

# Tourism Contribution on Local Economic Growth

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## Abstract

*Tourism economics is a field of study that studies how tourism contributes to the economic growth of a country or region. Tourism itself is a phenomenon that involves social, cultural, and economic aspects with the movement of people to countries or places outside their environment. In general, tourism can be defined as temporary travel from one place to another carried out by both individuals and groups as an effort to seek balance, harmony, and happiness with the environment in various dimensions, such as social, cultural, natural, and scientific. The aim of this research is to examine the role of tourism in DIY Province with GRDB using a quantitative descriptive approach. Yogyakarta tourism sector has been able to provide an average contribution to the GRDP of the DIY Yogyakarta Province 9.21% and 0.09% nationally. DIY Yogyakarta province has huge tourism potential so there needs to be continued improvement in all aspects, both main facilities and tourism support from both the government and the private sector to maximize tourism contribution.*

**Keywords:** *tourism, contribution, grdb, economics, cultural, private sector*

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## I. Introduction

The focus of tourism economy is optimizing resources, such as capital, human power, and nature, with the hope of obtaining maximum results in the form of tourism products in the form of goods and services. In developing the tourism sector, it is important to pay attention to other aspects, such as developing human resource and institutional capacity, cultural preservation, environmental protection, and developing cooperation across economic sectors. The development of the tourism sector has a significant positive impact on a country's economy. Through optimal use of tourism potential, this sector can make an important contribution to overall economic growth.

To determine the economic condition of a region, GDP is needed as an indicator. Gross Regional Domestic Product (GRDP) is an important parameter in measuring the economic performance of a region. GRDP reflects the total added value of all economic activities produced by the region in a certain period. This indicator is also included in the category of macroeconomic variables that are relevant in evaluating the economic performance of a region (Laksono, 2013). GRDP is closely related to the discipline of macroeconomics because it functions as an important indicator in measuring regional economic performance. Apart from that, GRDP is also used to measure the economic growth of a region, which is a crucial macroeconomic indicator (Karo Regency Government, n.d.). In measuring regional economic performance, GRDP plays a role in comparing economic performance between regions. GRDP also helps in identifying economic sectors that make the largest contribution to GRDP region, so that it can support the process of making appropriate economic policies (Karo Regency Government, n.d. and Hartono, et al, 2018). Thus, GRDP is a significant macroeconomic indicator and is closely related to the economic performance of a region. GRDP is useful for measuring regional economic growth, comparing economic performance between regions, and supporting appropriate economic policy making.

The tourism sector will make the largest contribution to economic growth in Yogyakarta Province in 2020, reaching 17.46% (Rusqiyati, 2020). In fact, the contribution of the tourism sector in Yogyakarta exceeds the national contribution of only around 4.8% to economic growth in Indonesia as a whole (Rusqiyati, 2020). This fact shows how important the tourism sector is in the economic context of Yogyakarta. Apart from that, the tourism sector also acts as the main driver of Yogyakarta's economy and makes the largest contribution to economic development efforts in the region (Rusqiyati, 2020). In 2022, the tourism sector in Yogyakarta will continue to contribute to DIY's economic growth, with a significant level of contribution that exceeds that of 2019. Tourism and education are also the main factors in accelerating DIY's economic growth. In DIY's economic structure, the tourism and education sectors are sectors supported by micro, small and medium enterprises (MSMEs) (DIY Public Relations, 2022). Based on several sources found, it can be concluded that the tourism sector has an important contribution to economic growth in Yogyakarta Province. The tourism sector

acts as the main driver of Yogyakarta's economy and makes the largest contribution to economic development in the region. Apart from that, the tourism sector is also a factor in increasing DIY's economic growth and has an important role in the development of the region. Therefore, here the author wants to see and analyze how the tourism sector has contributed over the past 10 years to the economic growth of the Special Region of Yogyakarta.

**1.1 The objectives of this research are as follows:**

1. Analyze the contribution and development of the tourism sector in the Special Region of Yogyakarta Province from 2012 to 2021 on regional economic growth.
2. Analyze the economic phenomenon of the contribution of the tourism sector that occurred from 2012 to 2021 to the economic growth of the Special Region of Yogyakarta.

**1.2 Research Purpose**

The purpose obtained from this research are:

1. To Examine the contribution and development of the tourism sector in the DIY Province from 2012 to 2021 towards regional economic growth.
2. To Understand the economic phenomenon of the contribution of the tourism sector that occurred from 2012 to 2021 to the economic growth of the DIY.

**II. Literature Review**

Yogyakarta Special Region (DIY) is a province located in the south of the island of Java, specifically in the south of Central Java province. This province is one of several regions in Indonesia that has special or special autonomy in running its government. This province is also the only province where the governor and deputy governor are not elected through regional elections but through the succession of the Yogyakarta and Pakualam Jogja palaces. Yogyakarta itself is one of the most popular areas for tourists in Indonesia. This is because Yogyakarta has many tourist attractions ranging from culture, nature, history, and other tourism. The tourism sector itself (providing accommodation and food and drink) is the fifth largest sector in contributing to the gross domestic product of the Special Region of Yogyakarta, so the tourism sector makes quite a big contribution to the DIY economy (Setyaningrum, 2022 and BPS, 2022).

**2.1 Gross Domestic Product (GDP)**

Gross domestic product (GDP) is a calculation of the total amount of added value produced by all business units in a country or region in a certain period (usually calculated in annual terms) or in other words, the total value of final goods and services produced by all economic units in the country or region within a certain period. GDP has various benefits for the economy, including measuring the rate of economic growth, a basis for formulating government policies, as a comparison of economic progress between countries or regions, and knowing the economic structure of a country or region (Rumah.com Editorial Team, 2023).

In GDP there are several components that are calculated to get the amount or total of GDP itself. In it, it is not only calculated on two economic sectors, namely producers and consumers, but is calculated on four economic sectors, namely producers, consumers, government and foreign countries. The components used in calculating GDP are private consumption, government spending, investment, net exports (the value of exports that have been reduced by imports). The calculation can be formulated as follows (House Editorial Team, 2023).  
$$GDP = C + I + G + (X - M)$$

**2.2 Gross Regional Domestic Product (GRDP)**

Referring to the definition of GDP, GRDP is the total amount of added value produced by all business units in a certain area/region in a certain period (usually calculated in terms of time per year) or in other words, the total value of final goods and services produced by all economic units in the region or area within a certain period. Region or regional here usually refers to the province, district, or city area. In terms of calculations, both the formula and the components calculated in it are still the same, the only difference is the regional area.

**2.3 Supply and Demand**

**2.3.1 Supply**

Supply is the amount of goods or services that are available and can be offered by producers to consumers at any price level and in a certain period. Supply itself has a law that defines the price and quantity curve where the law reads "When the price of a good rises and ceteris paribus (other factors are constant), then the quantity of the good supplied will increase and vice versa." The factors that influence the law of supply itself are the price of the goods themselves, production costs, prices of other related goods, technology, the presence

of new producers, government policies, natural factors, and so on. For the formula itself, the law of supply has the following formula (Swawikanti, 2023).

$$Q_s = a + bP_s$$

### 2.3.2 Demand

Supply is the amount of goods or services demanded by consumers from producers at each price level and in a certain time. Supply itself has a law that defines it against the price and quantity curve where the law reads "When the price of a good increases and *ceteris paribus* (other factors are constant), then the quantity of the good offered will decrease and vice versa". The factors that influence the law of supply itself are the price of the goods themselves, the prices of other related goods, income level, consumer tastes, population, and so on. For the formula itself, the law of demand has the following formula (Swawikanti, 2023).

$$Q_p = a + bP_d$$

### 2.3.3 Willingness to Pay

In the buying and selling process, determining the agreed price whether a transaction will occur or not is where the price of a good or service is still within the scope of a consumer's willingness to pay. If the price of a good or service is below the consumer's willingness to pay, there is a high probability that the good or service will be sold.

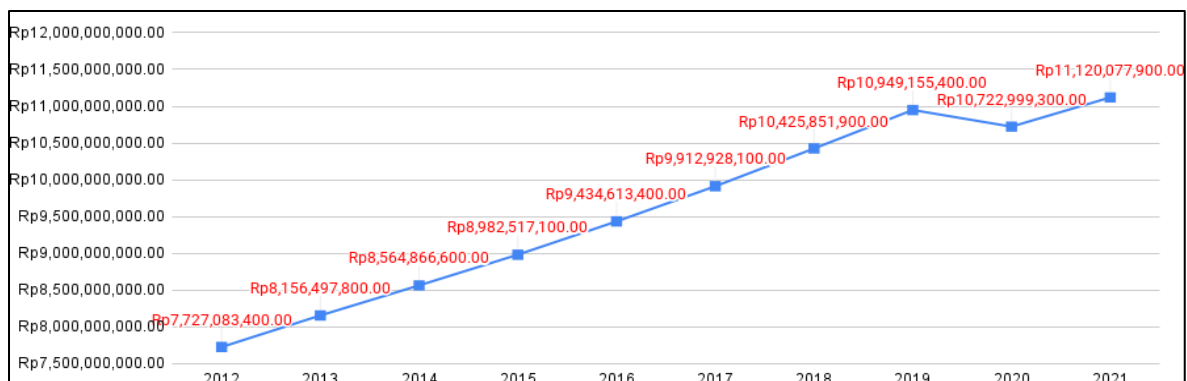
## III. Methodology

This research uses a quantitative descriptive approach. Descriptive analysis was carried out on secondary data sourced from the Indonesian Central Statistics Agency (BPS) relating to the variables National Gross Domestic Product (GDP), DIY Gross Regional Domestic Product (GRDP), DIY Tourism Sector GRDP, DIY Tourism Sector GRDP Percentage of DIY Tourism Sector GRDP and GRDP and Percentage of DIY Tourism Sector GRDP to National GDP. The data panel observed in this research is in the period 2012 to 2021. The empirical model is described by real GRDP and is assumed to be influenced by the level of development of the tourism sector and the contribution of the tourism sector that occurred from 2012 to 2021 to regional economic growth DIY.

## IV. Analysis and Discussion

### 4.1 National Gross Domestic Product Data for the Special Region of Yogyakarta (DIY) 2012 to 2021

Figure 3.1 National Gross Domestic Product (GDP) 2012-2021 (Million IDR)

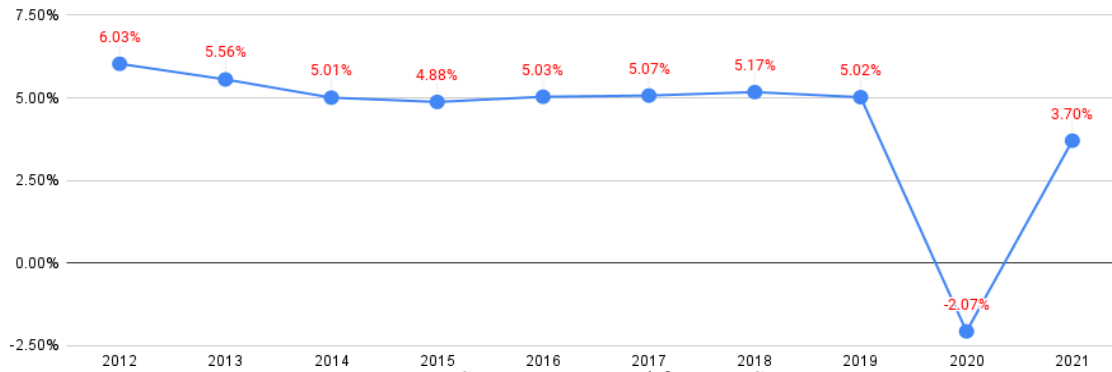


Source: Processed from BPS

National growth from 2012 to 2021 can be seen to be growing numerically. This growth experienced an increase from 2012 to 2019, but in 2020 there was a decline, the figure was below 2019 but still above 2018. In 2020 there was a decline due to global conditions currently experiencing the Covid-19 pandemic where access was both local and international. closed so that economic activity indirectly experienced a decline, which was also due to the closure of many economic activities in all sectors, both private and public. Even though 2021 is at its peak with daily cases of around 20,000-50,000 cases per day, national GDP has increased, even this increase exceeds the figure recorded in 2019 before the Covid-19 pandemic (Dewi, 2022). The factor that is driving the increase in national GDP in 2021 is the start of improving the Covid-19 vaccine program for the community, which gives people bright hope as they look to the future. The existence of this free Covid-19 vaccine program has influenced public confidence in the consumption of domestic goods and services so that demand is starting to gradually recover. Apart from that, the investment sector also contributed a lot to national economic growth with a growth rate of 3,805 (yoy). The processing industry also contributes to the production side.

With growth of 3.39% (yoy). In terms of foreign trade itself, it also contributed to national GDP growth because of the closure of cross-border borders causing demand for export and import goods to be high with growth in the fourth quarter of 29.83% for exports and 29.60% for imports (Ministry Coordinator for Economic Affairs, 2022).

Figure 3.2 Percentage National GDP Growth 2012-2021 (YoY)



Based on the percentage of national GDP growth itself, there are several periods where there was a decrease and an increase in GDP from 2012 to 2021. These periods are 2014-2015, 2015-2018, and 2019-2021. In the 2014-2015 period, factors that influenced national GDP growth were a change in national leadership, namely the 2014 presidential election, an increasing inflation rate, an increase in fuel and fuel price policies, changes to the Mineral and Coal Law which affected the mineral and coal mining industry sector, and the depreciation of the rupiah. (Coordinating Ministry for Economic Affairs, 2022). In the 2015-2018 period, one of the factors that increased national economic growth was the result of massive infrastructure development policies in various sectors, starting from the Trans Sumatra toll road, Trans Java, Trans Papua national road, Kalimantan, the existence of a tax amnesty, and a village fund program. focused on village development, as well as social programs for the resilience of vulnerable communities. For the 2019-2021 period, the factors that influence national growth are elections, activity restriction policies during the pandemic, to the tax amnesty policy, and economic recovery during the pandemic through the PEN (national economic recovery) program, accelerated infrastructure development, and other policies.

#### 4.2 Gross Regional Domestic Product Data for the Special Region of Yogyakarta (DIY) 2012 to 2021

Figure 3.3 DIY Gross Regional Domestic Product (GRDP) 2012-2021 (Million IDR)

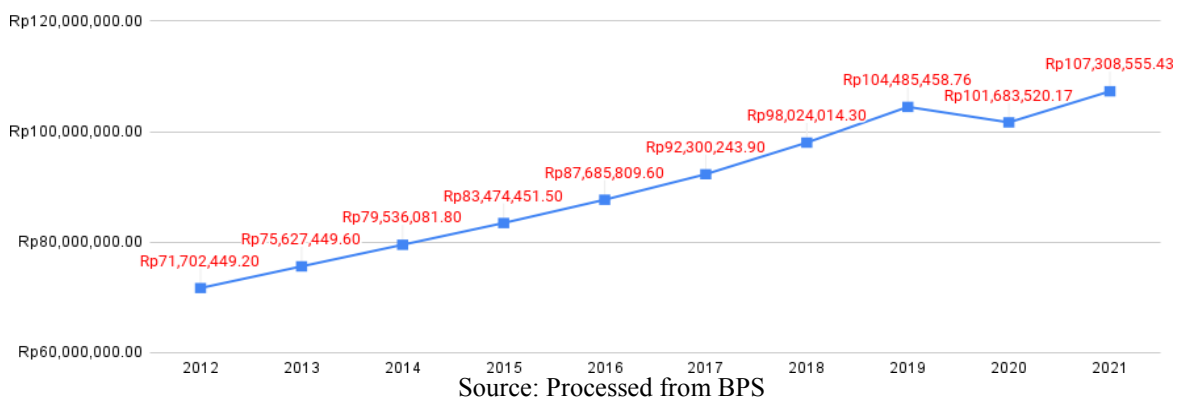
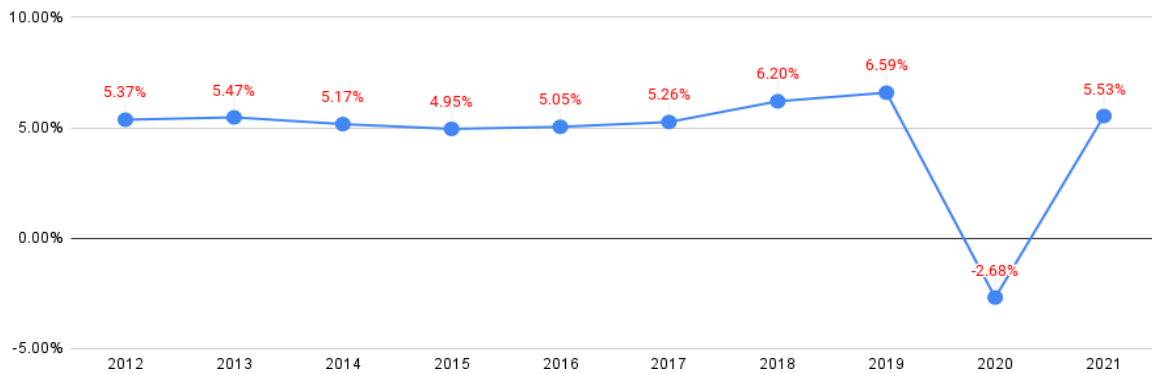


Figure 3.4 DIY GRDP Growth Percentage 2012-2021 (YoY)

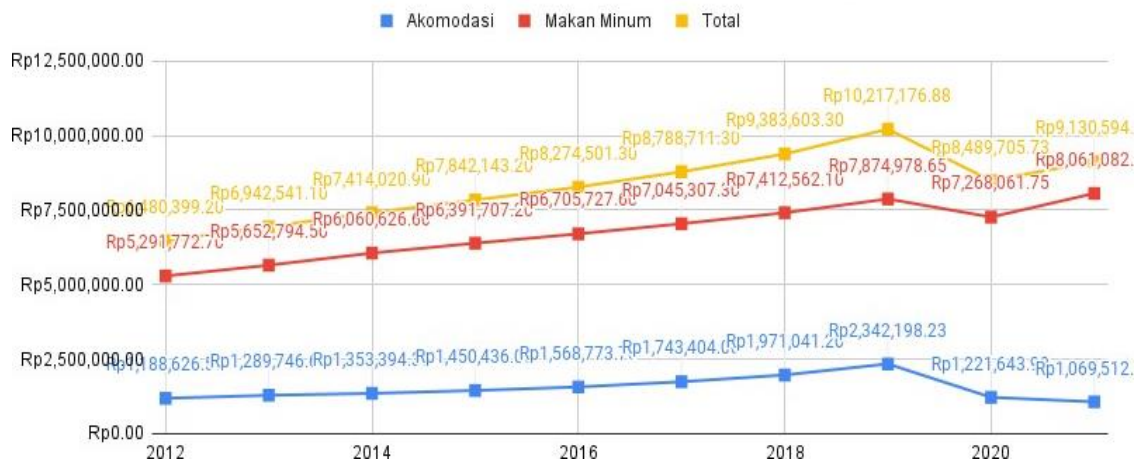


Source: Processed from BPS

In general, economic growth (GRDP) in the Yogyakarta Special Region Province is not much different from national GDP growth, where there is a focal point for the phenomenon of decline in 2014-2015 and 2020 and the phenomenon of increase in 2019 and 2021. However, what is different is when the percentage National economic growth experienced a decline in 2019, the Yogyakarta Special Region experienced an increase in its GRDP percentage that year. It turns out that according to the data, this growth figure was triggered by the construction sector at 14.38%, water supply, waste management, waste, and recycling at 8.90%. provision of accommodation and food and drink at 8.88%, financial services and insurance at 8.49%, and information and communication at 7.45% (BPS, 2022).

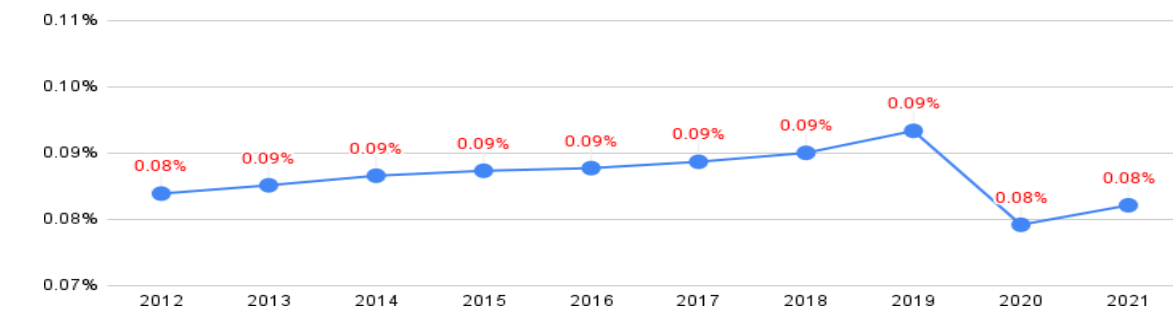
4.3 Gross Regional Domestic Product in Tourism Sector from 2012 to 2021

Figure 3.5 DIY Tourism Sector GRDP 2012-2021 (Million IDR)



Source: Processed from BPS

Figure 3.6 Percentage GDP Growth in the DIY Tourism Sector 2012-2021 (YoY) from BPS



Source: Processed

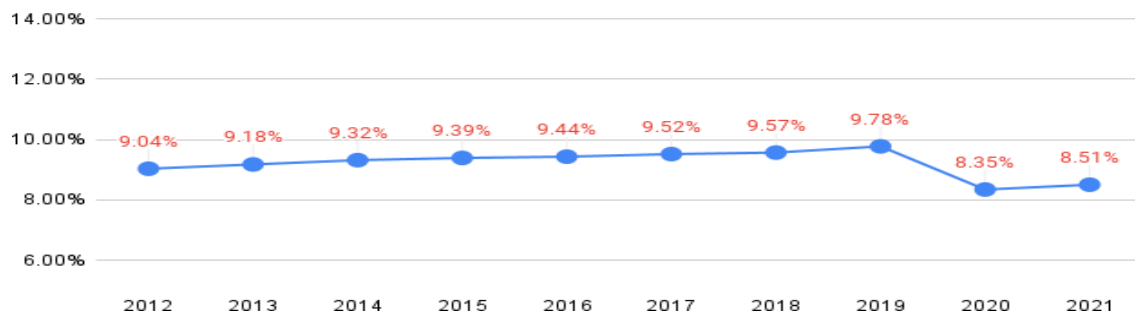
GRDP in the tourism sector from year to year both in numbers and percentages has increased quite significantly. The highest peak of increase was in the accommodation and food and drink provision sectors which are part of the tourism sector. This figure tends to be the opposite of national GDP but is like the GDP of Yogyakarta Special Region Province in 2019. The increase this year is due to an increase in the length of stay of tourists, which increased in 2018 from an average of 1.94 days to 2.68 days for foreign tourists and 1.83 days to 2.15 days for domestic tourists. With an increase in the length of time tourists travel, of course this increases the demand for accommodation and also the demand for food and drink, so this provides a direct increase in both sectors. Apart from that, the growth in the number of tourist visits and also the level of accommodation use is also one of the reasons for the increase in GRDP for these two sectors with an increase of 15.12% from the previous year (Yogyakarta Special Region Tourism Office, 2020).

Tourists visiting in 2019 were dominated by domestic tourists with a percentage of 93.39% (Yogyakarta Special Region Tourism Office, 2020). This increase was also triggered by a decrease in the national inflation rate from 3.07% in 2018 to 3.02% in 2019, so this caused the currency exchange rate to become stronger and also the level of people's purchasing power to become stronger (Mahardika, 2020).

Based on Figure 3.7, it can be seen that regionally the DIY tourism sector has been able to make an average contribution to the GRDP of the Special Region of Yogyakarta Province, namely 9.21%.

#### 4.4 Percentage of DIY Tourism Sector GRDP to DIY GRDP 2012-2021

Figure 3.7 Percentage of DIY Tourism Sector's GRDP to DIY's GRDP 2012-2021

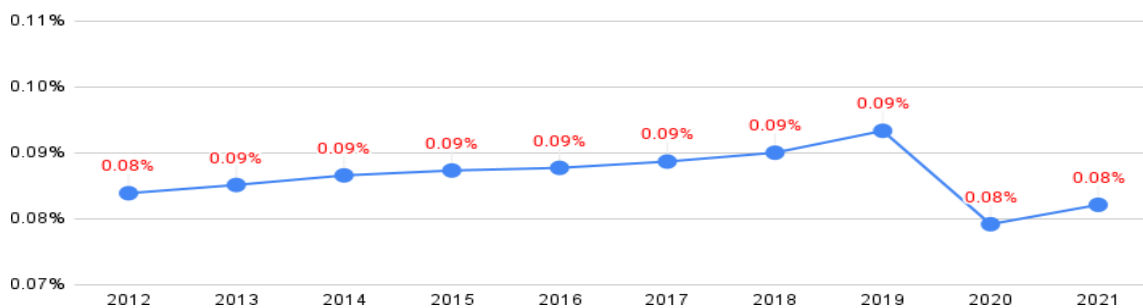


Source: Processed from BPS

Based on Figure 3.7, it can be seen that regionally the DIY tourism sector has been able to make an average contribution to the GRDP of the Special Region of Yogyakarta Province, namely 9.21%.

#### 4.5 Percentage of DIY Tourism Sector GRDP to National GDP 2012-2021

Figure 3.8 Percentage of DIY Tourism Sector GRDP to National GDP 2012-2021



Source: Processed from BPS

Based on Figure 3.8, it can be seen that nationally the DIY tourism sector has been able to make an average contribution to the GRDP of the Special Region of Yogyakarta Province, namely 0.09%.

### V. Conclusion

The conclusions from the analysis of tourism's contribution to the economic growth of the Special Region of Yogyakarta (DIY) are as follows:

## 5.1 Conclusion

1. Regionally, the Yogyakarta tourism sector has been able to provide an average contribution to the GRDP of the Special Region of Yogyakarta Province, namely 9.21%.
2. Nationally, the Yogyakarta tourism sector has been able to make an average contribution to the GRDP of the Special Region of Yogyakarta Province, namely 0.09%.

## 5.2 Suggestions

Suggestions that can be given based on the results of this analysis are as follows:

As one of the favorite areas for tourist visits in Indonesia, of course Yogyakarta's current contribution still needs to be increased considering that Yogyakarta has huge tourism potential so there needs to be continued improvement in all aspects, both main facilities and tourism support from both the government and the private sector to maximize tourism contribution. Yogyakarta on Indonesia's national income.

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