

# Contribution of Tourism as an Economic Leverage in Palembang City

Agus Setiawan<sup>1</sup>, Zulkifli Harahap<sup>2</sup>, I Made Oka Mertajayano<sup>3</sup>, Trisna Rahmania<sup>4\*</sup>

<sup>1,2,3,4</sup> Palembang Polytechnic of Tourism

Corresponding author, email: [trisnarahmania93@gmail.com](mailto:trisnarahmania93@gmail.com)

## ABSTRACT

This study aims to determine the contribution of tourism as an economic leverage in the city of Palembang, analyze the impact and economic leverage through MSMEs in the city of Palembang, develop an action plan that will be carried out based on the results of the study. The research method used is descriptive evaluative with qualitative descriptive analysis, normative juridical analysis, and evaluative/quantitative analysis. This study focuses on measuring the contribution of tourism to economic values that are leveraging on tourism products in Palembang City by tourists with the following approaches: viable environment (natural environment), social nurturing (community), and sufficient economy. The research data was taken from the results of observations and interviews with stakeholders which were processed using the AHP and SWOT methods. The results showed that tourism in the city of Palembang has strength in culinary tourism (S-O strategy) and improvement in the tourism environment (W-T strategy). The development of tourism in the city of Palembang is in line with economic growth. The city of Palembang has the most dominant economic distribution in South Sumatra (34%) which contributes directly to the surrounding MSMEs. Several things can be implemented from the research results, namely related to tourist attraction objects, hotels/accommodations, restaurants/restaurants, travel agencies, infrastructure and communications, art galleries and gift shops, enhanced travel patterns, and strategic plans for tourism market development.

**Keywords:** *Tourism, Economic, Palembang.*

## 1. PRELIMINARY

Tourism development activities are one of the priorities, one of them is in the city of Palembang. Although there are many problems and new issues, the city of Palembang has many selling points in the world of tourism because it is deeply rooted in history; ranging from relics of art, culture, historical places, as well as culinary tourism which is quite well known among the people of Indonesia and abroad.

The planning and development of tourism for the city of Palembang as stated in the master plan for tourism development states that in the era of autonomy, tourism in the city of Palembang is expected to be managed more productively to

improve the economy of a larger region by involving the active role of tourism stakeholders, namely the government, the business sector, tourism and society. Thus, one of the key sectors is the community engaged in the tourism business, both services and tourism products. This is in line with Ardhan (2014) [1] which states that one of the factors that influence the development of the city of Palembang is the level of community participation and the quality of human resources.

In this research, the study and analysis carried out with the formulation of problems on the role of tourism participation in order to increase its contribution as "economic leverage" in the city of

Palembang, namely: (1) how is the contribution of tourism to the economic improvement of the city of Palembang?; (2) the reciprocal relationship between tourism and the economy in Palembang City; and (3) the planning and development of tourism in the city of Palembang.

**1.1. Tourism and Tourist**

Mathieson & Wall in Pitana and Diarta (2009)[7] mentions tourism is the activity of temporarily moving people to destinations outside their homes and places of work and carrying out activities while at the destination and also the preparation of facilities to meet their needs. Tourism activities have the following characteristics, namely (1) there are two interrelated locations, namely the area of origin and also the destination (destination); (2) as a destination area, it must have tourist objects and attractions; (3) as a destination area, it must have tourism facilities and infrastructure; (4) the implementation of the trip to the destination area is carried out on a temporary basis; and (5) there are impacts, particularly the destination areas, in terms of social, cultural, economic, and environmental aspects.

Meanwhile, the Tourism Law no. 10 of 2009 [3] briefly states that tourists are people who do tourism. To clarify the relevance, the author uses the term visitor which in this study includes two categories, namely tourists and excursionists.

**1.2 Economic Leverage**

Economic leverage (UCF, 2021) [10] is a time-honored technique used to engage corporate management and effect corporate change in business. While economic leverage is often used to address a specific issue or transform industry practices, it can also serve as a business strategy that guides companies towards more socially responsible behavior and positions them as market thought leaders.

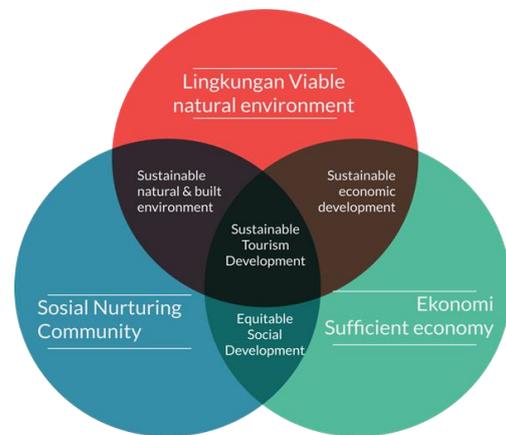
**1.3 Palembang City**

Palembang city is the capital city of South Sumatra Province and is the second largest city in Sumatra after Medan. Palembang is known by the nickname "Earth of Sriwijaya". In the Western world, Palembang is also dubbed the Venice of the East ("Venice of the East") and is the oldest city in Indonesia, with an age of 1382 years. According to Ismail opinion on Putra (2021)[8], the city of Palembang has many selling points in the world of tourism. The various tourist destinations on offer are deeply rooted in history; ranging from relics of art, culture, historical places, as well as culinary tourism

which is quite well known among the people of Indonesia and abroad.

**2. RESEARCH METHODOLOGY**

The approach method used in this study is a descriptive evaluative approach. This approach is supported by various data analyzes, namely qualitative descriptive, juridical normative, and quantitative. In this study, a framework of thought is described with a focus on measuring the contribution of tourism to economic values that are leveraging on tourism products in the city of Palembang by tourists with the following approach:



**Figure 1** Research Framework

The data in this study consisted of primary data extracted through structured interview techniques from respondents with questionnaires and interview guides, walkthrough location searches, and participatory observation. In addition, secondary data is obtained from a review of research results and relevant literature reviews, as well as data that has been collected by various agencies, such as the Tourism Office, Culture Office, Cooperatives and SMEs Office, Industry Office, and the Department of Trade and Bapeda.

The data obtained in this study will then be analyzed using descriptive statistical analysis techniques described in the research framework above to determine the variables: Threats, Opportunities, Weaknesses and Strengths (TOWS). The steps taken to analyze TOWS are by looking at (1) the External and Internal Environment; (2) Conclusion (Resume) on Analysis of External and Internal Factors (KAFE and KAFI); (3) Strategy Choice Analysis (AHP form); and (4) Strategic Baseline.

### 3. RESEARCH RESULTS

#### 3.1 Tourism and Economic Contribution

##### 3.1.1 Tourism Monograph

Based on data from interviews and field data, Palembang City is the epicenter of South Sumatra's tourist destinations. This is supported by a policy foundation based on: (1) National Tourism Strategic Area No. sequence 34 based on Presidential Regulation no. 50 of 2011 concerning the 2010-2025 National Tourism Development Master Plan; (2) Declaration of "Palembang as a River Tourism City" by the President on September 27, 2005; (3) Palembang Mayor Regulation no. 6 of 2006 concerning the Designation of Palembang as a River Tourism City; (4) Palembang City Tourism Development Master Plan, 2005; (5) The city of Palembang is included in one of the Indonesian Heritage Cities Network (JKPI); and (6) The 2013 Heritage City Development and Arrangement Program (P3KP) created by the Ministry of Public Works (PUPERA).

Based on the 6 (six) basic, it can be seen that the tourism mapping data for Palembang City is as follows.



Figure 2 Percentage of Palembang Tourism Destinations

Based on the mapping above, the Palembang City government has set priorities for regional division in Artificial Tourism to support specific culinary developments as follows:

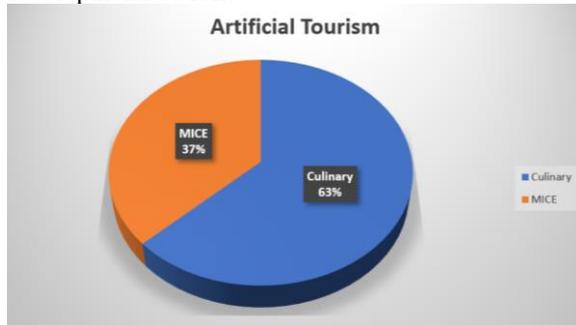


Figure 3 Artificial Tourist Destinations in Palembang

Based on the chart, the data shows that the tourism made by the City of Palembang (41%) is dominated by culinary tourism (63%) and 37% MICE tourism.

Based on the mapping above, the culinary developments carried out are: (1) development of the Sekanak Kerihin heritage tourism area; (2) development of culinary and shopping area 16 ilir; (3) the priority of culinary and shopping attractions.

##### 3.1.2 Palembang City Tourism Policy

The position of tourism in policy making in the development of Palembang City development needs to be re-described through an analytical approach that will be used as the basis for a SWOT analysis as follows:

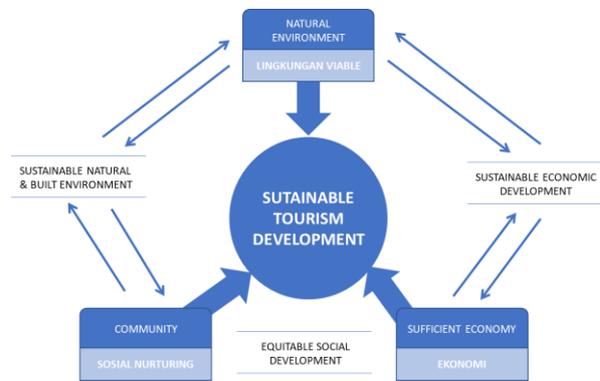


Figure 4 Sustainable Development System Relationship

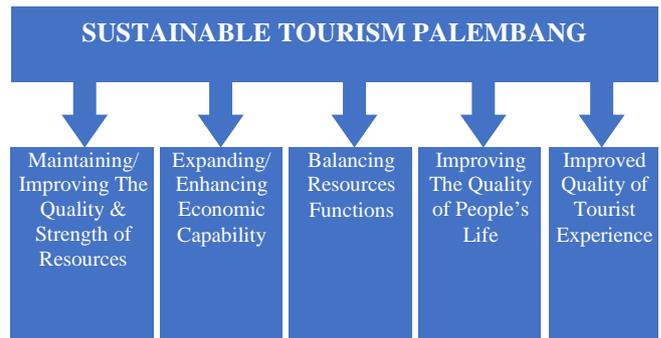


Figure 5 Aspects of Sustainable Tourism in Palembang

Thus, the development factors for a sustainable tourism TOWS/SWOT strategy analysis can be made in accordance with the UNWTO recommendations on 2004 which consists of 8 criteria, so that indicators that can be used to measure the level of sustainability of a tourism destination are grouped into 10 (ten)

aspects, namely: (1) The well-being of the host community; (2) Protection of cultural assets; (3) Community participation; (4) Tourist satisfaction; (5) Health and safety guarantees; (6) Economic benefits; (7) Protection of natural assets; (8) Management of scarce natural resources; (9) Impact limitation; and (10) Development planning and control.

The factors that will be used as analytical instruments are as follows: (1) Value system and identity of ODTW and destination; (2) standardization of tourism services and facilities; (3) Utilization rate (intensity) and utilization behavior; (4) Regional arrangement, time, and level of development; (5) Environmental and social carrying capacity; (6) Level of community involvement. To be clearer in this study, the relationship and interrelationships of the above aspects can be described as follows.

The above proposal is expected to be accepted by the community in order to use the environment responsibly while still having economic benefits, as well as creating a high multiplier effect. The development of tourism in the city of Palembang needs to carefully consider the interrelated factors and confounding factors. Therefore, in this study, it is proposed that the tourism development of Palembang City can grow dynamically and productively in order to support the realization of community welfare.

The following is an illustration in the development of tourism in the city of Palembang.

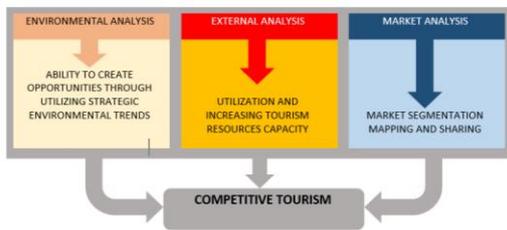


Figure 6 Aspects of Palembang's Competitive Tourism

With the approach mentioned above, the TOWS analysis can be describe (1) Aspects of Palembang City Tourism Threat that is: (a) T-I Tourism Destination Aspect is 7; (b) T-II Tourism Industry Aspect is 1; (c) Market and industry market aspect is 2; (d) Tourism institutions aspect is 4. So, total threat aspect is 14.

For the (2) Aspects of Palembang City Tourism Opportunity, the TOWS analysis can be describe (1) Aspects of Palembang City Tourism Threat that is: (a) T-I Tourism Destination Aspect is 18; (b) T-II Tourism Industry Aspect is 5; (c) Market and industry market aspect is 8; (d) Tourism institutions aspect is 8. So, total opportunity aspect is 39.

For the (3) Aspects of Palembang City Tourism Weakness, the TOWS analysis can be describe (1) Aspects of Palembang City Tourism Threat that is: (a) T-I Tourism Destination Aspect is 13; (b) T-II Tourism Industry Aspect is 1; (c) Market and industry market aspect is 8; (d) Tourism institutions aspect is 9. So, total weakness aspect is 31.

The last, for the (4) Aspects of Palembang City Tourism Strength, the TOWS analysis can be describe (1) Aspects of Palembang City Tourism Threat that is: (a) T-I Tourism Destination Aspect is 23; (b) T-II Tourism Industry Aspect is 6; (c) Market and industry market aspect is 10; (d) Tourism institutions aspect is 5. So, total strength aspect is 44.

In accordance with the framework of thinking that has been presented above, then the weighting matrix of the strategic baseline that has been obtained is interpreted into the form of a tows analysis diagram as follows.

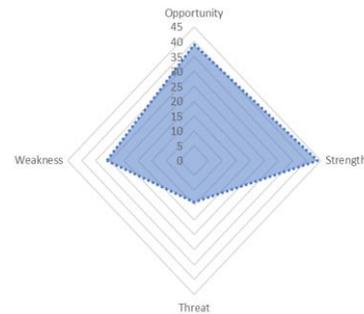


Figure 7 Palembang City Strategic Baseline Interpretation Diagram

The tourism position of Palembang City is based on the calculation of external and internal environmental factors, then the analysis of strategic direction can be described by the tourism weighting of each factor based on the TOWS analysis as follows:

Table 1 Score Factor TOWS Analysis

NO	FACTOR	SCORE
1	THREAT	-14
2	OPPORTUNITY	39
3	STRENGTH	44
4	WEAKNESS	-31

The result based on the score of factor TOWS analysis can produce strategies, namely as follows.

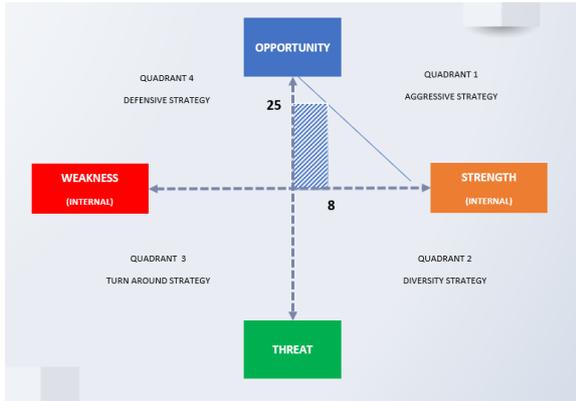


Figure 8 Strategic Baseline Analysis Diagram

In quadrant 1, it is known that it is an ideal situation for the region/destination, because it has opportunities and strengths, so that it can take advantage of existing opportunities. The strategy that must be set in this condition is to support an aggressive growth policy (Growth Oriented Strategy). In quadrant 2, despite facing various threats, the region/destination still has internal strength. The strategy that must be applied is to use strength to take advantage of long-term opportunities by means of a diversification strategy (Products/ Services).

Meanwhile, in quadrant 3, the Destination faces a very large market opportunity, but on the other hand faces several internal constraints/problems. The focus of the strategy is to minimize internal problems so as to seize better market opportunities. In addition, Quadrant 4 is an unfavorable situation for the destination/region, due to facing various internal threats and weaknesses.

3.1.3 Economic Contribution

The multiple impacts of tourism on multi-sectors can ultimately be measured through economic improvement or growth. However, even though it has been used as an indicator of development, economic growth is still general in nature and does not yet reflect the capabilities of the individual community. Therefore, regional development is expected to also have a positive impact on economic growth as stated by Suyono (Suyono, Dikun. 2003) [9].

Indonesian Infrastructure: Before, During, and Post-Crisis. Jakarta: State Ministry of National Development Planning/ BAPPENAS) that regional economic growth can be reflected from changes in the GRDP (Gross Regional Domestic Product) of the Palembang, one of the indicators is the inflation rate.

It can be explained that inflation is an indicator to see the level of change and if there is a process of price increase going on continuously and influence each other. This measurement method can be in the two most frequently used methods, namely the Consumer Price Index (CPI) and the GDP Deflator. The following is an illustration of inflation that occurred in the city of Palembang.

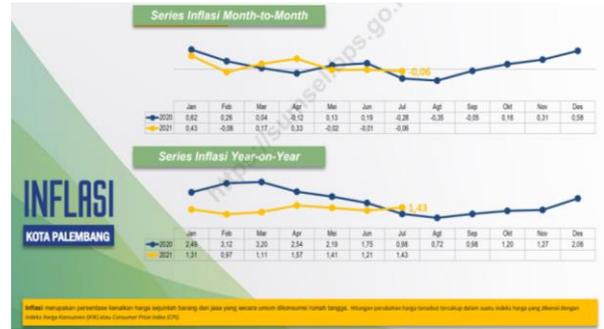


Figure 9 Palembang City Inflation Rate Chart 2020-2021

3.2 Impact Analysis and Economic Leverage

When viewed from the satellite city of Palembang, Karo, in his research, shows that the implementation of tourism through sports tourism activities has not impacted economic variables in Ogan Ilir district (Karo Karo et al., 2020)[5]. Still in the research by Karo in different studies, producing values that are not much different, namely tourism activities through the implementation of sports tourism, also do not have an economic impact on other Palembang satellite cities, namely for Banyuasin Regency (Karo Karo, 2021)[4]. It can mean that tourism activities have not been able to directly touch the economic improvement of the community for the buffer area of Palembang City.

The city of Palembang as the capital of the province makes it a position that greatly benefits from the impact of tourism growth in terms of its economic multiplier effect. However, whether Palembang city tourism can meet all the criteria for the needs/expectations of its tourists, this is what will be the focus of discussion in this research. In the explanation above, the economic contribution of tourism, then whether the city of Palembang became the economic epicenter?. To answer this, the position of the city of Palembang as a "melting pot" for the economic movement of South Sumatra based on data

from the Central Bureau Statistics on South Sumatra (2021) [2] in the same year was described, namely:

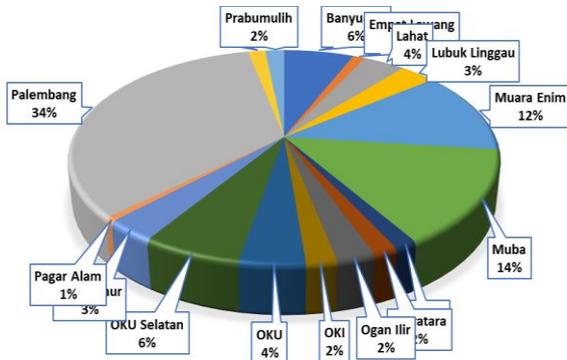


Figure 10 South Sumatra Economic Distribution Chart in 2020

From the graph above, it can be seen that Palembang City has the largest economic distribution, which is 33.69% (3450). To see this sector absorbed in the tourism sector, it can be seen from the growth of one of the tourism sectors, namely Tourism Amenity, one of which is accommodation. Based on data from the Central Statistics Agency for South Sumatra in 2021, Star Hotels in Palembang City have an average market share of 67.98% (68%) with an average room night supply of 77.78% (78%). From this data, the occupancy was calculated and the result was 2,564 Room Night.

Therefore, this shows a fairly large number on the economic contribution of the city of Palembang which if the number is assumed to be the number of tourists staying overnight (pessimistic assumption: single occupancy) then there are at least 2,564 tourists staying overnight in the city of Palembang. With the movement of the number of tourists, it should be used by other amenities, such as shopping tourism: culinary and craft or cultural and historical tourism.

3.3 Action Plan Research Results

Taking into account the results of the aforementioned studies, the following roadmaps can be proposed. In terms of tourist attraction objects, it is necessary to (1) improve the quality of existing tourist objects/attractions and are expected to sell well to the tourist market, both foreign tourists and domestic tourists. The development of ODTW can be started from the potential that has been prominent in Palembang, namely river tourism, especially the Musi River. (2) The creation of new tourist objects and

attractions that can facilitate Palembang City as MICE tourism.

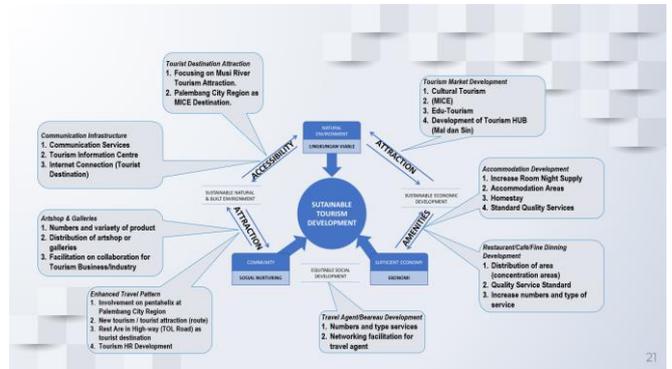


Figure 11 Sustainable Tourism Development

The hotel and accommodation development plans are (1) to improve the service quality of hotels with three stars and below and jasmine hotels in a professional tourism manner, including the improvement of non-classified class hotels and tourist cottages/home stays; (2) increasing the number of hotel rooms to a maximum of 2,500 hotel rooms until 2022; and (3) spatial planning of the hotel development area, especially the budget hotel area and tourist lodge/home stay.

In terms of restaurants, it is necessary to (1) develop Restaurant/Restaurant emphasizing on the development of quality rather than quantity; (2) the development of the required number of restaurants is based on the following benchmark, through the addition/increase of seats as many as 6,563 seats or equivalent to 110 restaurants/restaurants with the assumption that each restaurant consists of 60 seats in 2022. This number can be translated into 6 restaurants /Restaurant per year for the next 10 years; (3) the location of the restaurant needs to be distributed/distributed to reduce the level of activity density which results in a decrease in the quality of tourist comfort; and (4) Standardization of restaurant services and determination of minimum service standards for tourists, especially at "Fine Dinning Restaurant"

The Travel and General Affairs Bureau needs to (1) Increase the target number of tourists who are expected to be served by BPW; (2) Increase the number of BPW; and (3) Improving BPW performance towards being more professional, expanding business networks to various tourism markets abroad, and increasing professional cooperation with other tourism industry players.

Judging from the infrastructure and means of communication, it is necessary (1) Improving the performance of communication services not only for

tourism needs, but also for the needs of other activities; (2) Increasing the need for the number of special tourism communication infrastructure/facilities; (3) Orienting the development of tourism information system needs, both through print and electronic media; and (4) Improving the internet network along tourist routes, DTW and other tourist activity centers (fixed and wireless).

Art Galleries and Souvenir Shop Development Plans will include (1) improving the performance of art galleries and gift shops more evenly; (2) expansion of the number of art galleries and gift shops; (3) improvement of good and conducive coordination and cooperation between entrepreneurs of Art Galleries/Souvenir Shops and with components of tourism industry players.

From the Development of Tourism Patterns – Enhanced Travel Patterns, it is necessary (1) to investigate the relationship between universities or educational institutions as well as corporations with the organization of seminars, meetings, conferences quantitatively; number of participants, type of activity, side activity (social event), time of implementation and length of time. (2) Development of human resources in the management of convention tourism. (3) Creation of tourist routes that are more oriented towards integration between tourist objects/attractions in order to increase visits and length of stay. (4) Creation of diversification of tourist objects/attractions as part of the development of tourist routes. (5) Creation of rest areas on long and time-consuming journeys.

Strategic Tourism Market Development needs to plan (1) potential (International/International) cultural tourism markets that become tourism targets such as Singapore, Malaysia, Brunei, etc. (2) potential (archipelagic/national) cultural tourism market; (3) Potential (International/ International) Convention tourism market; (4) potential Conventional (Nusantara/National) tourism market; (5) The national tourism market that can be achieved as the next priority is student and student tourists. (6) Development of an abundance of foreign tourists who are currently and have visited neighboring countries such as Singapore and Malaysia.

#### **4. CONCLUSION**

Based on the results and discussions that have been described, it can be concluded as follows:

1. Palembang tourist destinations 41% are artificial tourism, 31% cultural tourism, 25% historical tourism, and 3% nature tourism. Tourism made in Palembang City is dominated by culinary tourism, which is 63% and 37% MICE tourism.

2. The successful implementation of tourism development is in line with economic growth which can be seen from the inflation that occurred in the city of Palembang.
3. The city of Palembang has the largest economic distribution, which is 33.69% seen from the distribution of the economy in South Sumatra and it can be seen that in the tourism sector, five-star hotels have an average market of 67.98% with room night supply of 77.78% , so it can be assumed as the number of tourists staying. For that, it can be utilized by other amenities, such as shopping tours (culinary and craft) or historical and cultural tourism, and must be well anticipated for the distribution of MSMEs in Palembang City, especially focusing on culinary.
4. Many things can be implemented from the research results, namely related to tourist attraction objects, hotel and accommodation development plans, restaurant/restaurant development plans, tourism/general travel agency development plans, communication infrastructure facilities, art galleries and souvenir shops, development tourism patterns—enhanced travel patterns, and strategic plans for tourism market development.

#### **AUTHORS CONTRIBUTION**

AS and TR wrote the script with input from all authors, structured the research and was responsible for the direction and overall planning. ZH designs research ideas and analyzes data. IMOM collects data.

#### **ACKNOWLEDGMENT**

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