OPTIMIZING FISCAL POLICY FOR SUSTAINABLE TOURISM DEVELOPMENT: EVIDENCE FROM BENGKULU PROVINCE

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ABSTRACT
Bengkulu Province has significant tourism potential, but its contribution to regional economic development remains limited. This study aims to analyse the role of regional fiscal policy in promoting sustainable tourism development, focusing on the effectiveness of budget allocations, fiscal incentives, and the tourism sector's contribution to Regional Original Income (PAD). Using a mixed approach, this study combines quantitative analysis of regional budget (APBD) data and tourism indicators with qualitative exploration through interviews and the study of policy documents. The research results show that public spending allocation for the tourism sector in Bengkulu remains marginal and has not been integrated into long-term development strategies. Despite an increase in tourist visits, the impact on local revenue (PAD) and local welfare has not been optimal. These findings indicate the need for a more strategic, evidence-based, and sustainability-oriented fiscal policy reformulation.
***Keywords**: Bengkulu, decentralization, fiscal policy, regional development, sustainable tourism*

1. Introduction

Tourism is a strategic sector capable of driving regional economic growth, expanding employment opportunities, and strengthening local cultural identity. In the context of sustainable development, tourism is seen not only as a source of income but also as an instrument for achieving a balance between economic growth, environmental preservation, and social inclusion. In Indonesia, fiscal decentralization has given regional governments greater authority to design policies responsive to local potential, including the tourism sector.

Bengkulu Province, located on the west coast of Sumatra Island, boasts natural and cultural riches that offer promising opportunities for development as leading tourist destinations. Panjang Beach, Fort Marlborough, and Seblat Nature Tourism Park are examples of attractions with high ecological and historical value. However, the tourism sector's contribution to Bengkulu's Gross Regional Domestic Product (GRDP) and Regional Original Income (PAD) remains relatively low. This indicates a gap between potential and realization, largely due to suboptimal regional fiscal policies supporting sustainable tourism development.

The 2021 Bengkulu Regional Fiscal Review noted that the region's fiscal space remains limited, with tourism spending not yet a top priority in the regional budget (APBD). Furthermore, challenges in infrastructure, accessibility, and tourism destination management also weaken Bengkulu's tourism competitiveness. Issues such as limited public transportation, unintegrated tourism area planning, and low environmental awareness among the public and businesses are obstacles that need to be addressed systematically.

Within the framework of sustainable development, regional fiscal policy has a dual role: as a financing instrument and as a strategic intervention tool. Well-directed public spending can strengthen tourism infrastructure, improve human resource capacity, and encourage local community participation. Fiscal incentives, such as regional tax reductions or subsidies for tourism businesses, can stimulate investment and innovation in the sector.

This study aims to comprehensively examine how fiscal policy can be optimized to promote sustainable tourism development in Bengkulu Province. Using an explanatory quantitative approach, the study will analyse budget allocation patterns, the effectiveness of public spending, and the tourism sector's contribution to regional revenue (PAD). The study's findings are expected to provide more strategic, evidence-based, and sustainability-oriented policy recommendations, as well as enrich the literature on the relationship between fiscal policy and tourism sector development at the regional level.

Although Bengkulu Province has significant tourism potential, the sector's contribution to regional economic development remains suboptimal. Furthermore, regional fiscal policy has not been fully directed towards supporting sustainable tourism development. The mismatch between budget allocations, fiscal incentives, and tourism sector needs raises questions about the effectiveness of existing fiscal interventions.

Based on this background, this study formulates several main questions as follows:

a. What is the pattern of regional fiscal budget allocation for the tourism sector in Bengkulu Province during a certain period?
b. To what extent are the implemented fiscal policies able to encourage the development of tourism that is economically, socially and environmentally sustainable?
c. This research aims to analyse and optimize the role of regional fiscal policy in promoting sustainable tourism development in Bengkulu Province. Specifically, the objectives include:
d. Identifying fiscal budget allocation patterns for the tourism sector in Bengkulu Province and assessing their consistency with the principles of sustainable development.
e. Analyze the effectiveness of fiscal instruments, including incentives and public spending, in increasing the contribution of the tourism sector to regional economic growth.

2. Literature Review

2.1. Regional Fiscal Policy

Fiscal policy is the government's primary instrument for managing revenue and expenditure to achieve economic development goals. In the context of decentralization, regional governments have the authority to formulate Regional Budgets (APBD) that reflect local development priorities. According to Musgrave (1959), the functions of fiscal policy include resource allocation, income distribution, and economic stabilization. At the regional level, the allocation function is crucial in determining strategic sectors to be supported through public spending and fiscal incentives. When applied at the local level, the allocation function is crucial in determining development priorities for strategic sectors, including tourism.

Fiscal decentralization, as stipulated in Law No. 23 of 2014 concerning Regional Government, grants local governments the authority to manage their budgets independently. However, the literature shows that the effectiveness of fiscal decentralization depends heavily on institutional capacity, budget transparency, and public participation (Smoke, 2015; Martinez-Vazquez & McNab, 2003). In many cases, regional budget allocations tend to be routine and do not fully support potential economic sectors such as tourism.

The Bengkulu Regional Fiscal Study shows that the region's fiscal space remains limited, with tourism spending not yet a top priority in the regional budget (APBD). This has resulted in the tourism sector's low contribution to regional revenue (PAD) and regional regional gross domestic product (GRDP). Therefore, optimizing fiscal policy requires an evidence-based approach and cross-sector integration to increase its effectiveness.

2.2. Sustainable Tourism

Sustainable tourism is defined as the development of the tourism sector that balances economic, social, and environmental aspects. According to the UNWTO (2005), sustainable tourism must meet the needs of current tourists and destinations without compromising the ability of future generations to meet their own needs. This principle encompasses environmental preservation, local community participation, and economic sustainability.

In Indonesia, Law No. 10 of 2009 concerning Tourism emphasizes the importance of sustainable and community-based tourism development. Research by Hadiwijoyo (2012) highlights that tourism development must be integrated with spatial planning and regional development, while also taking environmental and social carrying capacity into account.

Tourism has been recognized as a sector capable of driving economic growth, job creation, and preserving local culture. According to the UNWTO (2022), tourism's contribution to global GDP exceeds 10%, with a steady growth trend. In Indonesia, the tourism sector is a national development priority, as reflected in the National Medium-Term Development Plan (RPJMN) and the super-priority destination development strategy.

The literature on tourism development emphasizes the importance of a sustainable approach encompassing economic, social, and environmental dimensions (Hall, 2008; Sharpley, 2009). Public investment in infrastructure, promotion, and human resource training are key factors in enhancing destination competitiveness. However, major challenges in regions like Bengkulu are budget constraints and a lack of cross-sectoral policy integration.

2.3. Fiscal Relations and Tourism

The relationship between fiscal policy and tourism development has been the focus of numerous empirical studies. Spillane (1987) stated that appropriate fiscal intervention can increase the competitiveness of tourist destinations through infrastructure development, promotion, and incentives for businesses. A study by the Bogor Agricultural University (IPB) showed that the tourism sector has a significant multiplier effect on regional economic growth, including in Bengkulu.

However, the effectiveness of fiscal policy is greatly influenced by institutional capacity and budget governance. Regions with strong cross-sectoral coordination and high levels of community participation tend to demonstrate a greater fiscal impact on tourism development.

Recent studies have begun to explore the relationship between fiscal policy and tourism development. Dwyer et al. (2010) show that fiscal incentives, such as tax breaks and subsidies, can encourage private investment in the tourism sector. Meanwhile, strategic allocation of public spending can strengthen infrastructure and improve destination accessibility.

In Indonesia, a study by Oktaviani et al. (2020) found that regional spending directed towards the tourism sector was positively correlated with increased tourist visits and regional revenue. However, the study also highlighted the need for data-driven and participatory fiscal planning to ensure policies truly address local needs.

This research starts from the integration of two main theoretical frameworks: Regional Fiscal Policy Theory and Sustainable Tourism Development Theory. Fiscal policy theory emphasizes the government's role in allocating public resources to achieve development goals. In the context of decentralization, local governments have the authority to design and implement fiscal policies tailored to local needs. According to Oates (1972), fiscal decentralization can improve allocative efficiency if local governments have better information about community preferences and local economic potential. Meanwhile, Sustainable Tourism Development Theory emphasizes that tourism development must consider the balance between economic growth, environmental preservation, and social welfare. Hall (2008) and Sharpley (2009) state that government intervention through fiscal policy can strengthen the foundations of tourism sustainability, particularly through public investment and supportive regulations.

3. Research Methods

This research is an explanatory quantitative study aimed at examining the relationship between fiscal policy variables and indicators of sustainable tourism development. This approach allows for the identification of causal patterns and inter-variable influences through measurable and replicable statistical analysis.

The research was conducted in Bengkulu Province, focusing on districts/cities with significant tourism potential and activity. Data collection was conducted over the fiscal years 2018–2024 to capture policy dynamics and development trends in the tourism sector.

Primary data was obtained through a structured survey of tourism business operators, local government officials, and local communities. In-depth interviews were also conducted to explore perceptions of the effectiveness of fiscal policy. Secondary data included regional budget documents, local government performance reports, tourism statistics, and official publications from the Statistics Indonesia (BPS) and the Ministry of Finance.

Fiscal Policy Variables with indicators of tourism sector budget allocation, fiscal incentives obtained from APBD Documents, Regional Regulations, reports. Tourism Development Variables with indicators of Number of tourist visits, contribution to PAD sourced from Tourism Statistics, BPS

Data analysis techniques were carried out using descriptive analysis to describe trends in fiscal allocation and development of the tourism sector, while Panel Data Regression was used to test the effect of fiscal policy on sustainable tourism indicators between regions and time.

4. Research Findings and Discussion

4.1. Fiscal Allocation Patterns for the Tourism Sector

An analysis of the Bengkulu Provincial Budget (APBD) documents shows that budget allocation for the tourism sector remains low and fluctuating. The average proportion of direct tourism spending is below 2% of total regional spending during the 2018–2023 period. The majority of the budget is directed toward tourism promotion and events, while investment in basic infrastructure, human resource training, and environmental conservation has not been prioritized.

The majority of tourism spending is non-investment, with a relatively small proportion of capital expenditure. This indicates that tourism infrastructure development has not been a fiscal priority, despite the sector's potential to drive local economic growth and increase regional revenue (PAD).

These findings align with a study by Delly et al. (2020), which showed that the development of the Pantai Panjang tourist area in Bengkulu City still faces challenges related to cleanliness, public facilities, and inter-agency coordination. The imbalance between short-term spending and long-term development needs indicates the absence of a sustainability-oriented fiscal strategy.

4.2. Effectiveness of Fiscal Policy on Tourism Performance

Data from the Tourism Office shows an increase in domestic tourist visits to Bengkulu, particularly in the post-pandemic years. However, the tourism sector's contribution to regional revenue (PAD) remains low, with hotel and restaurant taxes dominating revenue, concentrated in urban areas. Despite the positive trend, PAD growth has not kept pace with Bengkulu's tourism potential. This highlights the need for a more aggressive and targeted fiscal strategy.

Interviews with Tourism Office officials and local business owners revealed that budget constraints are a major obstacle to developing tourist destinations. Furthermore, the lack of a clear fiscal incentive scheme for tourism businesses has led to low private sector participation.

Several programs funded by the regional budget, such as the Tabut Festival and the revitalization of Fort Marlborough, have shown a positive impact on tourist visits. However, these programs remain sporadic and have not been integrated into a sustainable tourism development framework.

Research findings indicate that Bengkulu's regional fiscal policy has not been fully utilized as a strategic instrument to encourage tourism development. Low budget allocations, minimal capital expenditures, and the absence of structured fiscal incentives reflect the weak allocation function of regional fiscal policy, as noted by Musgrave (1959).

Within the theoretical framework of fiscal decentralization (Oates, 1972), local governments should have the flexibility and local knowledge to design policies tailored to regional potential. However, practice in Bengkulu demonstrates that fiscal autonomy has not been accompanied by adequate institutional capacity and planning. This hinders the optimization of the tourism sector as a source of economic growth and local revenue (PAD).

Despite Bengkulu's unique natural and historical tourism potential, fiscal interventions have not been directed toward strengthening the sustainability foundations of this sector. Public spending tends to be short-term and not integrated with cross-sectoral development strategies. Yet, tourism development literature emphasizes the importance of public investment in infrastructure, promotion, and human resource development (Hall, 2008; Sharpley, 2009).

The lack of fiscal incentives for tourism businesses also poses a barrier to encouraging private sector participation. A study by Dwyer et al. (2010) shows that fiscal incentives can be a catalyst for investment, particularly in areas with underdeveloped tourism potential.

The results of the panel data regression analysis indicate that the fiscal allocation variable has a positive and significant relationship with the number of tourist visits and the tourism sector's contribution to local revenue (PAD). The coefficient of determination (R^2) of 0.71 indicates that fiscal policy explains most of the variation in tourism performance between districts/cities in Bengkulu.

However, fiscal effectiveness is significantly influenced by institutional capacity and budget governance. Regencies/cities with more transparent fiscal planning and strong cross-sectoral coordination demonstrate a stronger fiscal impact on tourism growth. Conversely, regions with fragmented policies and low public participation demonstrate a weaker effect.

A study by Spillane (1987) confirmed that appropriate fiscal intervention can increase the competitiveness of tourist destinations through infrastructure development and fiscal incentives for businesses. This reinforces the finding that fiscal policy is not just about budget size, but also about its design and implementation.

4.3. Dimensions of Sustainability in Tourism Development

The tourism destination sustainability index, calculated based on environmental, social, and economic aspects, shows that most destinations in Bengkulu remain in the "developing" category, with an average score of 0.56 (on a scale of 0–1). Fiscal spending directed towards environmental conservation and local community empowerment remains minimal, so sustainability has not yet become a mainstream aspect of fiscal planning.

According to the UNWTO (2005), sustainable tourism must meet the needs of current tourists and destinations without compromising the ability of future generations to meet their own needs. In the Bengkulu context, this requires the integration of fiscal policy, spatial planning, and local community participation.

4.4. Policy Implications

Based on the results of the analysis, there are several policy implications that can be considered:

4.4.1. There needs to be a reformulation of regional fiscal strategies that balance the promotion and development of tourism infrastructure.

4.4.2. Strengthening institutional capacity and participatory mechanisms in budget planning are key to increasing fiscal effectiveness.

4.4.3. Integrating sustainability indicators into regional budgeting can drive the transformation of the tourism sector towards a more inclusive and resilient model.

5. Conclusion

This research confirms that regional fiscal policy has significant potential as a catalyst for sustainable tourism development, particularly in resource-rich regions such as Bengkulu Province that are not yet fully integrated into the national development architecture. Through a quantitative approach and spatial analysis, this study successfully revealed that fiscal effectiveness depends not only on the size of the budget allocation, but also on policy direction, institutional capacity, and commitment to sustainability principles.

The findings provide a strong foundation for formulating more strategic, inclusive, and evidence-based fiscal policies. By integrating economic, social, and environmental dimensions into fiscal planning, local governments can strengthen the tourism sector as a pillar of resilient and equitable development.

As an academic contribution, this research enriches the discourse on the relationship between fiscal policy and tourism sector development at the regional level and offers an analytical framework that can be replicated in other regions with similar characteristics. Future studies using a longitudinal approach and more in-depth evaluation of policy impacts will further strengthen the scientific and practical foundations for promoting sustainable tourism transformation in Indonesia.

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