

CHAPTER I

INTRODUCTION

1.1 Background

Regional economic development is one of the efforts to improve the welfare of the community through the use of various potentials owned by a region. Banten Province ranks 5th nationally in the number of tourist visits in the 2025-2026 period, Banten Province also has a strategic position because it is directly adjacent to DKI Jakarta and is one of the important industrial estates in Indonesia. Several large industrial estates are developing in this area, such as the Cikande Modern Industrial Estate in Serang Regency, the Krakatau Industrial Estate Cilegon (KIEC) in Cilegon City, and the industrial estate in Tangerang Regency. The existence of the industrial estate makes economic activity in the northern region of Banten grow rapidly. However, the economic development has not been completely evenly distributed throughout the province. The southern regions of Banten such as Lebak Regency and Pandeglang Regency still face various limitations in terms of infrastructure and economic development, resulting in a development gap between regions (Rizki Waluya et al., 2024).

In addition to the industrial sector, Banten Province also has great potential in the tourism sector which can be one of the drivers of the regional economy. Some of the tourist destinations that are quite famous include Anyer Beach, Carita Beach, and Ujung Kulon National Park which has been designated as a World Heritage site by UNESCO. The tourist area has great attraction for domestic and foreign tourists.

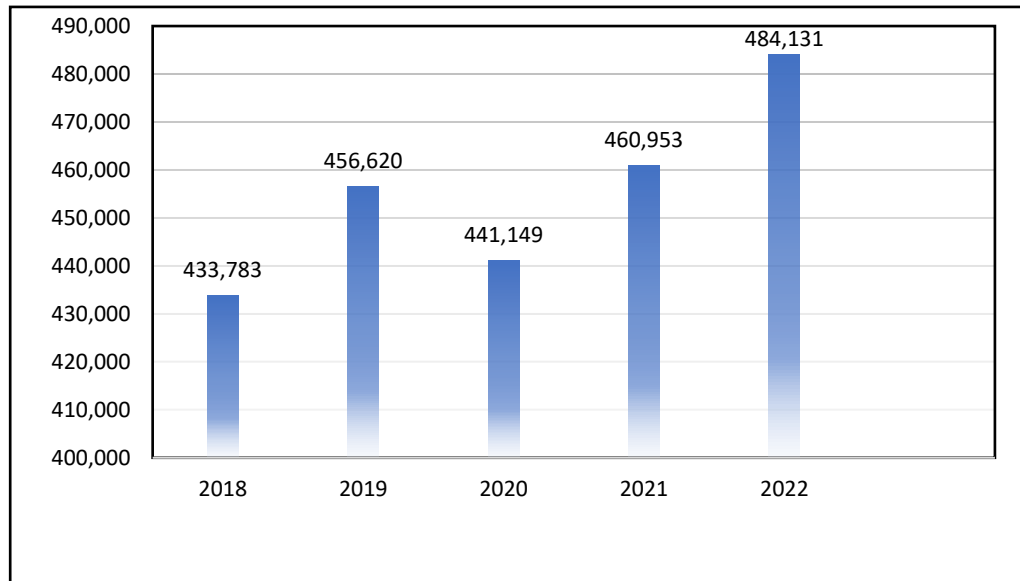
However, the development of the tourism sector in Banten Province still faces various obstacles, such as limited supporting facilities, accessibility to tourist destinations, and suboptimal management of tourist areas. This condition causes the tourism potential that has not fully contributed to the regional economy (Delly Maulana et al., 2023).

On the other hand, the ability of regions to increase regional income is also an important factor in supporting economic development. Regional revenue sourced from regional taxes, regional levies, and the management of local economic potential is expected to be one of the sources of financing regional development. However, in practice, the contribution of regional income still faces various challenges, especially in optimizing the economic potential from the industrial and tourism sectors. This shows that there are still various factors that affect the development of regional economic activities (Syaifudin et al., 2024).

To see the development of economic activities in Banten Province more clearly, it is necessary to describe data on several indicators related to regional economic growth. In this study, the indicators used include the number of tourists, Foreign Investment (FDI), Domestic Investment (DDI), and Gross Regional Domestic Product (GRDP). To provide a clearer picture of these conditions, the following is presented

data on the development of the number of tourists, FDI, DDI, and GRDP in Banten Province in recent years.

Figure 1. 1 Banten Province GRDP Data 2018-2022

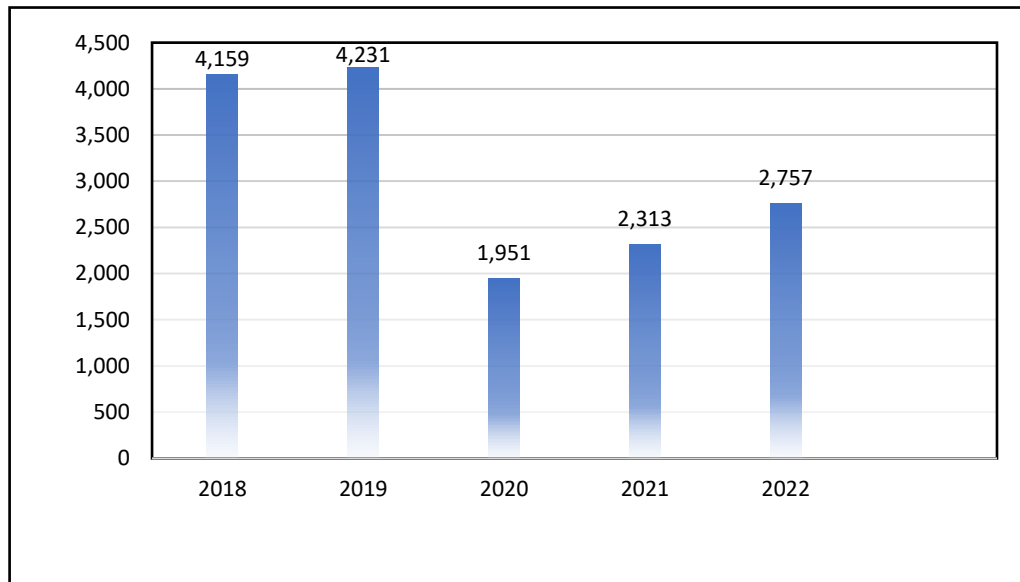


Source : Central Statistics Agency, One Data Indonesia portal.2026

Based on data on the Gross Regional Domestic Product (GRDP) of Banten Province, it can be seen that the development of GRDP shows a tendency to increase even though it fluctuates in certain years. For example, in 2018 the value of GRDP was recorded at 433,783, then increased to 456,620 in 2019 which shows the growth of economic activity in Banten Province. However, in 2020 the GRDP decreased to 441,149, caused by the impact of the COVID-19 pandemic which hampered various economic activities such as industry, trade, and the tourism sector. Furthermore, in 2021, GRDP increased again to 460,953 in line with the recovery of economic activities and community mobility. This increase continued until 2022 which reached 484,131, showing that the economy of Banten Province is starting to experience a recovery

process and is growing again after experiencing a contraction during the pandemic. This phenomenon shows that even though it had experienced a decline, the economy of Banten Province has the ability to recover and continue economic growth.

Figure 1. 2 Data on the Number of Tourists 2018-2022

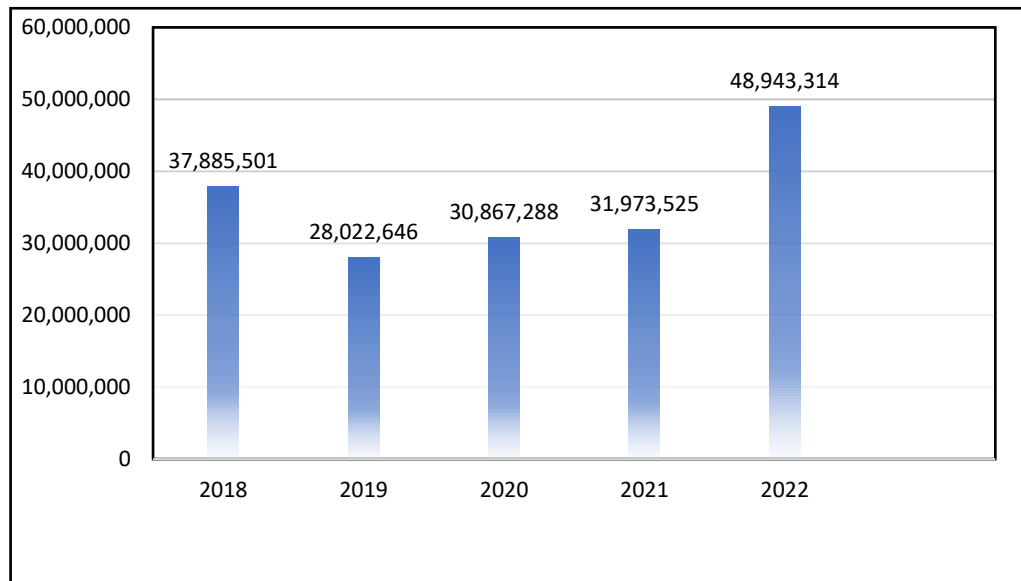


Source : Central Statistics Agency, One Data Indonesia portal.2026

The development of the number of tourists in Banten Province shows quite interesting dynamics in the 2018-2022 period. In 2018, the number of tourists increased along with the development of beach tourist destinations such as Anyer and Carita which are the main destinations for domestic tourists. The increasing trend is still seen in 2019 due to the increase in community mobility and the support of the regional tourism sector. However, in 2020 the number of tourists experienced a significant decrease due to the COVID-19 pandemic which led to travel restrictions and the temporary closure of several tourist attractions. Furthermore, in 2022, the number of

tourists began to show signs of recovery in line with the easing of restrictions on community activities and the opening of Back to the Tourism Sector.

Figure 1. 3 FDI Data 2018-2022

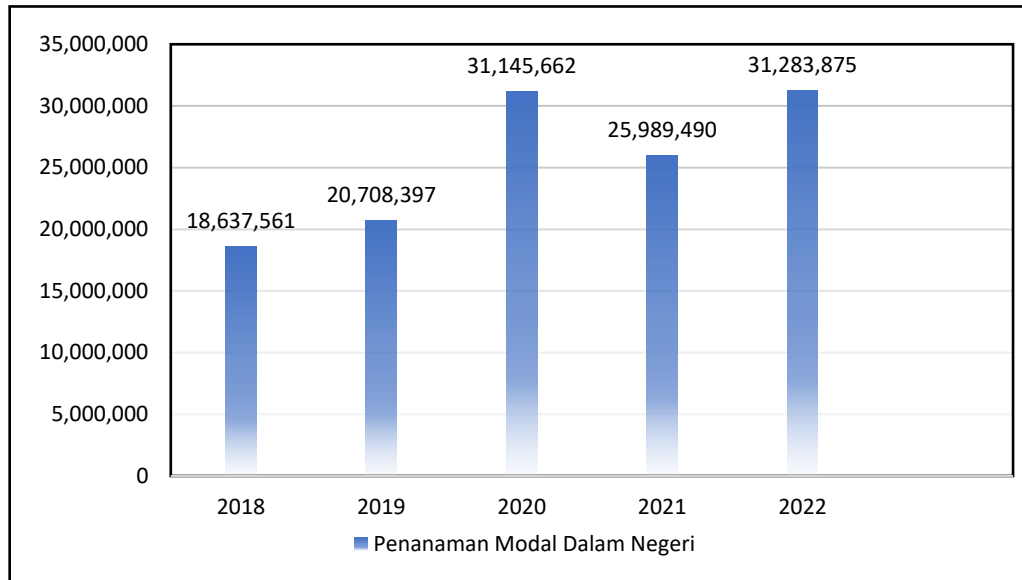


Source : Central Statistics Agency, One Data Indonesia portal.2026

The development of Foreign Investment (FDI) in Banten Province during the 2018–2022 period shows fluctuating conditions. At the beginning of the period, the realization of FDI increased supported by the development of industrial estates in the Banten area such as Cilegon, Serang, and Tangerang as centers of industrial and investment activities. In addition, the manufacturing and infrastructure industry sectors are still the main attraction for foreign investors to invest their capital in Banten Province. In 2020, the realization of FDI experienced a slowdown due to the COVID-19 pandemic which affected global economic conditions and investment activities in various countries. This condition has caused some investors to postpone the realization of investments in several business sectors. Entering 2021 to 2022, the realization of

FDI began to increase again in line with improving economic conditions and increasing industrial activity in Banten Province.

Figure 1. 4 DDI Data 2018-2022



Source : Central Statistics Agency, One Data Indonesia portal.2026

The development of Domestic Investment (DDI) in Banten Province shows a fairly dynamic pattern in the 2018-2022 period. In 2018 and 2019, the realization of DDI experienced an increase driven by the growth of the industrial sector, trade, and infrastructure development in the Banten region. However, in 2020 domestic investment decreased due to weakening economic activity during the pandemic. This condition has an impact on declining business expansion by domestic business people. Furthermore, from 2021 to 2022, the realization of DDI has increased again in line with the improvement in national economic conditions and the existence of economic recovery programs that encourage an increase in domestic investment in various sectors.

Despite the number of tourists, Domestic Investment and Foreign Investment has shown an increasing trend in recent years, but these developments have not always been stable and often fluctuate in certain periods. This condition shows that the increase in the number of tourists and investment does not necessarily directly have a consistent impact on regional economic growth. In addition, differences in economic conditions, government policies, and external factors such as economic crises and pandemics can also affect the development of investment and tourism activities which ultimately have an impact on the Gross Regional Domestic Product. Therefore, it is important to further examine how the relationship between the number of tourists and the investment of DDI and FDI to regional economic growth is reflected through the GRDP in Banten Province (Fahmi & Adriani, 2022).

Based on this description, this study aims to analyze the Impact of the number of tourists, Foreign Investment, and Domestic Investment on the Gross Regional Domestic Product in Banten Province. Research on the factors affecting the Gross Regional Domestic Product has been widely conducted in various regions in Indonesia. However, most previous research has focused more on the Impact of investment, labor, and government spending on economic growth in aggregate nationally or in areas with tourism characteristics such as Bali Province. It is very rare to find an empirical study that dissects the integration between the investment sector and tourism in areas that have the status of a *buffer zone* such as Banten Province. Even though its geographical position directly adjacent to DKI Jakarta provides a double advantage not only makes it the center of industrial capital flows, but also makes it a major weekend vacation destination for millions of metropolitan residents. Banten Province has considerable

tourism potential with a definite share of the tourist market in various beach tourism destinations, natural tourism, and religious tourism that have the potential to make a direct contribution to the regional economy. Therefore, this study is here to fill the research gap by examining the Impact of the number of tourists, Foreign Investment (FDI), and Domestic Investment (DDI) on GRDP in Banten Province. This research is expected to provide a comprehensive overview of the dual role of the tourism and investment sectors in encouraging regional economic growth, as well as becoming a strategic consideration for local governments in formulating policies that can increase economic activities and development in a sustainable manner.

1.2 Problem Formulation

- 1 Does the Number of Tourists have a significant effect on the Gross Regional Domestic Product in Banten Province?
- 2 Does Foreign Investment have a significant effect on the Gross Regional Domestic Product in Banten Province?
- 3 Does Domestic Investment have a significant effect on the Gross Regional Domestic Product in Banten Province?

1.3 Research Objectives

- 1 To find out and analyze the Impact of the Number of Tourists on the Gross Regional Domestic Product in Banten Province.
- 2 To find out and analyze the Impact of Foreign Investment on Gross Regional Domestic Product in Banten Province.

- 3 To find out and analyze the Impact of Domestic Investment (DDI) on Gross Regional Domestic Product in Banten Province.

1.4 Scope

In order for this research to be more directed and not to expand from the focus of the problem, the scope of research is limited to Banten Province. The selection of Banten Province as the object of research is based on the economic potential of the area, both from the industrial and tourism sectors. Banten Province is known to have large industrial estates such as the Krakatau Industrial Estate Cilegon (KIEC) in Cilegon City and the Cikande Modern Industrial Estate in Serang Regency, which are the center of economic activities and investment. In addition, Banten also has various leading tourist destinations such as Anyer Beach, Carita Beach, and Ujung Kulon National Park which have the potential to attract domestic and foreign tourists. With this potential, tourism and investment activities are expected to be able to encourage regional economic growth as reflected through an increase in Gross Regional Domestic Product (Herawati, 2022).

In this study, the variables used are divided into two types, namely dependent variables and independent variables. The dependent variable in this study is Gross Regional Domestic Product on a Constant Price basis which is used as an indicator of economic growth in Banten Province. The use of Gross Regional Domestic Product on a Constant Price basis aims to show actual changes in economic growth without being affected by price changes or inflation. Meanwhile, the independent variables analyzed include the number of tourists (domestic and foreign tourists), Foreign Investment and

Domestic Investment The four variables were chosen because they theoretically have a close relationship with the development of regional economic activities, both through increasing public consumption, increasing regional revenue, and increasing investment activities that can boost regional production capacity.

The data used in this study is secondary data with an observation period of 13 years, namely from 2011 to 2023. Gross Regional Domestic Product data is obtained from the Central Statistics Agency. Data on the number of tourists was obtained from the Central Statistics Agency of Banten Province as well as regional tourism statistics publications. Meanwhile, data on Foreign Investment and Domestic Investment was obtained from the Ministry of Investment/Investment Coordinating Board through the One Data Indonesia portal.

1.5 Research Benefits

In this study, the author expects the results of the research conducted can provide benefits for everyone. Benefits that can be obtained from

This research is as follows:

1. Theoretical Benefits

- a. For the Author, this research is a means for the author to practice and apply the theories of development economics that have been studied during the lecture period into real cases. The process of preparing this thesis is expected to add new insights, knowledge, and experience for the author in analyzing economic data,

- b. For Academics and Universities The results of this research are expected to make an academic contribution and add to the collection of references in the campus library. This paper can be used as a reading material or a source of comparative data for other students or future researchers who want to study similar topics, especially those related to macroeconomic variables such as Gross Regional Domestic Product, number of tourists, Domestic Investment, Foreign Investment

2. Practical Benefits

- a. For the Banten Provincial Government

This research is expected to be a contribution of thought and input material for the Banten Provincial Government in formulating regional economic development policies. The data and analysis results presented in this study can be used as consideration in the preparation of future economic development planning. In particular, the results of this study are expected to provide an overview of the Impact of the number of tourists, Foreign Investment (FDI), and Domestic Investment (DDI) on the Gross Regional Domestic Product (GRDP) in Banten Province. Thus, local governments can formulate more effective policies in increasing economic growth through the development of the tourism sector, optimizing regional revenues, and increasing investment in Banten Province.

- b. For readers

This research is expected to provide useful information for the general public and interested parties. Through this study, readers can get an overview

of the economic conditions in Banten Province and the factors that affect the development of the regional economy. In addition, this research is also expected to increase public understanding of the role of the tourism sector, regional income, and investment activities in encouraging economic growth as reflected through the Gross Regional Domestic Product in Banten Province.