

# CHAPTER I

## INTRODUCTION

### A. RESEARCH BACKGROUND

Each country has multiple objectives, one of which aims to increase economic growth. The economic growth can be seen from national revenues, as national revenues can show how much overall economic activity from a country. National income itself has a concept of size that is often used as an indicator of economic growth, but in this national income is not the only indicator used as a reference in economic growth. Economic growth is a process, not an economic representation of a particular period. In economic growth there are developments or changes as well as the use of Time (Boediono, 1999).

Indonesia as a developing country has its own way of earning and fulfilling the needs of governments and communities. The government's need is to improve public facilities, economic infrastructure, education infrastructure, entertainment infrastructure and many others. Meanwhile, the needs of the community are to be better in the standard of life such as getting a good job, a decent place to live, including everyday necessities of life such as food and clothing.

In fact, every province in Indonesia has its own income to meet the needs of households because if each province only relies on revenues from

the central government, it will not be enough to meet local needs. One characteristic of the area that is capable of running regional autonomy is the regional financial capability, meaning that the area has the ability to explore financial resources and use the value to finance all activities including government expenditure with the aim of the community. There are some sources of financial autonomy used to pay for government activities. Locally Generated Revenue, Balance fund, regional loan, and other valid receipts. Meanwhile, the Locally Generated Revenue source is derived from local tax, levy tax, local company results, tourism, and other income sources originating from the region itself.

Local Generated Revenue Enhancement is a conventional effort that local governments can do to improve their regional financial capabilities. The difference in economic potential of the area is large enough to allow certain areas to seek to increase the Local Generated Revenue through efforts to excavating economic potential of existing and not much exploited (Sjafrizal, 2008:249). To analyze the potential sources of locally generated revenue required the local knowledge of several factors that need to be analyzed to know the potential sources of locally generated revenue, namely: the initial conditions of the region, the development of gross Regional domestic product (GRDP), population growth, inflation rate, tariff adjustment, new development and regulatory changes (Halim, 2004:103).

According to Mardiasmo (2002:132), the locally generated revenue of the region is the acceptance gained from the regional tax sector, the regional

levy, the results of regional owned enterprises, the results of the wealth management of segregated areas and other genuine revenue of the legitimate area. Taxes for local governments serve as the primary income and as regional financial measuring instruments. Taxes as one of the regional sources of income are used to finance government administration, build and improve infrastructure, provide educational facilities, healthcare and finance the expenditure of local governments in investigating the needs that cannot be provided by private parties in the form of public goods.

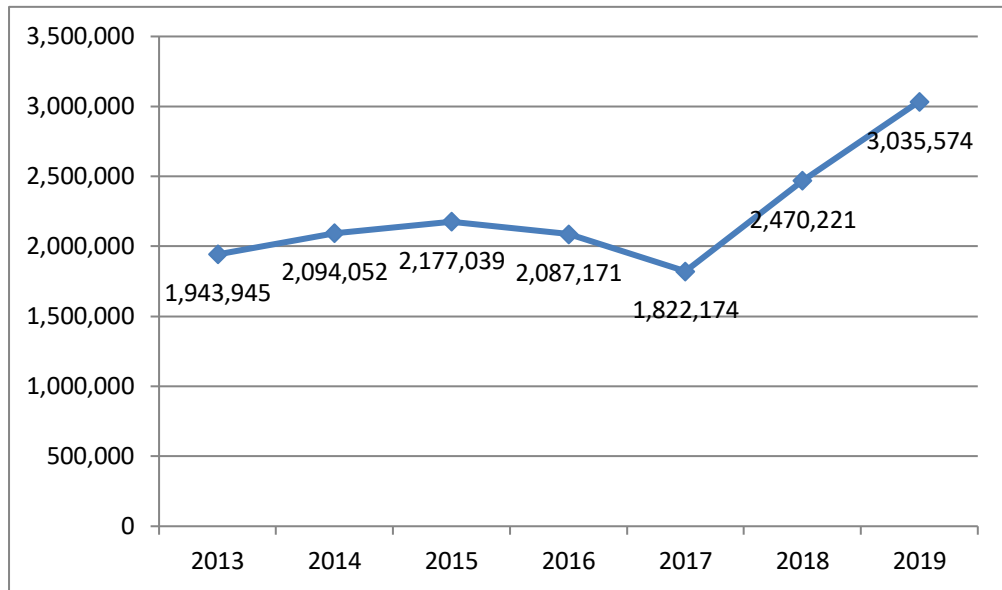
Thus the tax is one of the sources in the Local Generated Revenue. If regional taxes are experiencing an increase then the automatic Local Generated Revenue regional government will be increasing. As a component of the Locally Generated Revenue, local governments should strive to increase local taxes. In order to increase local taxes, local governments need to increase the factors related to increasing local taxes.

Factors that can relate to increasing local taxes are tourist arrivals. According to the *World Touris Organization* (WTO) Visitors are everyone who visits a country that is not the country itself for any reason also except to get the work paid for by the country visited (Antari, 2013). Thus the increasing tourism visit will increase the economic community around the tourist destination area.

According to Clement, (in Yoeti, 2008) Travelers who come in a country or destination, they will certainly spend money to fulfill their needs

and desires during their stay in the country or destination. The money that tourists spend, once spent never stops circulating, but moves from one hand to another. After going through several transactions in a one-year period, the new will cease from circulation when the money no longer affects the economy of the country or destination visited.

Domanski and Gwosdz (2010), stating that tourism visits can be a *multiplier effect*. *The Multiplier effect* of tourism visits can be seen through several indicators, namely the growth of businesses that can increase the local tax revenues that could eventually be used to improve the regional infrastructure or service to the community. Therefore, if it is associated with tourism in the Kepulauan Riau Province with the opinion of Domanski and GWOSDZ related to the concept of *Multiple Effectnya*, it will be related to taxes and levies taken from tourism in Kepulauan Riau Province. Tourism Industry in Kepulauan Riau Province indirectly will cause a significant impact on the welfare of society through local tax revenues and will be forwarded for infrastructure development and public facilities. That means, the better development of tourism industry in Kepulauan Riau Province, the more tax that can be settled by local government and more and more funds that can be used by the government to build infrastructure and advance the Regional.



Source : Dinas Pariwisata Kepulauan Riau, (data diolah 2020)

**Figure 1.1**  
**growth rate of tourist visits to Kepulauan Riau Province period 2013-2019**

From the figure 1.1 we can conclude that the number of visitors is most found in the year 2019. From 2013-2015 There was an increasing number of visitors continuously. And in the year 2016-2017 decreased by 1,822,174 people in 2017, while in 2018-2019 there was a significant increase in the 3,035,574 people in 2019. In order to work the government of Kepulauan Riau can run well according to the program and vision that has been made then it is necessary to establish cooperation with other regions as well as some travel owners travel in order to conduct travel promotion.

The number of tourists visiting an area is closely related to the area's own income. The longer tourists stay in a tourist destination, the more money is spent on the destination area, at least for eating, drinking, and lodging during the stay in the area.

Tourism in the growing in Kepulauan Riau Province will attract tourists to visit the tourism objects in Kepulauan Riau Province. When tourists visit a tourist attraction, they will be charged the form of admission ticket. The revenue of the retribution of tourism objects is the source of acceptance of tourism objects derived from the levy of incoming tickets and other legitimate income derived from the tourism object (Pertiwi, 2014).

According to Mursid (2003), the tourism object is the potential to boost the presence of tourists to an area of tourist destination. In its position that determines that it is a must for the tourism object to be designed and constructed or managed professionally so as to attract tourists to come.

Tourist attraction is also a destination that has a dominant physical element that is interesting to visit tourists with various tourist attractions as a tourist target that has the dominant abstract element (LAW No. 9 year 2009 about tourism). Kepulauan Riau Province has many natural beauty and cultural diversity that have the opportunity to sell the beauty of nature and culture to foreign and domestic tourists who will enjoy the beauty of the natural and cultural. The arrival of tourists will add revenue to the area visited while for foreign tourists arrival they will increase the foreign exchange for the country (Yoesti, 2008). Therefore, the Government's support and policy is expected to develop facilities and infrastructure to further attract the interests of tourists who want to visit so as to stimulate the improvement of Locally Generated Revenue. Here is a table of the number of attractions in Kepulauan Riau Province.

**Table 1.1**  
**number of tourist objects in the Regency/city in Kepulauan Riau**  
**province period 2013-2019**

Year	Number of tourist attractions						
	Bintan	karimun	Lingga	Natuna	Kep. Anambas	Batam	Tanjungpinang
2013	15	9	9	6	15	22	7
2014	18	9	10	8	17	25	9
2015	19	10	10	8	17	27	10
2016	19	10	10	11	20	27	13
2017	20	11	11	14	20	36	13
2018	20	13	12	14	21	36	15
2019	20	13	12	15	21	40	19

*Source: Badan Pusat Statistik Kepulauan Riau, 2020*

From the table 1.1 It is noted that the number of tourist attractions in Kepulauan Riau Province has always increased annually from 2013-2019. In Bintan Regency has a number of tourism objects that always increase in the year 2013-2019 is 15 attractions in 2013, 18 attractions in 2014, 19 attractions in 2015-2016 and 20 attractions in the year 2017-2019. In Karimun regency the number of tourism objects owned by 9 tourism objects in 2013-2014, 10 attractions in 2015-2016, 11 attractions in the year 2017 and increased by 13 tourism objects in 218-2019. In Lingga regency the number of tourism objects held in 2013 as many as 9 attractions, increased by 10 attractions in 2014-2016, 11 attractions in 2017 and became 12 attractions in 2018-2019. In Natuna Regency has 6 number of tourist objects in 2013, in the year 2014-2015 rose to 8 attractions, in the year 2016 rose to 11 tourism objects, in 2017-2018 have added more 14 tourism objects and in the year 2019 to 15 attractions. In Kepulauan Anambas Regency, there are 15 tourist attractions in the year 2013, 17 tourism objects in 2014-2015, 20 attractions in 2016-2017 and increased by 21 tourism objects in the year 2018-2019. In Batam

city has a number of tourism objects as many as 22 attractions in 2013, 25 attractions in 2014, 27 attractions in 2015-2016, in 2017-2018 the increase in the number of tourist attractions is quite significant to 36 tourism objects and in 2019 become 40 tourism objects. And lastly, the city of Tanjungpinang has 7 attractions in 2013, rose to 9 attractions in 2014, 10 attractions in the year 2015, in 2016-2017 rose to 13 attractions, in the year 2018 the number of tourism objects that have climbed into 15 attractions and in the year 2019 rose to 19 tourism objects. With the increasing tourism objects that are offered should attract tourists to visit and the revenue of the tourism sector in Kepulauan Riau Province can also be improved again.

The next factor is Gross Regional Domestic Product (GRDP). According to Bambang and Aristanti (2007) GRDP is the value of goods and services in production by all people living in an area. While the GRDP according to Purnastuti and Mustikawati (2008) is the market value of all goods and services produced during the period of one year in a regional region. The results of research conducted by Digdaya (2015), Arianto (2014) and Marliyanti and Arkayang (2014) that gross Domestic Regional product (GRDP) against local tax revenues. GRDP is positively influential in raising local tax revenues because if the GRDP of an area increases, the local ability to pay tax is also increased so that it can increase its tax power to increase its taxation (Nurcholis, 2007).



Based on the background above then the problem in this case is how far the program and regional efforts to optimize the Locally Generated Revenue in Kepulauan Riau Province from various sources of local income. The above is the underlying author for a study titled "**The Influence of GRDP, Number of Tourists Visit, Number of Tourist Objects on the Locally Generated Revenue in Kepulauan Riau Province Period 2013-2019**".

## **B. PROBLEM LIMITATION**

In order for this research to not deviate from other subjects and more detail, the researcher's problem is limited to the influence number of tourist objects, number of tourists visit, GRDP to locally generated revenue in Kepulauan Riau Province. In addition there are some differences between this research and previous research, namely:

1. Research time used in this research ranging from 2013 to 2019
2. Research objects taken by the Kepulauan Riau Province and focus to 7 regencies and cities
3. This research is a combination of some of the same previous studies in the background and the problem approach
4. This research uses DATA panels for test methodologies or regression tests

### **C. RESEARCH PROBLEMS**

Based on the constraints outlined above, the problems in this study have been as follows:

1. How does GRDP affect on Locally Generated Revenue in Kepulauan Riau Province period 2013-2019?
2. How does the number of tourist visits affect on Locally Generated Revenue in Kepulauan Riau Province period 2013-2019?
3. How does the number of tourist objects affect on Locally Generated Revenue in the Kepulauan Riau Province period 2013-2019?

### **D. RESEARCH PURPOSES**

1. To analyze the influence of the GRDP on the Locally Generated revenue in Kepulauan Riau province.
2. To analyze the influence of the number of tourist on the locally Generated revenue in Kepulauan Riau province.
3. To analyze the influence of the number of tourism objects on the locally Generated Revenue in Kepulauan Riau province

### **E. RESEARCH BENEFITS**

This research is expected to provide benefits to various parties including:

1. For academics

The results of this research are expected to be a reference for subsequent studies, especially those relating to the number of tourist objects, the number of tourist visits GRDP against Locally Generated Revenue Kepulauan Riau Province.

2. For practitioners

For the provincial government in Kepulauan Riau Province, this research is expected to be useful in addition to information and inputs for related institutions in the making of policies related to Locally Generated Revenue in Kepulauan Riau Province.