

# Rural Tourism Perspectives on Digital Innovation: Small Enterprises in Indonesia

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## ABSTRACT

The study explored the nature of digital transformation in rural areas and reflected on opportunities and challenges for small and medium sized enterprises (SMEs) in rural tourism areas. Digital infrastructure is the foundation for digital innovation and, as such, ambitious broadband connectivity targets have been set by all areas. Ensuring equal access to infrastructure for all is a crucial step towards bridging the urban-rural digital divide. Alongside the need for tailor-made approaches within different sectors, it is crucial to develop locally-anchored initiatives to support SMEs in rural areas to engage with digitalisation. Getting over this hurdle requires initiatives that take a company-centred approach and promote mutually beneficial collaboration.

**Keywords:** *rural tourism, digital innovation, small enterprises, SMEs*

## 1. INTRODUCTION

Indonesia's population is approximately 250 million more people in over 78 thousand villages in Indonesia with their cultural traditions and customs, Indonesian culture and Indonesian culture made from cultural and cultural cultures and customs, local wisdom, traditions with 742 languages and dialects from 1,128 ethnics. The diversity of ethnic groups with their culture is spread in most remote areas and rural areas. It is a strategic asset that must be protected, developed, and utilized sustainably to be able to provide prosperity. But it also provides added value, among others, from ecological, educational, socio-cultural, and economic aspects that benefit the nation. Especially in rural areas [1].

According to the Indonesian Central Bureau of Statistics, tourist visits to Indonesia are rapidly increasing. Before 2015, the number of foreign tourists who visited Indonesia was always less than 10 million. Following that, international tourist visits surpassed 10 million. Foreign tourist arrivals increased by 12.6 percent in 2018 compared to 2017, totaling seven million visits. Overseas tourist growth outpaces that of neighboring countries such as Malaysia and

Singapore. Even in 2018, Malaysia experienced a decrease in foreign tourist arrivals [2].

Rural tourism is broadly defined as a tourism activity that takes place in a rural area. According to the literature, some common features of rural areas include agriculture as the primary source of income, a low level of population density, and the prevalence of real culture and social customs in the area. [3]. Rural tourism as a type of tourism located in areas within a destination that are characterised by rural functions (such as authentic, traditional, locally-based, sparsely populated, remote, and mainly agricultural areas) where the tourists can psychologically, socially, or physically, immerse themselves in this specific destination. Further, it could be argued that rural tourism aims to revitalise rural resources for local socio-economic benefits and environmental sustainability through active local community involvement and empowerment [4].

Meanwhile, based on The Ministry of Culture and Tourism Regulation No. 18 of 2011, rural tourism is a form of integration between attractions, accommodation, and supporting facilities presented in

a structure of community life that blends with the prevailing ordinances and traditions. A tourist village has a distinctive attraction (it can be the physical uniqueness of the rural natural environment, as well as the socio-cultural life of its people) that is packaged naturally and attractively so that the appeal of the countryside can drive tourists to the village [5].

The concept of a tourist village is one of the ways to improve the welfare of the community. Sub-district tourism villages, in addition to the level of urbanization from rural to urban, as well as new fields in the community. The management of the tourist village adheres to a profit-sharing system that is very contrary to the business-oriented system. So the benchmark of tourist villages is not only at the income level, but the community going forward for welfare. In the tourist village, various parties get benefits and the village remains sustainable.

The availability of well-developed infrastructures, such as modes of transportation and communication, water, electric power and gas supply, catering, shopping, and medical facilities, is a necessary condition for the development of rural tourism. Although there is a subset of tourists (not insignificant) who prefer rest and recreation in the wilderness, escaping noisy, civilized life [6].

Rural tourism cannot be separated from the existence of small enterprises (SMEs) that support its activities and sustainability. SMEs in tourist villages not only run the main business of production but also act as a tourist attraction visited by tourists [7].

The role of SMEs is increasingly challenging with globalization requiring them to adapt to stay afloat and develop. The existence of the covid 19 pandemics also affects the continuity of SMEs in the tourism sector, especially rural tourism. This is certainly a very big challenge for SMEs to be able to survive by doing business by the current era of the Covid-19 pandemic. Digitalization of SMEs can be said to be an expansion that becomes a solution to maintain the running of SMEs.[8] Enabling SMEs digitally with focus on productivity, finance and skills of workforce as the determinant factor. The impact of these factors on the business sustainability of SMEs are addressed [9].

Regardless of the positive direction, digital development within the country is still a concern; areas and villages frequently lack digital infrastructure and

digital transformation technology. As a result, the purpose of this article is to provide perspective in the language of competitiveness through digitalization. It is the intention, in particular, to smart how, sustainable and financial traces of digitization could be a tool to improve the competitiveness and attractiveness of rural areas through innovation and for SMEs in regions.

## **2. METHOD**

The baseline study explored the nature of digital transformation in rural areas and reflected on opportunities and challenges for small and medium-sized enterprises (SMEs) in rural tourism areas in Indonesia. The method used is historical bibliographic, i.e., literature review (desk research) by working to collect, compile or classify, analyze, and interpret collected data and library information. Literature studies are conducted through the collection of data and information relevant to the problem studied by relying on the availability of the latest literature and research results. Especially related to sustainable tourism, rural tourism, digital transformation, and SMEs. Data and information literacy in print or electronic form can be primary sources such as autobiography, research reports, and interview results. Secondary sources include research, reviews, summaries, criticisms, encyclopedias, dictionaries, and handbooks.

## **3. DISCUSSION**

Digitalization holds considerable potential for rural areas. It allows us to overcome the challenges associated with geographical distance, ensuring equal opportunities regardless of where people live [10]. These rural disparities are often referred to as the digital divide and are caused by shortcomings with respect to supply (e. g. infrastructure) and demand (e. g. lack of knowledge or skills to unlock the opportunities associated with digitalization) [11].

Importantly, businesses must understand that digital transformation requires a wide change and integration of digital processes into every aspect of the company. It is important that this transformation is supported both at company level by changes in culture, leadership, skills and processes, as well as at the regional and national level by introducing supporting policies and programmers. These include the presence of regional level digitalization strategies, as well as

strong coordination and integration among different regional policy actors and instruments [12].

**3.1. The Digital Divide: Infrastructure**

The digital divide is the difference between people who can profit from the digital era and those who cannot. [13]. People who do not have access to the internet or other information and communication technologies will be disadvantaged because they will be unable or less able to get digital information, purchase online, engage democratically, or acquire and contribute skills. This led in initiatives that provided computers and related services to those who did not have access to them. Rural areas stand to benefit greatly from digitalization. It holds the promise of bridging geographical divides and ensuring equal access to opportunity regardless of where people live. Simultaneously, rural and sparsely populated areas are thought to lag behind their urban counterparts in terms of digital infrastructure provision and the development of digital knowledge and skills.

These urban-rural disparities are commonly referred to as the digital divide, and they can prevent rural communities from taking advantage of the opportunities that come with digitalization.

The digital divide commonly considers two main aspects: the first focuses on the levels of internet use, the motivations and abilities in using ICTs and internet services; the second looks at the conditions to access ICTs from the supply side of digital services and infrastructures. The concept keeps on evolving, along with technological developments supported by industrial, emerging consumption patterns and the uptake of new devices and applications spurring demand for an increasing data traffic load on communication networks [14].

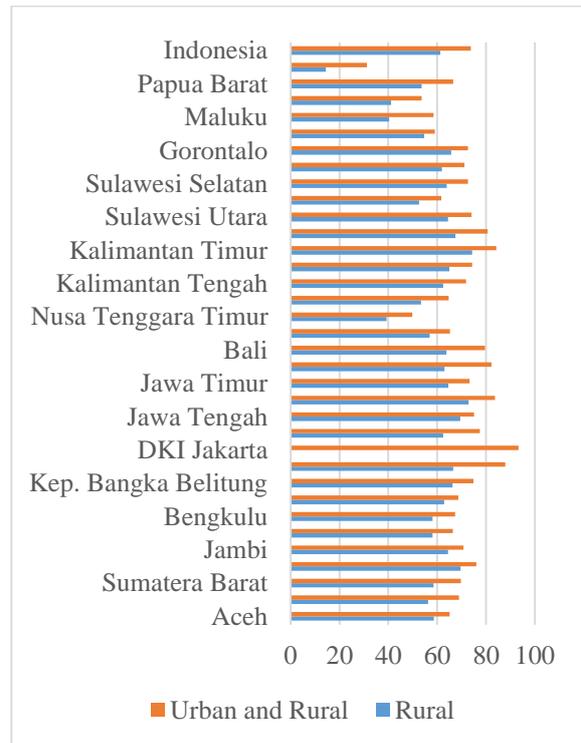
Indonesia as an island-shaped country needs ICT infrastructure for interconnectivity between islands, between regions, between communities, or between agencies. However, there are still many areas that have not been touched by ICT infrastructure, especially in the eastern part of Indonesia. There are still many areas of Indonesia that have not been reached telecommunication services can be understood considering the vastness of Indonesia which is about 7.9 million km<sup>2</sup>.

For rural communities, access to modern digital infrastructure and the services it enables is critical. This

infrastructure is the bedrock upon which competitiveness, attractiveness, innovation, and economic growth are built. Indonesia had coverage levels are 73,75% in 2019. Which means that 73.75% of Indonesians in cities or villages get internet access.

As for the entire province, each varies in internet access in the city and in the village. DKI Jakarta, Riau Islands and East Kalimantan provinces are the top three companies that accessed the internet in 2019. While Papua, East Nusa Tenggara and North Maluku are the lowest provinces in accessing the internet. (Figure. 1)

Based on figure 1, it can be seen that rural households are quite large with little difference compared to urban households. This suggests that the chances of rural residents are quite large (even almost equal) with urban populations in the development of technology.



**Figure 1.** Percentage of Households Accessing the Internet by Province in 2019 (Source: BPS, 2019)

Based on figure 1 it seems that the access gap in towns and villages is not so large but, in the field, shows that the quality of internet received is not the same. Masih there is a gap in telecommunication infrastructure so that the internet is enjoyed in every region of Indonesia. But the government does not yet know the exact location of the 117 million people who

have not been connected to this virtual world. What is there, only the map of remote areas that fall into the category of lagging, leading and outermost.

In fact, there are still many areas that do not fall into the category of lagging, leading and outermost but are not touched by the signal. That is an additional challenge because the current infrastructure development framework refers to the lagging, leading and outermost area stipulated in Presidential Regulation No. 131/2015 on Determination of Disadvantaged Areas in 2015 to 2019.

Referring to the data of the National Development Agency, the priority location of telecommunication infrastructure development will target 7,666 villages in 1,475 sub-districts. These villages are filtered through criteria in the village development index such as the availability of base transceiver stations (BTS) and the availability of signals and devices.

Beyond communications, 5G deployment has the potential to enable the development of new industries and services, as well as provide better and faster connections for rural areas. At the same time, a lack of critical mass and the high costs of a 5G system may limit its deployment to rural areas, widening the digital divide even further.

From the regulatory side, coordination between ministries is necessary because of differences in the vision of the institution so that regulation will not run synergy. Changes in 4G to 5G technology resulted in changes to telecommunication regulations. Some technical matters related to 5G technology are recommended to be rolled out by the government [15].

Related to 5G program, it has been officially launched in Indonesia on May 27, 2021. A total of 11 locations are targeted to be connected 5G by 2023, namely 6 provincial capitals in Java Island and 5 super priority tourist destinations. Two other locations, namely the new capital of Indonesia and manufacturing industry are expected to be completed in 2024.

The 6 provincial capitals in Java Island that will first get 5G network include Jakarta, Serang, Bandung, Semarang, Yogyakarta, and Surabaya. For this priority tourist destination including Borobodur, Lake Toba, Likupang, Labuhan Bajo, and Mandalika.

### **3.2. *The Digital Divide: Knowledge and Skill***

Aside from the physical problems mentioned above, rural and sparsely populated places face challenges in terms of the knowledge and skills required to capitalize on the potential connected with digitalization [11].

One way of understanding digital knowledge and skills is through the concept of digital capital [16]. The capital of digital competencies (information, communication, safety, content production, and issue solving) and technology is referred to as digital capital. Digital capital is a helpful idea since it implies the possibility of exponential expansion. As with other types of capital, the more a person or group possesses, (e.g. social, cultural, political), the more probable it is that they will have opportunities to acquire more.

To put it another way, folks who have more digital capital to begin with are more inclined to interact with digital technologies in ways that raise their digital capital. As a result, investments in digital capital creation may yield returns that extend far beyond the initial assistance offered. To give a simple example, a municipality may work with older inhabitants to teach them how to use eGovernment services. The gained abilities may in turn enable further digital, offering a boost to the person's digital talents as well as creating other indirect benefits. (e.g. decreasing social isolation) [17]

This digital divide is not only about infrastructure and access, but also includes digital literacy and skills [18]. Rather than just drawing dichotomies between the two (rural and urban), this article proposes a continuum for properly investigating rural-urban links in order to overcome Indonesia's digital divide. As a result, policy intervention is organized by positioning individuals as active users who understand, use, and develop the meaning of technology from their own location and context. While the government is the most responsible actor in ensuring equal digital infrastructure, access, and literacy, the market and the community should also collaborate. The community's intermediates are undoubtedly the most capable of comprehending rural-urban links as well as introducing ICT domestication and appropriation depending on their living area and context.

Digital literacy in Indonesia continues, including volunteer-based ones. At the national level, the ICT

Volunteer Movement was driven by the Kemkominfo and managed to capture sympathizers in various provinces. NGOs are also actively engaged, especially after the issue of hoax-anti-hoax resonated at the national level. At this point, the need for digital literacy seems to have managed to unite different parties with diverse backgrounds to jointly raise this issue [19].

### **3.3. Supporting Digitalisation of Small Rural Enterprises**

Digital platforms that make it possible for tourists to publicly review their experiences is another way that digitalization has made tourists more powerful actors. These visitor reviews can have a significant effect on businesses in the tourism sector, either attracting or scaring away potential customers.

The Ministry of Tourism and Creative Economy (Kemparekraf) has 244 independent tourism villages that will be born in 2024. Minister of Tourism and Creative Economy Sandiaga Uno is currently conducting mentoring to 244 tourism villages become independent tourism villages with certification of sustainable tourism villages. Air assistance is carried out through the development of Human Resources (HR), management of rural tourism, development of travel products or patterns, and digital development.

The Ministry of Tourism and Creative Industries National develop program of community empowerment self-sufficient tourism. This program is a community empowerment program in the form of rural tourism development [7]. One of them is "Warkop Digital" which is ready to support government programs to encourage 30 million MSMEs go digital which will be the initial driver in the digital economy.

The Indonesian government is working hard to move the wheels of the economy. In particular, micro, small, and medium enterprises (MSMEs). Monday (17/8) the government launched three digital programs at once. The goal is to keep business going even though the spread of SARS-CoV-2 virus has not been suppressed.

The three programs are named PaDi, "Bela Pengadaan", and small and medium enterprises (SMEs) website. PaDi was initiated by the Ministry of State-Owned Enterprises (SOEs). Meanwhile, Bela Pengadaan and SMEs website were formulated by the

Government Procurement Agency and the Ministry of Cooperatives and SMEs respectively.

PaDi is a digital ecosystem that brings together SMEs with nine state-owned companies. It is expected that PaDi can provide space and opportunities for SMEs to increase transactions. In accordance with its objectives, the government is trying to familiarize SMEs with digital behavior. Therefore, PaDi transactions also use virtual accounts. The platform will also promote efficiency and transparency.

The "bela pengadaan" dan SMEs website programs involve SMEs through the process of providing goods and services that generate value for money; demanding the ease, transparency, convenience, and accountability of procurement actors. Exploring the opportunities of SMEs in the procurement of goods and services through e-catalog pages. Or, through direct procurement electronically. The initiation of the addition of e-catalog pages specifically for SMEs was carried out since the end of last year.

## **4. CONSLUSION**

Some of the things that can be done in order to digitize rural tourism SMEs, namely: 1) Continue to work towards broadband infrastructure provision targets until every last household is connected; 2) Acknowledge the stage companies are at in their digital journey; 3) Frame digitalisation in a way that small enterprises in rural areas can relate to, 4) Take an individualised approach that generates a dialogue between technical experts and experts in traditional industries, 5) Develop locally-anchored initiatives to support SMEs in rural tourism to engage with digitalisation, 6) Focus on the development potential digitalisation presents. Work collaboratively with the local community to address the implications of increased digital media attention for tourism sites, 7) Take a company-centred approach and promote mutually beneficial collaboration, 8) Create opportunities for cross-border collaboration between participants in successful locally-driven digitalisation initiatives.

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