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The Impact of Tourist Arrivals, Foreign Direct Investment, and Domestic Investment on Gross Regional Domestic Product in Banten Province

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Abstract

Regional economic growth is one of the important indicators in measuring the success of a region's development. Banten Province has economic characteristics that are supported by the industrial, investment, and tourism sectors so that these three sectors are estimated to contribute to the Gross Regional Domestic Product (GRDP). This study aims to analyze the influence of the number of tourists, Foreign Investment (FDI), and Domestic Investment (DDI) on the Gross Regional Domestic Product (GRDP) of Banten Province for the period 2011–2023. The research uses a quantitative approach with secondary data obtained from the Central Statistics Agency and the Ministry of Investment/BKPM. The analysis was carried out using multiple linear regression with the help of SPSS 26 and was preceded by classical assumption testing. The results of the study show that the number of tourists has a positive and significant effect on GRDP. DDI also has a positive and significant effect on GRDP, while FDI has a negative but not significant effect on GRDP. Simultaneously, the three independent variables have a significant effect on the GRDP of Banten Province. The findings of the study show that the increase in tourism activity and domestic investment is able to encourage regional economic growth, while foreign investment has not made an optimal contribution during the study period.

Keywords: Number of Tourists, FDI, DDI, GRDP, Banten.

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INTRODUCTION

Regional economic development is directed to improve the welfare of the community through optimizing the economic potential of each region. One of the indicators used to measure the success of the development is the Gross Regional Domestic Product (GRDP). GRDP reflects the added value of goods and services produced by a region in a certain period so that it is often used as a measure of regional economic growth.



Figure 1. Map of Banten Province Area

Banten Province is one of the strategic provinces in Indonesia that is directly adjacent to DKI Jakarta. This geographical position makes Banten a center of industrial activity, trade, investment, and tourism. Large industrial estates such as Krakatau Industrial Estate Cilegon (KIEC), Modern Cikande Industrial Estate, and Tangerang Regency industrial estate make Banten one of the main destinations for national investment. In addition, the tourism sector is also developing through various leading destinations such as Anyer Beach, Carita Beach, Ujung Kulon National Park, and Banten Lama religious tourism. (Rahmatullah et al., 2024)

OBJECTIVES

This article intends:

1. To analyze the effect of the number of tourists on the Gross Regional Domestic Product (GRDP) of Banten Province.

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2. To analyze the effect of Foreign Direct Investment (FDI) on the Gross Regional Domestic Product (GRDP) of Banten Province.
3. To analyze the effect of Domestic Direct Investment (DDI) on the Gross Regional Domestic Product (GRDP) of Banten Province.
4. To examine the simultaneous effect of the number of tourists, Foreign Direct Investment (FDI), and Domestic Direct Investment (DDI) on the Gross Regional Domestic Product (GRDP) of Banten Province during the period 2011–2023.

LITERATURE REVIEW

Economic Growth Theory

Economic growth is the process of increasing the production capacity of a region which is shown through an increase in the output of goods and services in the long term. The most commonly used indicator to measure regional economic growth is Gross Regional Domestic Product (GRDP) on a constant price basis because it is able to describe changes in real output without being affected by inflation. According to Todaro and Smith (2015), economic growth is influenced by the accumulation of capital, labor, technological advancements, and the efficiency of resource utilization. In the context of regional development, an increase in economic activity will encourage an increase in added value which further increases GRDP.

Investment Theory

The Harrod-Domar model explains that investment is the main factor that determines economic growth because it is able to increase production capacity through the formation of new capital. Investment not only magnifies output, but also creates job opportunities and increases productivity. Along with the development of the theory, Endogenous Growth Theory emphasizes that investments supported by innovation, technology, and the quality of human resources will result in sustainable economic growth. Thus, both Foreign Investment (FDI) and Domestic Investment (DDI) are expected to contribute to the increase in Gross Regional Domestic Product. (Harrod, 1939; Domar, 1946)

Tourism-Led Growth Theory

Tourism-Led Growth Theory explains that the tourism sector can be a driver of economic growth through increased demand for goods and services. The increasing number of tourists will encourage the development of the transportation, accommodation,

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trade, restaurants, and various micro-businesses related to tourism activities. The double effect ultimately increases people's income and encourages regional economic growth. Therefore, the increase in the number of tourists is expected to have a positive influence on the GRDP of Banten Province. (Balaguer & Cantavella-Jordá, 2002)

Based on the foundation of theory and previous research, the research hypothesis is formulated as follows.

H1: The number of tourists has a positive effect on the GRDP of Banten Province.
H2: Foreign Investment Affects the GRDP of Banten Province.
H3: Domestic Investment has a positive effect on the GRDP of Banten Province.

RESEARCH METHODS

This study uses multiple linear regression analysis to test the influence of the number of tourists, Foreign Investment (FDI), and Domestic Investment (DDI) on the Gross Regional Domestic Product (GRDP) of Banten Province. Data processing is carried out using SPSS version 26. (Ghozali,2021)

The regression model used in this study is formulated as follows:

$$\text{GRDP} = \alpha + \beta_1 JW + \beta_2 FDI + \beta_3 DDI + \varepsilon$$

Description:

GRDP	=	Gross Regional Domestic Product
JW	=	Number of Tourists
FDI	=	Foreign Investment
DDI	=	Domestic Investment
α	=	constant
β_1–β_3	=	Coefficient regressions
ε	=	Error term

Table 1 Operational Definition of Research Variables

Yes	Variabel	Symbols	Units	Data Source
1.	Gross Regional Domestic Product (GRDP)	Y	Billion Rupiah	Central Statistics Agency (BPS) of Banten Province

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2.	Number of Tourists (Foreign and Domestic)	X1	Thousands of Souls	Central Statistics Agency (BPS) of Banten Province
3.	Foreign Investment (FDI)	X2	Million Rupiah	Ministry of Investment/BKPM One Data portal
4.	Domestic Investment (DDI)	X3	Million Rupiah	Ministry of Investment/BKPM One Data portal

RESULTS AND DISCUSSION

Before hypothesis testing, the regression model was tested through classical assumption tests which included normality, multicollinearity, heteroscedasticity, and autocorrelation. The test results show that the model meets all classical assumptions, making it feasible for use in multiple linear regression analysis. (Ghozali, 2021)

Table 2 Multiple Linear Regression Analysis Results

Variabel	Coeficien	t	Sig
Konstanta	22.596.842,374	7,133	0,000
Number of Tourists	4.052,088	3,743	0,005
DDI	1,239	10,572	0,000
FDI	-0,026	-0,211	0,838

Source: Processed Research Data Spss

Based on the regression results, it was obtained that the number of tourists and Domestic Investment (DDI) had a positive and significant effect on the Gross Regional Domestic Product (GRDP) of Banten Province. On the other hand, Foreign Investment (FDI) has a negative relationship direction, but it does not have a significant effect on GRDP. Simultaneously, the three independent variables had a significant effect on GRDP with an F-calculated value of 89.942 and a significance level of 0.000. In addition, the Adjusted R^2 value of 0.957 shows that 95.7% of the variation in GRDP can be explained by the number of tourists, DDI, and FDI, while the remaining 4.3% is influenced by other variables outside the research model.

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DISCUSSION

The Effect of the Number of Tourists on the Gross Regional Domestic Product (GRDP)

The results of the study show that the number of tourists has a positive and significant effect on the Gross Regional Domestic Product (GRDP) of Banten Province. A significance value of 0.005 indicates that an increase in the number of tourists was able to increase GRDP during the study period. The regression coefficient of 4,052,088 indicates that any increase in the number of tourists is followed by an increase in the value of GRDP assuming other variables are constant.

These results show that the tourism sector has an important role in encouraging regional economic activities. The increasing number of tourists will increase the demand for transportation services, accommodation, restaurants, trade, and various other supporting sectors, resulting in a *multiplier effect* on the regional economy. These findings also support the Tourism-Led Growth Theory of Balaguer & Cantavella-Jordá (2002) which states that the development of the tourism sector is able to drive economic growth through increased consumption, employment opportunities, and production activities.

The Effect of Domestic Investment (DDI) on Gross Regional Domestic Product (GRDP)

The results of the study show that Domestic Investment (DDI) has a positive and significant effect on the Gross Regional Domestic Product (GRDP) of Banten Province. The results of the partial test showed a significance value of 0.000 (<0.05) with a regression coefficient of 1.239. These results show that the increase in DDI is able to encourage an increase in Banten Province's GRDP during the 2011–2023 period.

These findings show that domestic investment plays an important role in increasing regional economic activity through increasing production capacity, job creation, and increasing community income. Domestic investment tends to have a stronger linkage with local economic sectors so that it has a greater impact on regional economic growth. The results of this study are in line with Harrod-Domar's theory which states that investment is one of the main factors in driving economic growth through *capital formation*. In addition, the results of this study also strengthen the view of Todaro and Smith (2015) that increased investment will increase production capacity so as to increase economic output.(Paul M. Romer, 1989)

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The Effect of Foreign Investment (FDI) on Gross Regional Domestic Product (GRDP)

The results of the study show that Foreign Investment (FDI) does not have a significant effect on the Gross Regional Domestic Product (GRDP) of Banten Province. This is shown by a significance value of 0.838 (>0.05) with a regression coefficient of -0.026. Thus, the increase in FDI during the study period has not been able to have a real influence on the increase in the GRDP of Banten Province.

The insignificance of the influence of FDI indicates that foreign investment entering Banten Province has not fully had a direct impact on the regional economy. This condition is suspected because foreign investment is more concentrated in certain sectors that have limited links with local economic sectors. In addition, some of the profits of foreign companies have the potential to be transferred back to the investor's home country so that the economic benefits received by the region are smaller. This finding is in line with *the Endogenous Growth Theory* which explains that investment will only encourage economic growth if it is followed by increased productivity, innovation, and technology transfer. (Xu et al., 2024)

The Effect of the Number of Tourists, DDI, and FDI on Gross Regional Domestic Product (GRDP)

The results of the simultaneous test showed that the number of tourists, Domestic Investment (DDI), and Foreign Investment (FDI) together had a significant effect on the Gross Regional Domestic Product (GRDP) of Banten Province. This is evidenced by an F-calculation value of 89.942 and a significance level of 0.000 (<0.05), so that the regression model used is able to explain the relationship between the three independent variables and GRDP.

The Adjusted R^2 value of 0.957 shows that 95.7% of the variation in Banten Province's GRDP can be explained by the number of tourists, DDI, and FDI, while the remaining 4.3% is influenced by other factors outside the research model. These findings show that the development of the tourism and investment sectors together has a great contribution to the economic growth of Banten Province. Therefore, regional development policies need to be directed at increasing the attractiveness of the tourism sector and encouraging investment, especially domestic investment which has been proven to make a significant contribution to increasing GRDP. (Paul M. Romer, 1989)

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CONCLUSION

This study aims to analyze the influence of the number of tourists, Foreign Investment (FDI), and Domestic Investment (DDI) on the Gross Regional Domestic Product (GRDP) of Banten Province during the period 2011–2023. The results of the study show that the number of tourists and DDI have a positive and significant effect on the GRDP of Banten Province, while FDI does not have a significant effect on the GRDP. Simultaneously, the number of tourists, DDI, and FDI had a significant effect on GRDP with the ability of the model to explain the variation in GRDP by 95.7%. These findings show that the increase in tourism activity and domestic investment has a greater role in driving economic growth in Banten Province than foreign investment during the study period.

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