was also confirmed by research conducted by Nuryanto (2017), which found that government spending in the tourism sector hurt income distribution inequality in 9 districts in Bali during 2006-2015.

Based on theoretical aspects, these findings are in line with research that adopts the Kuznets curve theory, which states that the tourism industry can increase income inequality in the early stages of a region's development, as proven in research by Marcouiller & Xia (2008), Wattanakuljarus & Coxhead (2008) Lee (2011), Incera et al. (2015), Alam & Paramati (2016), Nuryanto (2017), Uzar & Eyuboglu (2019) and (Chi, 2021). In the context of tourism in Indonesia, it is in the early stages of economic development because only in the last few years has the development of economic growth centers or new tourism destinations been

intensified. The existence of government support for the tourism sector as a form of investment in encouraging the creation of these tourist destinations has yet to be effective in encouraging the creation of the ability of local communities to be actively involved in tourism activities.

This research also shows the different influences of government support for KSPN areas² (figure 4) and non-KSPN areas. Based on the estimation results (table 3), tourism support for non-KSPN areas has no significant influence. In contrast, KSPN areas have a significant and negative influence on the inclusive economic level. Differences in the influence of tourism between these regions were also found in previous research from Lee (2011), Incera et al. (2015), Tang & Tan (2018), and Chi (2019). This is because the allocation of DAK Pariwisata is given more priority in KSPN areas, which means that in non-KSPN, it does not have a significant impact.



Figure 6. Tourism Priority Areas (KSPN)

Source: Bappenas, 2022 (processed)

Government support has a significant and adverse relationship with the level of economic inclusion in KSPN areas indicating that government support needs to be more effective in increasing the level of economic inclusivity, even for regions that have excelled in tourism, such as Bali, Yogyakarta, and North Sumatra. One of the influences that causes this is inequality (Lee, 2011) and institutional quality (Tang & Tan, 2018). This is in line with Indonesia, which has a pattern of inequality between regions, both between islands, between provinces, and between villages and cities on one island (Bappenas, 2020), which is influenced by the economic and institutional aspects. Based on data from 2015–2019, inequality between island regions is still very high; inequality between provinces within the island region varies, with the highest inequality on Java-Bali; and there is inequality between villages and cities within the island, where the highest is in Java-Bali, NTT, and Sulawesi (RPJMN, 2020). The KSPN Area, which has the largest tourism potential in the region across 11 provinces, is expected to contribute to increased economic growth (as shown in Figure 7). However, it has not yet proven sufficient to promote an inclusive economy. There

² There are 214 districts (Kabupaten/Kota) covering Bali, North Sumatra (KSPN Lake Toba), NTB (KSPN Lombok), NTT (KSPN Komodo), North Sulawesi (KSPN Likupang), Southeast Sulawesi (KSPN Wakatobi), Kep. Bangka Belitung (KSPN Bangka Belitung), West Papua (KSPN Raja Ampat), North Maluku (KSPN Morotai), East Java (KSPN Bromo), Central Java and DIY (KSPN Borobudur).

are community groups who are marginalized from the economic capabilities of their surroundings, as is in line with Nuryanto's (2017) research for the case of Bali. So even though there is government support to increase regional fiscal capacity in tourism, it has yet to be able to have a positive influence.

Furthermore, based on a study by the World Bank (2015), it is mentioned that inequality in Indonesia is influenced, among other things, by inequality of opportunities. In this case, there is a significant barrier to creating opportunities for the lower-middle-class population. In many cases, local communities that are poorer lack the skills, networks, or capital to engage in tourism activities (Scheyvens & Biddulph, 2015). This is supported by varying GRDP level data between districts (Kabupaten/Kota), indicating economic disparities between regions. Additionally, an ILO (2011) study shows that tourism performance in Indonesia is seasonal, leading to suboptimal labor absorption.

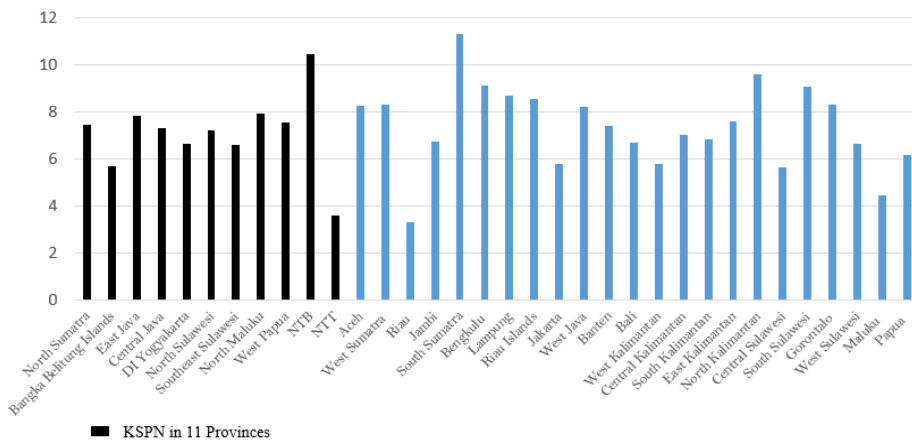


Figure 7. Average Growth Percentage of Tourism Sector GDP (YoY) in the Regions 2015-2019

Source: BPS, 2022 (processed)

The tourism sector, which is expected to drive inclusive economic growth in the future, needs to be directed towards transformative tourism development, where marginalized groups are involved in tourism activities, and benefits are distributed and experienced by all segments of society (Scheyvens & Biddulph, 2018). This is closely related to creating productive job opportunities and economic prospects by ensuring equal access for every segment of society (Bakker & Messerli, 2017). In promoting inclusive tourism, tourism must improve the qualifications for individuals from various segments to participate in tourism employment (Bakker, 2019). This is consistent with various studies that indicate that inclusive tourism is seen through its influence in promoting job creation (Mitchell & Faal, 2007; Snyman, 2012; and Twining-Ward, 2010), which will drive equity. Tourism in Indonesian regions is indicated to support growth but has not yet achieved distribution, thus not reflecting balanced inclusive growth between growth and distribution.

4. Conclusion and Recommendation

4.1. Conclusions

Statistically, this research found that government support has a significant and adverse relationship to the level of inclusive economy in the region. This research also contributes to the literature to prove the Kuznets hypothesis for Indonesia concerning the development of the tourism industry, which is in the early stages of development. Government support in developing tourism through the realization of APBN (DAK Pariwisata) to support new tourism destinations tends to reduce the level of economic inclusiveness in the regions. Government support should be able to stimulate investment in the tourism sector (Nguyen et al., 2020), but in the case of Indonesia, it has not had a positive relationship. These results align with empirical studies in Indonesia by Nuryanto (2017) at districts in Bali in 2006-2015 and Jodilisty (2019) at the provincial level in 2013-2017. This negative relationship between government spending and the level of economic inclusiveness is because government spending through the development of tourism destinations has not fully provided benefits to all segments of society. Government support as an investment in promoting the creation of tourist destinations has not been effective in fostering the capacity of the local community to actively participate in tourism activities.

Finally, some significant limitations to this study need to be considered. First, it is necessary to use DID and PSM methods to obtain a more accurate picture of the policy's impact. Second, it is necessary to add more comprehensive variables, such as regional government expenditure in the tourism sector. Additionally, primary data can be collected through surveys of business entities and relevant parties to obtain a more realistic view of tourism sector development. It is recommended that further research be undertaken in these limited areas for improvement.

4.2. Recommendation

Development can be inclusive only if all segments of society contribute to creating opportunities, share development benefits, and participate in decision-making (UNDP, 2016). Therefore, it is crucial to focus on developing human resources, which is in line with the findings in this study that show that the variable length of school time as an aspect of human resource development by education, has a significant and positive effect on improving the inclusive economy in the region. DAK Pariwisata, intended for development activities and improvements to tourist destinations, can be increased by providing non-physical assistance. Providing this assistance can be aimed primarily in areas with a low level of economic inclusion and potential for tourism development, where activities can take the form of developing local human resources through provision and training and business capital support. At the end, the local communities can be actively involved in tourism development; this aligns with research by Hampton et al. (2020), which found that the tourism sector requires human resources with a multi-skilled workforce, thus offering a distribution of worker opportunities for all community groups.

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