



sciendo

## **Review On Tourism Competitiveness Strengthening In Order To Strengthen International Balance Of Payment**

**Anak Agung Bagus Putu Widanta<sup>1\*</sup>**

**Made Kembar Sri Budhi<sup>2</sup>**

**Ida Bagus Putu Purbadharmaja<sup>3</sup>**

**Ni Putu Wiwin Setyari<sup>4</sup>**

<sup>1\*</sup>Udayana University, Indonesia, E-mail: agung\_widanta@unud.ac.id

<sup>2</sup>Udayana University, Indonesia, E-mail: kadek\_dedek@unud.ac.id

<sup>3</sup>Udayana University, Indonesia, E-mail: purbadharmaja@unud.ac.id

<sup>4</sup>Udayana University, Indonesia, E-mail: wi2nset@yahoo.co.id

**\*Corresponding Author:** Anak Agung Bagus Putu Widanta

\*Udayana University, Indonesia, E-mail: agung\_widanta@unud.ac.id

### **Abstract**

A deficit in the International Balance of Payments (BOP) will lead to volatile food and commodity prices, low savings ratios and the financial sector will hinder development, limited public budgets with low economic conditions will hamper the process of economic growth. The phenomenon of the balance of payments deficit is experienced by almost all ASEAN countries, including Indonesia. Strengthening the BOP should pay attention at the components or items inside. One of the items in the BOP is the current account balance, which records the service account. The services account records the flow of exports and imports in every country. As the components in the current account balance, one of the potential policy steps is strengthen tourism competitiveness to increase foreign exchange reserves. The tourism industry has been shown significantly reduce the problem of a deficit current account balance of payment (BOP) (Alp & Genc, 2015). One indicator of the success of tourism performance is the increase in the number of foreign and domestic tourist visit (Astuti, 2021).

To strengthen tourism it's important to understand the tourism competitiveness of a country, many indicators and index have been developed by different organizations over the years to measure certain aspects of competitiveness. This study aims to determine the determining variables that strengthen the tourism sector directly, and see whether these variables indirectly affect the strengthening of the current account balance. This study will provide an overview and see the factors that affect the competitiveness of tourism.

**Keywords:** tourism; Current Account Balance, Tourism Competitiveness, strengthening tourism, Tourism Leading Countries

### **Introduction**

The deficits in international balance of payments and current account lead to volatile food and commodity prices, low savings rates and financial sector's inability to support development due to limited public budgeting. These dire economic conditions will eventually hinder economic growth. Temporary distortions in the BOP of a country may indicate an unsatisfactory economic position, as it is not determined as a record of all transactions at the international level (Thirlwall, 2012). The research by Ali et al (2013) states that most developing countries, including Turkey, face significant balance of payments and foreign trade deficits. The effort to strengthen BOP must take into the consideration the components or items therein. One of the components in the current account balance is the service account which accounts for the flow of exports and imports of services from within and outside a country. The service account consists of; manufacturing services, maintenance and repair services, transportation services (passengers, goods and others), travel services, construction services, insurance and pension services, financial services,

intellectual property usage fees, telecommunications, computer and information services, other business services, personal, cultural and recreational services, and government services. The services acquired by foreign parties (exports) will bring in capital inflows which are recorded in credit transactions, on the contrary if residents or other domestic parties acquire foreign services (imports), they will be recorded in debit transactions which indicate capital outflows (Hady, 2004).

As a component of the current account balance, one effective alternative policy in improving the current account balance is to improve tourism in order to increase foreign exchange reserves. Tourism is a sector that has been able to survive the impacts of global economic downturns (Thano, 2015). The tourism industry has been shown to significantly alleviate problems in the BOP's current account deficit (Alp & Genc, 2015) Tourism has been recognized as one of the main development sectors in all countries, as well as a major source of income, employment and wealth creation. It also plays a broader role in promoting the international image and perception of a country, as well as influencing other complementary domestic policies, MacCallum (2013). Tourism has a great potential and plays a very important role in achieving major macroeconomic goals, namely economic growth, employment, as well as sustainable economic and social development, Thano (2015). Balaguer and Cantavella (2002) found a stable relationship between long-term tourism income and economic growth. In case of travel or tourism services, it remains to record a surplus. One of the potential policies to bolster BOP is to improve tourism in order to increase foreign exchange reserves. The tourism sector itself can provide a multiplier effect on other sectors such as industrial sector, agricultural sector, and other sectors. This will lead to the creation of jobs, the increase of income and community welfare. Tourism emerges as a factor that affects long-term economic growth (Gabriel & Wiston, 2010).

Based on (Tosun, Timothy, & Öztürk, 2003) Tourism serves as an important sector in the formulation of GDP in various countries. As mentioned in the research on coral reef tourism, Burke et al., 2011 stated that tourism is vital in countries with healthy coral reef systems. Ninety-four countries benefitted from coral reef tourism, and in twenty-three of these, reef-related tourism accounts for more than 15 percent of GDP. International tourism revenues contribute to the Turkish economy along with remittances from overseas workers and foreign investments (Tosun, Timothy, & Öztürk, 2003).

Some of the indicators for determining tourism advantage of a country or region are the number of tourist visits and the amount of tourism revenues. Tourism developments in certain tourism destinations are mainly related to the analysis of tourist arrivals (Durydiwka, 2013). The analysis of the national competitive position in the tourism marketplace is a very important issue, but the most important matter is how to increase the number of tourist visits and thereby increase tourism revenues [6] (Yeh, 2013).

### **Review Strategy**

A literature review is a systematic, explicit and reproducible method for identifying, evaluating and synthesizing works and ideas that have been produced by researchers and practitioners. Literature review aims to make analysis and synthesis of existing knowledge related to the topic to be researched. This article review aims to identify variable indicators that can contribute in strengthening the tourism in ASEAN countries by reviewing several articles in international proceedings and journals. Several other researchers have attempted to explore the causal relationship between tourism and economic growth. In fact, a recent series of literatures suggests that there may be an inverse causality that runs from growth to tourism. This is known as a growth-led or supply-side tourism (Mahalia, 2012: 15).

Up until in the sixties of the 20<sup>th</sup> century, the researches on indicators of tourism development in certain tourism destinations were mainly related to the analysis of tourist arrivals, number of beds and average length of stay as well as the number of employees in the service industry (Durydiwka, 2013). The studies later focused on examining the relationship between accommodation capacity and the number of local residents in a particular destination area, however these studies are still categorized as research on tourist accommodation distribution, aimed to determine the impact of tourism on local economy (Keogh, 1984; Van Doren & Gustke, 1982). The first one to apply this type of research was a French geographer named Pierre Defert, who created the tourism function index in 1967 (Potts & Uysal, 1992). In the literature, this index is usually referred to as the Defert index. In 1978, French explorer Rene Baretje improved the existing Defert index and brought it in relation to the spatial unit of the destination area.

In contrast to previous researches, this study aims to determine the variables and indicators that influence tourism improvement more comprehensively in order to formulate appropriate policies for strengthening world tourism as a whole and ASEAN in particular. In order to paint a comprehensive picture in reviewing articles to determine indicators of the variables that strengthen tourism, the researcher gives less weight to correlation studies that do not control for other variables and the result of the review will determine more comprehensive indicators for the competitiveness variables that strengthen tourism which in turn will strengthen the international BOP.

The findings will provide an overview of the variable indicators that will strengthen a country's tourism competitiveness. This overview will be used not only by the government but also other stakeholders in formulating appropriate tourism policies in strengthening the country's tourism.

### **Review Results**

The volume of tourist inflows to each region and consequently the prospects for regional development are influenced by certain factors, which create a comparative advantage for the region and differentiate it from other regions in terms of tourism attractiveness, (Arabatzis and Polyzos, 2008). David Ricardo developed the classical theory of comparative advantage in 1817 in order to explain why countries engage in international trade and to show that if two countries capable of producing two different commodities were involved in a free market (even after assuming that capital and labor were immovable internationally), then each country would increase consumption as a whole by exporting goods with a comparative advantage. Widely regarded as one of the most powerful yet counter-intuitive insights in economics, Ricardo's theory implies that comparative advantage rather than absolute advantage is responsible for much of the international trade.

Based on the competitiveness theory, there are two main theories of competitiveness, namely the theory of comparative advantage and the theory of competitive advantage as the indicators of competitiveness. David Ricardo's advantage theory refers to the competitiveness advantages possessed by a country or region. The theory states that when a country trades with other countries, it will produce and specialize in the products where they have a comparative advantage and profit from there. This advantage can be identified from the cheaper production cost compared to other countries. The comparative advantage possessed by a country comes from the pre-existing production factors such as the abundant natural resources owned by that country.

On the other hand, competitive advantage arises only after it was being created. In other words, competitive advantage is an advantage that can be developed. The competitive advantage of a commodity is the result of a development process that has made it outperforms commodities from other sectors. According to Porter (1990), the most important aspect in measuring competitiveness is the productivity of an industry, either in producing goods and services. Productivity will increase per capita income, and subsequently the economic growth of a country. Michael Porter (1998) Porter's diamond model or Porter's Diamond National Profit Theory, is an economic model developed by Michael Porter. It is designed to help countries understand why some of its industries are more internationally competitive than others. This model also helps answer the question of why firms from one country or region are able to maintain a competitive advantage in a particular industry. It is based on 4 factors that help determine national competitive advantage; Factor conditions / Demand conditions / Company strategy, Structure, and Competition / Related and Supporting Industries.

This factor condition refers to the various types of resources available to the country as a function of its location. Some of these factors are created such as skilled labor, infrastructure, and capital, while other factors are natural such as raw materials, soil, weather conditions, etc. According to Porter, the condition of the created factor is more important than the natural condition because it cannot be imitated so that it helps the nation's competitive advantage.

Demand conditions: this describes the demand for the product or service in the home market. Such demand from local customers drives companies to improve quality, innovate and grow. This will enable companies to gain early insight into future customer needs and innovate faster thereby giving them a competitive edge over their foreign competitors.

Related and supporting industries, The presence of related and supporting industries in the country itself is important for businesses to grow, innovate, provide more value to customers and become more globally competitive. According to Porter, the success of an industry depends

on the success of its related and supporting industries, as internationally competitive suppliers can provide cost-effective access to inputs.

Firm strategy, structure and competition, this factor explores the competition an industry faces in its home market and how it leads them to further improve it in terms of product or service quality, customer service, manufacturing techniques, etc. This competition with each other will ultimately be reflected in the growth of the nation itself.

The role of government is another component associated with Porter's diamond model in which it is described as 'catalyst and challenger'. Although governments cannot create competitive industries, they can encourage and encourage companies to improve themselves and become more competitive.

The other component is coincidence. Although Porter has not officially mentioned chance or luck, it is often associated with diamond models. There are external events such as natural disasters or wars that can have a positive or negative impact on an industry or a country. While these factors are beyond the company's control, they should at least be monitored so that they can make well-informed decisions going forward.

According to the theory of Competitive Advantage of Nations, a company can achieve a competitive advantage based on the technological advantages that they have and not because of the relatively abundant production factors (Porter, 1990). Competitiveness is determined by the advantage of a company relative to its competitors and is highly dependent upon the level of relative resources that it has or commonly called competitive advantage (Porter, 2001). Through many country and sectorial studies, Michael Porter showed that competitiveness is no longer just a function of macroeconomic reforms, but also of microeconomic changes. He found that although there is no resources advantage that contributes to the competitiveness of an industry, marketing strategies, innovations, and relationships with supply and user can make also an industry competitive (Ajitabh, 2008). According to Vida, Kadár, and Kadárová (2017), there is no single homogeneous definition of the term competitiveness in the economic literature. The different characteristics of competitiveness result from various dimensions of the term and can be differentiated at the basic level of competitiveness, specifically region, state, industry, company, and product. The literature has identified two broad determinant categories of international competitiveness, namely macroeconomic conditions and microeconomic strategies. Macroeconomic conditions shape the context that creates competitiveness opportunities at the national, regional and cluster levels as well as creates competitiveness conditions at the company level. Macroeconomic determinants include factors such as institutions (e.g., rules and regulations), economic and financial policies and developments, as well as physical infrastructures and geographical factors. Microeconomic strategy has a direct impact on a firm's competitiveness and includes factors such as the sophistication of a firm's business strategy and its interaction with other firms (Liu, 2017).

The growth in comparative advantage increases export and accordingly increases the total output of the economy Utama & Melianna (2020). Tourism is an export-oriented industry (Shen, et.al, 2009). International tourism is basically a source of export revenue, as it is believed that the tourism growth hypothesis is derived from the export-driven growth hypothesis which states that growth can be increased by expanding the export level of an economy (Tang and Abosedra, 2014: 235). Many tourism destinations worldwide are vying for a share from such a large industry. However, tourism destinations face to a more intense competition today than in the past (Ozturk, Usakli, 2013, 2).

One of the indicators of the tourism performance success is the increase in the number of foreign and domestic tourist visits (Astuti, 2021). Kuncoro (2014) stated that there are four strategies to attract people (tourists) to an area, namely image, attraction marketing, infrastructure marketing and people marketing. Image is the beliefs, ideas and expressions that people have regarding an area. Attraction marketing is the important reason for tourists, investors and capital to come to a destination. Attractions are divided into natural and artificial resources. Infrastructure marketing is the availability of facilities and infrastructures that can attract people, investments and capital. People marketing is a strategy to promote an area by marketing its people, for example the attitude of the community: how open is the local community (region) to elements (people, investment, industry, products) from abroad. Cooper, et al suggested that there are four components, namely: 1. Attraction is the main product in a tourist destination. Tourist attractions are related to the concepts of what to see and what to do, i.e., what tourists can see and do at the destination. Attractions can take the form in natural beauty and

uniqueness, local community culture, as well as artificial attractions such as recreation and entertainment parks: 2. Amenity is any forms of facilities that provide services to tourists for all their needs while staying or visiting a tourist destination, such as hotels, motels, restaurants, bars, discotheques, cafes, shopping centers, souvenir shops, restaurants, travel agencies, outbound organizers, and others. 3. Accessibility is the efforts intended to make tourists easily reach their destination to tourist attractions, which means that transportation infrastructures and facilities are required, and 4. Ancillary is the whole set of tourism entities that will provide various services to tourists. Inskip and Reinhold (1991) explained that there are five important elements that must be possessed by tourism objects: 1. Attractiveness is the main factor since it attracts tourists to travel to certain places, either a primary destination as main tourist destination, or a secondary destination visited during the primary trip because they want to enjoy and witness the attractiveness of such destination. 2. Tourism Infrastructures are main facilities needed by tourists during their trip. 3. Tourism facilities are complementary facilities to tourist destinations needed to serve and meet the needs of tourists during their trips. 4. Infrastructures support the function of tourism facilities and infrastructures, both in form of regulatory systems and physical structures above and below the ground, such as irrigation systems, electricity and energy sources, transportation lines and terminal systems, communication systems, as well as security or surveillance systems. 5. Society, Environment and Culture.

The tourism industry has grown rapidly in recent years, making it a very competitive market. The relevance of the tourism industry to the prosperity of a nation has long been acknowledged. However, there is a lack of studies linking the tourism competitiveness to tourism performance (Bazargani and Kilic, 2021). Governments are steadily improving their tourism competitiveness to attract more foreign tourists, increase tourism revenues, and create local jobs. The studies on international tourism competitiveness began in the 1990s, with the development of competitive models, as well as the development of indices and increasingly sophisticated relevant empirical researches. The study on competitiveness of international tourism can be divided into two categories. One approach is for researchers to develop a set of indexes for tourism business owners to evaluate the relative strength of a country based on a 7-point Likert scale. Another approach is to calculate a comprehensive index regarding tourism competitiveness. Case studies on tourism competitiveness are often constrained by the high cost of conducting surveys.

Michael Porter (1990) in Abdullah, et al (2008) stated that the concept of competitiveness is represented by productivity which is defined as the output produced by a workforce. The World Bank states the same concept where competitiveness refers to the magnitude and rate of change in the value added per unit of input achieved by a company. Recent literature's view that competitiveness is not just narrowly limited to company efficiency, but includes wider aspects outside a company such as the business environment which is beyond the company's control. The World Economic Forum (WEF), an institution that regularly publishes Global Competitiveness Reports, defines national competitiveness as the ability of the national economy to achieve a robust and sustainable economic growth.

According to Vida, Kádár, and Kádárová (2017), there is no single homogeneous definition of the term competitiveness in the economic literatures. The different characteristics of competitiveness result from several dimensions of the term and can be differentiated at the basic competitiveness level, namely region, state, industry, company, and product. Recent literature's view that competitiveness is not narrowly limited to company efficiency, but includes other aspects outside the company such as the business environment which falls beyond the company's control. Thus, a definite and agreed-upon definition from all parties is no longer an absolute requirement in order to determine the factors can affect the competitiveness of a country (Abdulah et al, 2008). Various tourism competitiveness indicators and index have been developed by different organizations over the years to address specific aspects of competitiveness, however there remains a lack of an overall tourism competitiveness measurement framework for government use.

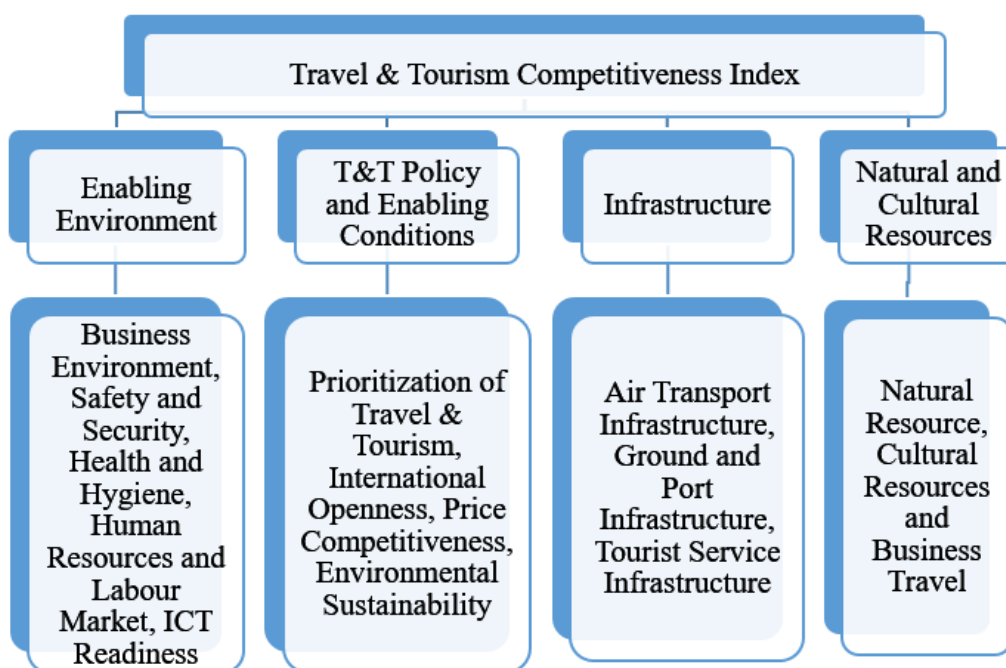
### **3.1 The OECD (Organization for Economic Cooperation and Development) Approach**

The OECD approach is to create a limited set of meaningful and robust indicators that are useful for governments to evaluate and measure the competitiveness of tourism in their countries over time and to guide them in their policy choices. The purpose of this framework is not to produce an index or ranking of the most competitive countries, but to provide a guiding tool for countries to analyze their tourism competitiveness and to inform suitable policies. Several key indicators

have been developed to address common challenges in tourism competitiveness analysis in OECD member and partner countries. The indicators in the OECD framework are organized into four categories: 1. Indicators that measure tourism performance and impact; 2. Indicators that monitor the ability of a destination to provide quality and competitive tourism services; 3. Indicators that monitor the attractiveness of a destination; and 4. Indicators that describe policy responses and economic opportunities.

### 3.2 Travel and Tourism Competitiveness Index (TTCI)

The TTCI provides a means of measuring a country's tourism performance which employs four sub-indexes and their components to represent the overall quality, future potential and long-term sustainability of the tourism sector in each country being assessed. This index was issued by the World Economic Forum (WEF).



Source: WEF, 2019

Note: The assessment consists of 4 sub-indexes: Enabling Environment, Travel and Tourism Policy and Enabling Conditions, Infrastructure and Natural and Cultural Resources, which are composed of 14 components. The Enabling Environment sub-index is composed of: Business Environment, Safety and Security, Health and Hygiene, Human Resources and Labor Market, ICT Readiness. The T&T Policy and Enabling Conditions sub-index is composed of: Prioritization of Travel & Tourism, International Openness, Price Competitiveness, and Environmental Sustainability. The Infrastructure Sub-Index is composed of: Air Transport Infrastructure, Ground and Port Infrastructure, and Tourist Service Infrastructure. The Natural and Cultural Resources sub-index is composed of: Natural Resources, Cultural Resources and Business Travel.

### Method

Literature review is a series of research related to library data collection methods, or research whose research object is explored through various library information (Syadid, 2009). Literature review is a systematic, explicit and reproducible method for identifying, evaluating and synthesizing works of research results and ideas that have been produced by researchers and practitioners. By reviewing relevant literature, researcher understand the breadth and depth of the existing body of work and identify gaps to explore. By summarizing, analyzing, and synthesizing a group of related literature, we can test a specific hypothesis and/or develop new theories. Also evaluate the validity and quality of existing work against a criterion to reveal weaknesses, inconsistencies, and contradictions (Paré et al. 2015). Research Methodology for This Study consist of: 1. Literature Search and Evaluation, 2. Data Extraction and Analysis

## 4.1 Literature Search and Evaluation

### Inclusion criterion

This research includes studies that provide guidance on strengthening tourism and international balance of payments. Articles include studies written in English and Indonesian.

### Literature identification

Researcher started the literature search by using the keywords "how to strengthen tourism", "strengthen balance of payment,". For each manuscript, preliminary relevance was determined by title. From the title, if the content seemed to discuss the topic of the literature review process, we obtained its full reference, including author, year, title, and abstract, for further evaluation. Searched Google Scholar, Web of Science, frequently used databases by researchers across various disciplines.

### Screening for inclusion

We read the abstracts of many studies to determine further their relevance to the research topic: strengthening tourism to strengthen international balance of payments. Four researchers conducted a parallel independent assessment of the manuscript. Discrepancies between the reviewers' findings were discussed and resolved.

### Assessment of quality and feasibility

The researcher read the full text article to further evaluate the quality and feasibility of the study. Journal articles and books published by reputable publishers are considered high-quality research, and are therefore included in reviews. The task of assessing quality and feasibility was also carried out by four researchers in parallel and independently.

### Iterations

Researchers identified several additional studies and tourism strengthening index, issued by the world organization forum. Once the articles defining tourism strengthening reviews and the balance of payments were found, we identified examples of best practice by looking for articles that had referenced tourism and balance of payment papers.

## 4.2 Data Extraction and Analysis

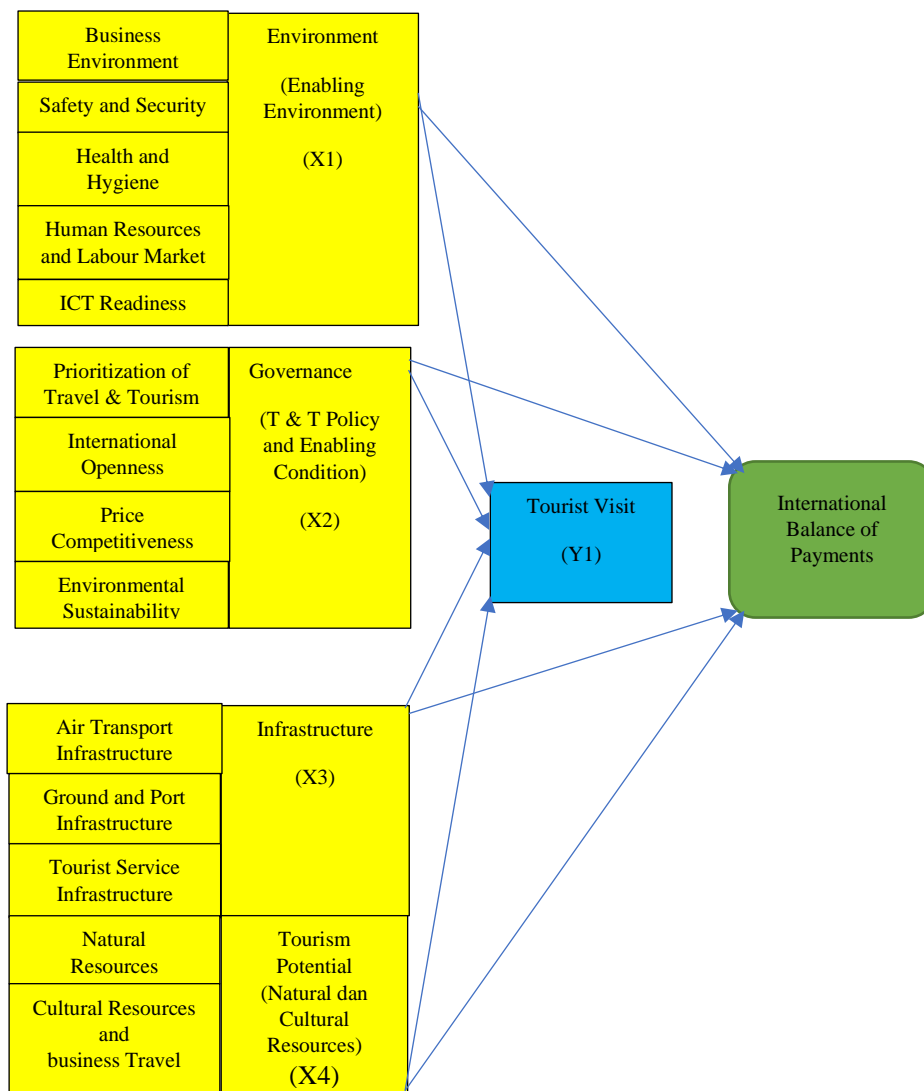
From each study, we extracted information on the following two subtopics: (1) definitions, typologies, and objectives of the tourism strengthening and balance of payments literature review and (2) the literature review process. The literature review process is further broken down into formulating the research problem, developing and validating review protocols, searching the literature, screening inclusions, assessing quality, extracting data, analyzing and synthesizing data, and reporting findings.

## Result and Discussion

Currently, the vast majority of countries are facing serious problems due to their balance of payments deficits. A deficit balance of payments will hinder the development of a country. The enhancement of every transaction in the International Balance of Payments must take into consideration all elements or posts in the BOP. The current account (CA) is one of the transactions in the BOP that records transactions for exports and imports of goods and services. The service account as one of the posts recorded in the CA records the flow of exports and imports of services from within and outside the country. The service account consists of: manufacturing services, maintenance and repair services, transportation services (passengers, goods and others), travel services, construction services, insurance and pension services, financial services, intellectual property use fees, telecommunications, computer and information services, other business services, personal services, cultural, recreational and government services. Trade policy measures to increase the balance of payments surplus refer to measures taken to boost exports and reduce imports of goods and services. Since service account is a component of the current account, one of the potential alternative policy measures to improve the current account is to strengthen tourism in order to increase foreign exchange reserves. A strong tourism service account surplus can make a direct economic impact on the area where the tourism attraction is located.

Global economic and tourism trends, including the changing market and travel behavior trends, the role of social media and new sources of demand and growth, are increasing the importance of the themes and the competitiveness of a country in a changing global marketplace (Dupeyras & MacCallum, 2013). Strengthening a country's tourism is done through strengthening its tourism competitiveness. High tourism competitiveness indicates an advantage in tourism, which leads to a significantly increased number of tourist visits. Influences on competitiveness can change rapidly and these dynamics create further challenges and the need for research and development on sustainable indicators (Dupeyras & MacCallum, 2013).

Referring to the various definitions above, it is impossible to find a perfect uniformity in the definition. Nevertheless, despite the lack of a uniform definition, almost all experts have similar opinions about what should be done in order to increase competitiveness (Sachs et al, 2000). Based on the literature review, it can be concluded that there are similarities between expert opinions between tourism competitiveness indicators and indexes that have been developed by the world tourism organizations. It can be found there is a common opinion among experts on the tourism competitiveness index and indicators that have been developed by the world tourism organization. The most comprehensive framework for measuring travel and tourism competitiveness is the Travel and Tourism Competitive Index. It is used as an indicator of tourism sustainability and serves as a comprehensive strategic tool to measure factors and policies that facilitate the sustainable development of the tourism sector (Crotti, Mishari, 2015). Based on the literature review, a Conceptual Framework for Strengthening Tourism Competitiveness in order to Strengthen the International Balance of Payments was constructed (Figure 4.1).



**Figure 4.1** Conceptual Framework for Tourism Competitiveness Strengthening in order to Strengthen International Balance of Payments



### **5.1 The Environment Strengthens Tourism Competitiveness**

Tourism is an environmentally dependent activity (Rad ang Aghajani, 2010). The environment-tourism relationship has undergone four phases over the last four decades. In the 1950s, it was being viewed as a coexistence. As environmental impact increased with the advent of mass tourism and as environmental awareness grew in the early 1970s, the relationship was perceived to be somewhat in conflict. During the next decade, this view gained much support, although a new proposition was also emerging that the relationship could be mutually beneficial to both the environment and to tourism. Over recent years, the relationship has been increasingly viewed as one with a considerable potential for either conflict or symbiosis. (Dowling, 1992)

During recent years, an increasing attention has been given to the effects of tourism and related developments on the environment of 'destination areas. The increasing popularity of the sustainable development concept has resulted in tourism being viewed as an activity which could easily be developed along those appropriate lines (Butler, 2009). Improved understanding of the complex nature of tourism, and of its linkages to the environment, is crucial if a symbiotic relationship is to be attained and maintained (Butler, 2009). The environmental impact of tourism-related production is markedly different from other types of production, where an integral part of the production itself consists of environmental improvement. (Biondo, 2012).

The key element of physical environment is often referred as tourism (Theobald, 1998 p20). The relationship between the two might be a bit complex, however very sensitive and close. Nevertheless, this relationship includes some suggestions in every society that encourage people to become tourists (Rad ang Aghajani, 2010). Environment is often used in its broadest concept to incorporate various aspects such as culture, economics, politics, social, and physical or natural types. Enabling Environment Sub-factor is composed of Business Environment, Safety and Security, Health and Hygiene, Human Resources and Labor Market, ICT Readiness. (WEF, 2019)

### **5.2 Travel & Tourism Policy and Enabling Conditions Strengthens Tourism Competitiveness**

In recent years, specific policies related to tourism sector are formulated and various facilities are provided. All of these have become a factor which is evaluated in terms of competitive advantage (World Economic Forum WEF, 2015). It is necessary to realize that tourist destination areas evolve and change over time, both in response to, and being altered by, changes in tourism. These destinations are not static environments, and require a responsible and pro-active planning and management. Mere reliance upon local initiatives, uncoordinated planning, and self-regulation in a situation of ill-defined responsibility, will not result in a secure long-term future for either the tourism industry or the environment of the destination area. Coordination of policies, pro-active planning, acceptance of growth limitation, education of all parties involved, and commitment to a long-term point of view are prerequisites to a successful relationship between tourism and sustainable development (Butler, 2009). Travel and tourism policies and supporting conditions play an important role in driving tourism competitiveness, (Rasethunsa and Perks, 2022). Good governance and tourism policies will provide conditions that allow to increased tourism competitiveness.

Tourism Policy and Enabling Conditions (TPEC) Index is mostly related to the evaluation of specific policies and strategic appearance of the tourism sector (Crotti, Misrahi, 2015). Provisions related to the TPEC are evaluated by determining sub-factors which are prepared specifically for the sector. Sub-factors of this factor are Prioritization of Tourism, International Openness, Price Competition, and Environmental Sustainability (WEF, 2015).

### **5.3 Infrastructure Strengthens Tourism Strengthens Tourism Competitiveness**

Tourism infrastructure has long been considered an integral part of tourism and plays a key role in attracting tourists (Seetanah, 2011). Tourism infrastructure has the potential to increase competitiveness and promote tourism by providing travel facilities for tourists (Suleiman and Masoud, 2014). Investments in tourism infrastructure developments to make destinations and services increasingly attractive are considered a key measure in developing a country's tourist destinations (Nguyen, 2021). Improving tourism infrastructure to increase the attractiveness of the destination is an essential factor in attracting tourists. According to Thapa (2012), although the tourism industry has clearly grown, it is important to maintain and develop it through a sustainable strategy for further expansion. Investments in infrastructure development, with an emphasis on tourism infrastructure, is considered as one of the most important factors to help

achieve this goal. Scholars and policy makers agree that infrastructure development plays a key role in sustaining visitor arrivals and overall economic growth (Suleiman and Masoud, 2014). The literatures provide different views on the number and types of the components of tourism infrastructure, which can be classified in various ways. Pearce and Wu (2015) divides tourism infrastructure into two types, namely hard and soft, which Hope (2010) called "social and economic infrastructure". According to Enimola (2010), "the social infrastructure sub-sector covers some social services like the availability of education, information, town and country planning, health services and other social welfare services in the society"; while "the economic infrastructure sector comprises a group of hard-core economic activities which relate to the production of energy and power, transportation services, water and communication services and others" (Ayodele and Falokun, 2003). Based on the model developed by Pearce and Wu (2015), Bagheri et al (2018) have shown that "in order to systematize the tourism sector within the soft infrastructure, a combination of diverse factors is created, which includes hospitality, interpreter services, and person-to-person encounters that tourists can experience". Bagheri et al., 2018, has also added professional human resources to the sub-set of soft infrastructures, emphasizing the human factor as the most important infrastructure element in developing countries". On the approach to the components of tourism infrastructure, Raina (2005) divided it into four categories, namely: "1. Physical; 2. Culture; 3. Services; 4. Governance". Quariti and Jebrane (2020) stated that physical infrastructure includes "hotels, motels, restaurants, transportation, communications, water, and electricity"; cultural infrastructure includes "culture, heritage, fairs and festivals, local art and music, dress and dance, language and food"; service infrastructure includes "banking facilities, travel agencies, insurance agencies, tourist guides"; governance infrastructure includes "law and order apparatus, customs and immigration". In the TTCI, Infrastructure Index is composed of; Air Transport Infrastructure, Ground and Port Infrastructure, Tourist Service Infrastructure (WEF, 2019)

#### **5.4 Natural and Cultural Resources Strengthen Tourism Competitiveness**

The Tourism is the one of the most important economic activities of any country and is one of the fastest growing industries in the world. The tourism industry depends on environmental, natural and cultural resources (Ramaswamy, 2010). The supply of tourism depends on the natural, ecological and environmental resources prevailing in a country. There are three types of sites that are interesting to visit: cultural, natural and mixed

Attraction Marketing is an important reason for tourists, investors and capital to come to a certain place. Attractions are divided into natural and artificial resources (Kuncoro, 2014). Attraction is the main product of a tourist destination. Tourist attractions are related to the concepts of what to see and what to do, i.e. what tourists can see and do at the destination. Attractions can take the forms of natural beauty and uniqueness, the culture of the local community, as well as artificial attractions such as recreational and entertainment parks (Cooper et al.). Countries with abundant natural resources has the potential to become a natural tourist object and will be visited by many tourists. The wealth of natural resources can be described by the presence of many mountains and bounded by vast seas that make this country have an attractive coastline and world natural tourism heritage, diversity of natural resources and fauna. World Natural Heritage refers to biodiversity, including flora and fauna, ecosystems, and geological structures whose beauty is recognized worldwide.

On the other hand, the tourism industry has made a positive impact on the economy by bringing in foreign exchanges, promoting business in the tourism area, exchanging cultural values, strengthening political and economic relations, and bringing a multiplier effect to the economy. However, tourism also has a negative impact on the environment in forms of damaging the environment, causing pollution, destruction of the atmosphere, degradation of environmental quality, producing externalities, depleting the marine and forest ecosystems, loss of flora, fauna, and valuable species, reduction and utilization of resources, waste disposal, and above all importing harmful viruses (Ceballos-Lascurain, 1996). In recent years, cultural and tourism economists advocated ecotourism and medical tourism to attract both local and international tourists. Ecotourism involves traveling to a relatively undisturbed or unpolluted area with the specific aim of studying, admiring and enjoying the landscape and its flora and fauna, as well as any existing cultural manifestations (both past and present) found in the area (Ceballos-Lascurain, 1996). Natural and Cultural Resources compiled by; Natural Resources, Cultural Resources and Business Travel. (WEF, 2015)

## Conclusion

The four sub-factors, namely: Enabling environment, Travel & Tourism Policy and Enabling Conditions, Infrastructure and Natural and Cultural Resources strengthen tourism competitiveness which in turn will further attract more tourists to visit. The increasing number of visits is an indicator to determine the advantage of a country's tourism industry. A superior tourism industry will significantly mitigate the problem of the BOP current account deficit. Tourism in any countries is considered a major source of income, employment, wealth creation and contributes to the economic growth.

After reviewing the articles, a model is formulated regarding the strengthening of tourism and its indirect effect on the number of tourist visits. In the future, the author feels the need to test the model by conducting empirical tests to see the influences of each sub-factor of tourism strengthening on the level of tourist visits in several countries.

## References

- Ajitabh, A. (2008). *Global Competitiveness*. New Delhi: Excel Books. ISBN 978–8174466082.
- Alp, E.A., & Genc, E.G. (2015). The Relation Between Current Account Deficit and Tourism: The Case of Turkey. *International Journal of Economics and Financial Issues*, 5(2), 448–453.
- Anom, Dewa Gede, Kembar Sri Budhi, Madedan Saskara, Ida Ayu Nyoman. 2017. Penentu Kesejahteraan Pengusaha Pemandangan di Kabupaten Tabanan. *Jurnal Ekonomi Kuantitatif Terapan*. 10(1). Hal. 8593
- Antara, Made, (2016) *Kebutuhan Investasi Sektor Basis Dan Non-Basis Dalam Perekonomian Bali*, media.neliti.com
- Arabatzis and Polyzos, 2008. Contribution of natural and socio-cultural resources in tourism development of Mainland Greek prefectures: A typology. University of Thessaly Institutional Repository.
- Ayodele, A'Sesan, and Gabriel O. Falokun. 2003. *The Nigerian Economy: Structure and Pattern of Development*. Palmgrove Lagos: Printotegue.
- Aziz N., 2003. *Pengantar Mikro Ekonomi, Aplikasi dan Manajemen*, Banyumedia Publising, Malang.
- Bazargani Reza Hossein Zadeh and Kilic Hasan. 2021. Tourism Competitiveness and Tourism Sector Performance: Empirical Insights From New Data. *Journal of Hospitality and Tourism Management*. Vol. 46. Page 73-82. ISSN 1447-6770, <https://doi.org/10.1016/j.jhtm.2020.11.011>.
- Bagheri, Moslem, Shojaei Payam, and Maryam Tayebi Khorami. 2018. A comparative survey of the condition of tourism infrastructure in Iranian provinces using VIKOR and TOPSIS. *Decision Science Letters* 7: 87–102
- Begg, I., (1999). Cities and Competitiveness. *Urban Studies*, 36(5-6), 795-809.
- Biondo Alessio Emanuele. 2012. Tourism and sustainability: the positive externality. *International Journal of Sustainable Economy*. Vol. 4. ISSN: 1756-5804. Pp 155-166.
- Bishop, CE, dan Toussaint, WD. 1986. *Pengantar Analisa Ekonomi Pertanian*, diterjemahkan oleh Wisnuadji, Harsojono, Suparmoko, Team Fakultas Ekonomi UGM, Mutiara Sumber Widya, Surakarta.
- Burke, L., Reyntar, K., Spalding, M., Perry, A., 'Reefs at risk revisited', World Resources Institute. (Washington, DC. 2011).
- Butler, R. (2009). Tourism, Environment, and Sustainable Development. *Environmental Conservation*, 18(3), 201-209. doi:10.1017/S0376892900022104
- Ceballos-Lascurain, H. (1996). *Tourism, ecotourism and protected areas*. IUCN (World Conservation Union). Switzerland: Gland.
- Çelik Ali Kemal, Sami Özcan, Abdullah Topcuoğlu & Kürşad Emrah Yildirim (2013). Effects of the tourism industry on the balance of payments deficit, *Anatolia: An International Journal of Tourism and Hospitality Research*, 24:1, 86-90, DOI: 10.1080/13032917.2013.772529. <http://dx.doi.org/10.1080/13032917.2013.772529>
- Chiu, Wheisheng (2016), The Influence of Destination Image and Tourist satisfaction on Tourist Loyalty: A Case Study of Chinese Tourist in Korea, *International Journal of Culture Tourism and Hospitality Research* 10(2): 223-234
- Cooper, C., et al., 2005, *Tourism Principle and Practice*, 3rd end, Pearson, England.
- Crotti, R. Misrahi, T. (2015), *The Travel & Tourism Competitiveness Index: T&T as a Resilient Contribution to National Development*, World Economic Forum.
- Djogo, M., & Stanisic, N. (2016). Is the Global Competitiveness Report the right measure of macro-economic competitiveness? In *Zbornik radova Ekonomskog fakulteta u Rijeci, časopis za ekonomsku teoriju i praksu*, 34(1), 91–117.
- Dowling. 1992. *Tourism and Environmental Integration: The Journey from Idealism to Realism*. Progress in tourism, recreation and hospitality management, Vol. 4. 1992 pp.33-46.
- Dupeyras, A. and N. MacCallum (2013), "Indicators for Measuring Competitiveness in Tourism: A Guidance Document", OECD Tourism Papers, 2013/02, OECD Publishing. <http://dx.doi.org/10.1787/5k47t9q2t923-en>
- Ekanayake E. M. dan Long Aubrey E., (2012). Tourism Development and Economic Growth in Developing Countries. *The International Journal of Business and Finance Research*, 6(1):61-63.

- Enimola, Sam S. 2010. Infrastructure and economic growth: The Nigeria experience. 1980–2006. *Journal of Infrastructure Development* 2: 121–33
- Gabriel Brida Juan & Wiston Adrian Risso. 2010. Tourism as a determinant of long- run economic growth. *Journal Of Pol- icy Research in Tourism, Leisure and Events*. 2:1, 14-28.
- Gupta, Umesh Kumar. 2016. *An Analysis for The Cobb-Douglas Production Function in General Form. International Journal of Applied Research*. 2 (4). pp. 96-99
- Hady, H a m d i , 2 0 0 4 , *Ekonomi Internasional Buku Keua Teori dan Kebijakan Keuangan Internasional*, Ghalia Indonesia, Jakarta
- Hope, Kempe Ronald. 2010. Infrastructure constraints and development in Kenya: An analytical review. *Journal of Infrastructure Development* 2: 91–104
- Kuncoro, M u d r a j a t , 2 0 1 4 , *Otonomi Daerah Menuju Era Baru Pembangunan Daerah*, Erlangga, Yogyakarta
- Kravcakova-Vozarova, I., Kotulic, R., & Sira, E. (2015). V4 countries' agricultural sector evaluation in terms of competitive advantage. *ΣΥΝΕΙΡΗΜΑΤΑ*, 5(6), 60–63.
- Mankiw, N. Gregory. 2000. *Teori Makroekonomi Edisi Keempat*. Terjemahan : Imam Nurmawan. Jakarta: Erlangga.
- Marco Serrato, Karla Valenzuela, Victor Rayas. (2013). Improving Tourism Competitiveness: The Case of Mexico. *Business and Economic Research Macrothink Institute*. 3(1): 388-405.
- Nguyen, Q.H. Impact of Investment in Tourism Infrastructure Development on Attracting International Visitors: A Nonlinear Panel ARDL Approach Using Vietnam's Data. *Economies* 2021, 9, 131.
- Ötürk, Y, UŞAKLI, A. (2013), Global Inovasyon Endeksi: Akdeniz çanağındaki destinasyonlara yönelik Karşılaştırmalı Bir Analiz, 14. Ulusal Turizm Kongresi, Kayseri
- Paré Guy, Trudel Marie-Claude, Jaana Mirou, Kitsiou Spyros. 2015. "Synthesizing Information Systems Knowledge: A Typology of Literature Reviews." *Information & Management* 52:183–99.
- Pearce, Philip L., and Mao-Ying Wu. 2015. Soft infrastructure at tourism sites: Identifying key issues for Asian tourism from case studies. *Tourism Recreation Research* 40: 120–32.
- Porter, Michael E. (1995). *Competitive Advantage*. Ne Yprk: The free Press Edisi terjemahan, 2008; Kharisma Publishing Group.
- Rad Abdoreza Faraji and Aghajani S. 2010. The Relationship Between Tourism and Environment. *Iranian Journal of Tourism & Hospitality*. Vol 1. No 1.
- Ramaswamy, S. and Sathis Kumar, Ganasen, Tourism and Environment: Pave the Way for Sustainable Eco-Tourism (March 5, 2010). Available at SSRN: <https://ssrn.com/abstract=1565366> or <http://dx.doi.org/10.2139/ssrn.1565366>
- Raina, Abhinav kamal. 2005. *Ecology, Wildlife and Tourism Development: Principles, Practices and Strategies*. Delhi: Sarup & Sons. [Google Scholar]
- Raschen, Martin. 2014. The Problem of Balance of Payment Imbalances, *Dokumente Fokus Volkswirtschaft (FKW)*, 44 (5), pp:146-155.
- Rasethunsa, B.C., Perks, S. (2022). Travel and tourism policies and enabling conditions: An analysis of strategies in Mauritius and Egypt. *Turyzm/Tourism*, 32 (1), 159–183. <https://doi.org/10.18778/0867-5856.32.1.08>
- Rasheed Rubina, et al. (2019). *The Impact of Tourism on Deficit in Balance of Payments of Pakistan: an application of bounds testing approach to cointegration*. *Asia Pacific Journal of Tourism Research*. 4(24), 325-332.
- Rita, P. (2000). Tourism in the European Union. *International Journal of Contemporary Hospitality Management*, 12(7), 434-436.
- Porter, M. E., "The Competitive Advantage of Nations", New-York, M.I.T. Press, 1990
- Seetanh, Boopen, Thanika Devi Juwaheer, Matthew John Lamport, Sawkut Rojid, Raja Vinesh Sannasee, and Ushad Subadar Agathe. 2011. Does infrastructure matter in Tourism Development? *University of Mauritius Research Journal* 17: 89–108
- Shen Hejiang, et.al. 2009. The Value and Effect of the Tourism Industry's Priority to Restoration and Rebuilding after Catastrophe. *International Journal of Business and Management*. Vol. 4. No. 8.
- Sisno. 2002. Efisiensi Usaha Tani Tembakau Berdasarkan Perbedaan Luas Lahan Garapan. Tesis, Universitas Gajah Mada, Yogyakarta.
- Širá, E., & Pukała, R. (2019). Competitiveness of Travel and Tourism in Selected Countries. *Czech Journal of Tourism*, 8(1), 17–31. DOI: 10.2478/cjot-2019-0002.
- Soeratno, dkk. 2000. *Ekonomi Mikro Pengantar*. STIE YKPN. Yogyakarta.
- Sukirno Sadono, 2006, *Ekonomi Pembangunan Proses, Masalah, dan Dasar Kebijakan*, Kencana Prenada Media Group, Jakarta
- Sugiyanto. 2002. *Ekonomi Mikro*. Yogyakarta: BPFE Yogyakarta.
- Suleiman, Najat Nassor & Masoud, Mohamed. (2014). Dynamic relationship between tourism, trade, infrastructure and economic growth: Empirical evidence From Malaysia. *Journal of African Studies and Development*. 6. 49-55. 10.5897/JASD2013.0260.
- Thano Rakela 2015, The Impact of Tourism on the Balance of Payments. *American Journal of Economics, Finance and Management*, 1(5):529-536.
- Thapa, Brijesh. 2012. Soft-infrastructure in tourism development in developing countries. *Annals of Tourism Research* 39: 1705–10
- Theobald, F., W., 1998, *Global Tourism*, 2nd edn, Reed Educational and Professional Publishing Ltd, , UK
- The Travel & Tourism Competitiveness Report. (2011). Blanke, J., Chiesa, T. (eds.), (World Economic Forum, Switzerland. 2011)

- Thirlwall, A.P. (2012). Balance of payments constrained growth models: history and overview. In *Models of Balance of Payments Constrained Growth* (pp. 11–49). London: Palgrave Macmillan.
- Tosun, C., Timothy, D. J., & Öztürk, Y. (2003). *Tourism growth, national development and regional inequality in Turkey*. *Journal of Sustainable Tourism*, 11(2), 133–161.
- Ulhag, Zulvikar & Rahmayanti, Mayu. 2020. *Panduan Penulisan Skripsi Literatur Review*. Fakultas Kedokteran dan Ilmu Kesehatan Universitas Islam Negeri Maulana Malik Ibrahim Malang, UNWTO Tourism Highlights. 2011 Edition. (World Tourism Organization: Spain, 2011). *World Tourism Barometer*. (World Tourism Organization: Spain, 2011).
- Utama, Ch. & Melianna, R. (2020). The Role of Monetary Policy in Comparative Advantage and Trade Balance of Capital-Intensive Industry in Indonesia. *Ekonomika Regiona [Economy of Region]*, 16(1), 298-309
- Vida, M., Kádar, G., & Kádárová, J. (2017). Analýza konkurencieschopnosti slovenských podnikov (Analyses of the Competitiveness of Slovak Republic Enterprises). *Transfer inovácií (Transfer of Innovations)*, 13/2009, 133–136.
- Yoeti, Oka A. 2001, *Tours and Travel Management*, Edisi 6, PT Pradnya Paramita, Jakarta. <https://republika.co.id> diunduh 18 juni 2020 pukul 10.01 <https://merahputih.com> diunduh 18 juni 2019, 10.54
- Yu, Min. 2016. Research on the impact of infrastructure construction on tourism industry: Evidence from the “Wuhan-Guangzhou high speed rail”. *Open Journal of Social Sciences* 4: 126–31.