Analysis of the Effect of Tourism Sector on Regional Generated Revenue in Indonesia

Diana Situmorang[1], Rujiman[2], Rahmanta[2]

[1](Postgraduate Student, Department of Magister Economics, Faculty of Economics and Business, Universitas Sumatera Utara, Indonesia)
[2](Postgraduate Lecturer, Department of MagisterEconomics, Faculty of Economics and Business, Universitas Sumatera Utara, Indonesia)

Abstract:

Background:The tourism sector is a leading sector which is one of the important factors in regional development and improving people's welfare in a country that has experienced continuous expansion and diversification and is one of the sectors experiencing the largest growth in the world. The number of tourism sectors on offer The tourism sector in Indonesia is the most superior sector. The tourism sector has become one of the industries that have a major impact on increasing Regional Generated Revenue. The tourism sector also makes a positive contribution in spurring and driving the economic sector in IndonesiaThe tourism sector also makes a positive contribution in encouraging and growing the economic sector in Indonesia.

Materials and Methods: The scope of this research is study of economics to analyze the influence of the tourism sector on local revenue in Indonesia. This study uses panel data, which is a combination of times series for 5 years, starting from 2014 to 2018 and cross-sectional data for 33 provinces. The type of data in this study is secondary data, namely the results of data documentation related to the subject matter that the researcher quotes from books, websites and historical records or reports that have been compiled in archives from the Central Bureau of Statistics. This research uses a quantitative approach and an econometric analysis of panel data.

Results: The number of foreign tourists and hotelhave positive and significant impact on regional generated revenue in Indonesia. The number of domestic tourists and transportation havepositive and not significant effect on regional generated revenue in Indonesia.

Conclusion:Efforts to increase Regional Generated Revenue through the number of foreign and domestic tourist visits can be pursued by developing tourism destination amenities, focusing on the development of public infrastructure, provision of public facilities, and development of tourism facilities. To stimulate tourism investment by implementing a number of strategies, including providing incentives, convenience, and promoting investment in the hospitality sector. As well as increasing accessibility in the form of transportation infrastructure, transportation facilities, and transportation systems that are carried out to facilitate the movement of tourists to tourism destinations.

Key Word:Regional Generated Revenue; Foreign Tourists; Domestic Tourists;Hotel; Transportation.

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I.   Introduction

The tourism sector is a leading sector which is one of the important factors in regional development and improving the welfare of people in country that has experienced sustainable expansion and diversification and is one of sectors experiencing the largest growth in the world (Ministry of Tourism, 2015). In terms of historical and cultural heritage, Indonesia has variety of cultures spread over beautiful islands with different characteristics and histories. The diversity of various histories, diverse regional languages and natural conditions with clusters of islands and mountains make Indonesia superior to other countries of tourism.(Cempena, 2020).

Indonesia as a country has beauty of cultural diversity, which has the opportunity to sell natural beauty and unique cultural attractions to local tourists or to foreign tourists who will enjoy the beauty of nature and culture. Of course the arrival of tourists who come from abroad has impact on foreign exchange earnings for the country (Nasrul, 2010). The largest archipelagic state in the world is Republic of Indonesia. The Republic of Indonesia which has an area of about 1.904.569 Km2 with more than seventeen thousand islands (Disbudpar NTB, 2016).

Bali Province is mainstay tourist destination in Indonesia, which is very well known in the world. This is because Bali has many beautiful and varied natural attractions. This natural beauty is supported by the uniqueness of Balinese culture which is very close to Hinduism. The daily life of Balinese people is greatly

influenced by Hindu culture, both in religious, social and artistic activities. Therefore, Bali has its own charm so that many local and foreign tourists want to visit Bali Province.
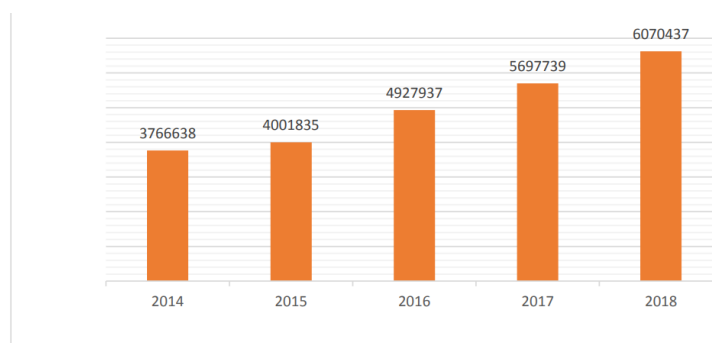

Figure 1.1 The Number of Foreign Tourists in Bali Province (Person)
Source: the Central Bureau of Statistics

Figure 1.1 shows the number of foreign tourist arrivals to Bali Province has increased every year. It can be seen in 2018, the number of foreign tourists entering Bali Province amounted to 6.070.437 people including the highest category compared to previous years. It can be seen in Figure 1.1 the most superior provinces in the number of foreign tourists by province in 2018.
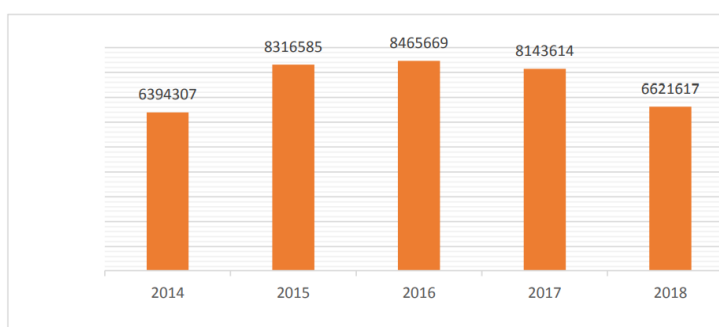

Figure 1.2 Number of Domestic Tourists in Bali Province (Person)
Source: the Central Bureau of Statistics

Figure 1.2 shows the number of domestic tourists experiencing changes. In 2016 the number of domestic tourists who entered Bali Province amounted to 8.465.669 people, while in 2014 there was a decline of 6.394.307 people. Rantetadung (2012) states that the influence of tourist visits is very significant for the development of the tourism industry and Regional Generated Revenue so that domestic and foreign tourists are attracted to visit. The existence of support for the allocation of funds from the government each year makes the tourism sector develop tourist attractions so that many tourists visit. The number of tourists who visit makes the tourism sector have the potential to increase Regional Generated Revenue.

Tourism effort for refreshment, restoration of enthusiasm and as a means of entertainment. The number of tourism sectors on offer the tourism sector in Indonesia is the most superior sector. The tourism sector has become one of the industries that have a major impact on increasing Regional Generated Revenue. The tourism sector also contributes positively in encouraging and growing the economic sector in Indonesia.

One of the important things in the progress of the tourism sector is transportation which facilitates human activities, whether it is land, sea, or air transportation. Transportation is a very important means of facilitating tourist visits. However, there are several tourist objects do not have public transportation in serving tourist trips, especially in certain provinces in the tourism sector. Transportation facilities allow people, goods and services to be transported from one place to another (Malahayatie, 2020). Based on the description of the background of the problem above, it encourages the author to conduct a study entitled "Analysis of the Effect of the Tourism Hotel Transport Sector on Regional Generated Revenue in Indonesia".

II. Material And Methods

The scope of research is study of economics to analyze the influence of the tourism sector on regional generated revenue in Indonesia by taking sample of 33 provinces in Indonesia except North Kalimantan so that

the data used in this study is 165 data. The research uses panel data, which is a combination of times series and cross section for 5 years, starting from 2014 to 2018 using annual data.

The research uses a quantitative approach and an econometric analysis of panel data. The type of data in this study is secondary data, namely the results of documentation of data related to the subject that the researcher quotes from books, websites and historical records or reports that have been compiled in archives from the Central Bureau of Statistics. The operational variables in this research are:

1. Regional Generated Revenue is the original regional income is the income obtained by the province in Indonesia which is collected based on the regulations in accordance with the legislation to collect the funds used the realization of the provincial government revenue according to the type of revenue by province in Indonesia in 2014-2018 (Rupiah).
2. The Number of Foreign Tourists are a person or several people from other countries who travel to Indonesia for a purpose and do not stay for more than 12 months. The data used is the total number of foreign tourists who came to the province by nationality in 2014-2018 (person).
3. The Number of Domestic Touristare Indonesian residents who travel within the territory of Indonesia with a need and do not stay for more than 6 months. The data used is the number of domestic tourist trips by province in 2014-2018 (person).
4. Hotel is the number of available hotel accommodation inhabited by foreign tourists and domestic tourists in each province in Indonesia. The data used is the number of hotels, which are available in star and non-star hotels by province in 2014-2018 (units).
5. Transportation is the number of motorized vehicle transportation used in a province. The data used is the number of motorized vehicles by province and type of vehicle in 2014-2018 (units).

Research on the influence of the number of foreign tourists, the number of domestic tourists, hotels and transportation uses time series data for the last five years, namely 2014-2018 and cross section data from 33 provinces in Indonesia. The research model is:

$$\text{Log}Y_{it} = \alpha_{it} + + \beta_1 \log X_{1it} + \beta_2 \log X_{2it} + \beta_3 \log X_{3it} + \beta_4 \log X_{4it} + e_{it}$$

Explanation:

Y = Regional Generated Revenue (Rupiah)
X_1 = The Number of Foreign Tourist (person)
X_2 = The Number of Domestic Tourist (person)
X_3 = Hotel (unit)
X_4 = Transportation (unit)
α = Constant
β_1- β_4 = Regression Coefficient
e = Term of Error
i = cross section dataof Indonesia's Provinces
t = time series data 2014-2018

Common Effect Model (CEM)

The model is the simplest approach to panel data. The approach only combines time series and cross section data without looking at differences between time and individuals. This approach does not pay attention to the individual dimensions and time. It is assumed that the behavior of the data between individuals is the same in various periods of time, so we can use the Ordinary Least Square method to estimate the panel data model.

Fixed Effect Model (FEM)

The common effects approach which assumes that both the intercept and the slope are the same between individuals and over time is far from the actual reality. Characteristics between individuals clearly differ. Therefore, the fixed effect approach estimates the panel data using a dummy variable to capture the difference in intercepts. This fixed effect approach is based on differences in intercepts between individuals but the intercepts are the same over time.

Random Effect Model (REM)

The random effect method comes from the notion that the disturbance variable consists of two components, namely the disturbance variable as a whole, namely a combination of time series and cross section and individual disturbance variables. In this case, the disturbance variable varies between individuals but remains constant over time. Therefore, the random effect model is also often referred to as the Error Component Model. The Random Effect Model is used to overcome the weakness of the fixed effect model that uses dummy variables, so that the model experiences uncertainty.

There are several test techniques to select a better model used in this study:

1. ChowTest,aims to determine which is more suitable to be used in this study between common (pool) and fixed effect.
2. HausmantTest,aims to choose whether to use the method of fixed effects or random effects which is best to use.
3. Lagrange MultiplierTest,aims to choose whether to use the random effects or common effects method that is best used. The consideration in choosing fixed effects or random effects is that if T is small and N is large and the assumptions underlying random effects can be met, then random effects are more efficient than fixed effects.

III. Result

The Chow test was conducted to determine whether the model used was the Common Effect Model (CEM) or the Fixed Effect Model (FEM). The test is carried out with the following hypothesis:
Ho: Probability > 0.05, then the Common Effect Model (CEM) is valid.
Ha: Probability < 0.05, then the Fixed Effect Model (FEM) is valid.

Table 3.1 The Result of Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	76.796348	(32,128)	0.0000
Cross-section Chi-square	495.930171	32	0.0000

Source: Data processed with Eviews

Based on the results of the Chow test, the probability value is $0.0000 <$ from alpha 0.05. So Ho is rejected and Ha is accepted. This means that the Fixed Effect Model (FEM) is the best model. Then the Hausman test was carried out to choose which model was the best between the Fixed Effect Model (FEM) and the Random Effect Model (REM). Decision making by looking at the probability value (p) for Cross-Section Random:
Ho: Probability$> 0,05$, then the Random Effect Model (REM) is valid.
Ha: Probability$< 0,05$, then the Fixed Effect Model (FEM) is valid.

Table 3.2 The Result of Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	57.619706	4	0.0000

Source: Data processed with Eviews

Based on the Hausman test results table, the probability value is $0.0000 <0.05$. So Ho is rejected and Ha is accepted, which means the Fixed Effect Model (FEM) is the best model. The following are the results of the estimation of the research model using the best estimation model, namely the Fixed Effect Model (FEM).**T**he results of the significance test of local revenue in Indonesia are obtained on Table 3.3. So the equation of this research is as follows:

$LogY = 10.09147 + 0,043119 LogX_1 + 0,045626 LogX_2 + 0,538210 LogX_3 + 0,038925 LogX_4$

Based on the estimation results, it shows that the Adjusted R-Squared value is 0.99 indicating that the number of foreign tourists, the number of domestic tourists, hotels, and transportation can explain the Regional Generated Revenue variable by 99 percent. Meanwhile, the remaining 1 percent is explained by other variables not included in the model. With an F-statistic value of 490.0427 and a significant probability, it can be explained that the variables of the number of foreign tourists, the number of domestic tourists, hotel and transportation together have significant effect on Regional Generated Revenue in Indonesia.The results of the interpretation of the equation as follows:

1. The Number of Domestic Tourism
The variable number of foreign tourists has positive and significant effect on local revenue at a significance level of 95 percent which can be seen with a tsig value $<$ of $= 0.05$ ($0.0083 < 0.05$). This means that every 1 percent increase in the number of foreign tourists will increase regional generated revenue by 0.043119 percent.

2. **The Number of Foreign Tourism**
   The variable number of domestic tourists has no significant positive effect on local revenue at a significance level of 95 percent which can be seen by the t-sig value > of = 0.05 (0.2149 > 0.05). This means that every 1 percent increase in the number of domestic tourists will increase regional generated revenue by 0.045626 percent.
3. **Hotel**
   The hotel variable has positive and significant effect on local revenue at a significance level of 95 percent which can be seen by the t-sig value < of = 0.05 (0.0000 < 0.05). This means that for every 1 percent increase in hotels, the regional generated revenue variable in 33 provinces in Indonesia will increase by 0.538210 percent.
4. **Transportation**
   The transportation variable has no significant positive effect on local revenue at a significance level of 95 percent which can be seen by the t-sig value > of = 0.05 (0.1895 > 0.05). This means that for every 1 percent increase in transportation, the regional generated revenue variable in 33 provinces in Indonesia will increase by 0.038925 percent.

The effect shows value of the regional generated revenue for each province does not change or remains. The effect of the variable number of foreign tourists, the number of domestic tourists, hotels and transportation on regional generated revenue by summing the effect data with the overall constant data.Based on Table 3.4, The Fix Effect Coefficient Interpretation Modelshows the highest and individual effect valueis Jakarta, so:

➢ For the province of Jakarta, if the number of foreign tourists, the number of domestic tourists, hotels and transportation are equal to zero, then the regional generated revenue is 1.141354 percent. If the number of foreign tourists, the number of domestic tourists, hotels and transportation are fixed, then the local revenue will get an individual effect of 11.232824 percent.

The Fix Effect Coefficient Interpretation Model shows the lowest and individual effect value is North Maluku, so:

➢ North Maluku Province, if the number of foreign tourists, the number of domestic tourists, hotels and transportation are equal to zero, the regional generated revenue will be -0.523652 percent. If the number of foreign tourists, the number of domestic tourists, hotels and transportation is fixed, the local revenue will get an individual influence of 9.567818 percent.

The Effect of the Number of Foreign Tourists on Regional Generated Revenue
The increase in foreign tourists to Indonesia has gained every year. The increase in foreign tourists to Indonesia will gain the regional generated revenue in Indonesia. The more the number of foreign tourists visiting, the various kinds of needs of tourists during their travels will cause consumptive symptoms for products in tourist destinations. The consumptive activities of foreign tourists will increase the revenue of several tourism sectors in Indonesia. One of the tourism sectors is growing due to an increase in foreign tourists is the hotel sector. The increase in hotel visits by foreign tourists will gain the revenue included in the levy which is one source of regional generated revenue.

In addition to increasing original income from the hotel sector, Indonesia is one of the countries has tourist attractions. Besides foreign tourists visiting for recreational purposes, they also come to see existing business opportunities and then build an investment in tourist destinations so that it generates income for local revenue in Indonesia. This study is in line with research conducted by Lanny et al (2019) and Suryani (2017).

The Effect of the Number of Domestic Tourists on Regional Generated Revenue
The increase in the number of domestic tourists has positive effect on local revenue in Indonesia, but does not hassignificant effect. Based on data published by BPS, several provinces in Indonesia experienced a decrease in the number of domestic tourists in 2015. The decline in the number of domestic tourists in 2015 was one of the factors that caused the number of domestic tourists have no significant effect on regional generated revenue in Indonesia.

In addition, another factor is considered cause most tourists who travel to other areas prefer to stay at their relative's place rather than staying at a hotel which is one of the regional generated revenue sectors. In addition, domestic tourists often travel using private transportation so that input on public transportation is reduced. The results of this study are in line with research conducted by Sukanto (2019), Dita and Adi (2021), Arraniry (2018), and Nina (2018).

The Effect of Hotel on Regional Generated Revenue
The function of the hotel is not only as a place to stay for tourist visitors, but also for other purposes such as carrying out business activities, holding seminars, or just to get peace (Nasrul, 2010). Hospitality is

important role as force of regional development, it needs to be developed properly and correctly. Then, it will gain community income, regional original income, employment, and expand business opportunities.

Hotel is one type of accommodation uses part or all of its parts for lodging services, food and beverage providers and other services for the general public which are managed commercially. The hotel starts to grow and continues to change from all aspects and gradually. Hotel is considered one of the key elements that support the tourism and transportation industries and other activities. The progress of the hotel industry will increase hotel tax revenues so that local revenue will simultaneously increase. The research is in line with research conducted by Alyani and Siwi (2020) and Arrani (2018).

The Effect of Transportation on Regional Generated Revenue

The insignificant effect of transportation on Regional Generated Revenue due to the movement of domestic tourists who use public transportation or private transportation from outside the destination area.Especially domestic tourists who come from other nearby provinces. The use of tourism buses and private cars will not gain regional generated revenue in the tourism area being visited, but is recorded as a source of revenue in the area.

In addition, the phenomenon of traditional transportation modes in tourist areas that are not subject to tax so that their existence does not has significant effect on regional generated revenue. For example, the use of wagon transportation, klotok boats, carriages, and so on that operate in tourist areas. This study is in line with the research conducted by Natalia (2017), Murdo and Yuri (2015), and Wulandari (2016).

IV. Conclusion

Based on the results of analysis and discussion, the following conclusions are obtained:
1. The number of foreign tourists has positive and significant effect on Regional Generated Revenue in Indonesia.
2. The number of Domestic Tourists has positive and insignificant effect on Regional Generated Revenuein Indonesia.
3. Hotels haspositive and significant effect on Regional Generated Revenuein Indonesia.
4. Transportation has positive and insignificant effect on Regional Generated Revenuein Indonesia.

Based on the results of research, the authors provide some suggestions as follows:
1. Efforts to increase regional generated revenue through the number of foreign and domestic tourist visits can be pursued by developing tourism destination amenities, focusing on the development of public infrastructure, the provision of public facilities, and the construction of tourism facilities.
2. Community development is considered important in the tourism destination development strategy. The community development includes, increasing the capacity of community resources, increasing awareness, and the role of the community in tourism activities.
3. Efforts to gain regional generated revenue through hotel occupancy rates are to stimulate tourism investment by implementing a number of strategies, including providing incentives, convenience, and promoting investment in the hotel sector. This strategy is carried out to improve the quality and quantity of tourism destinations in terms of hotel accommodation. In order to create destinations that are safe, comfortable, attractive, easily accessible, environmentally friendly, and able to increase national and regional revenue, and move the wheels of the community's economy.
4. Efforts to gain regional original income through transportation are increasing accessibility in the form of transportation infrastructure, transportation facilities, and transportation systems that are carried out to facilitate the movement of tourists to tourism destinations. Improved transportation infrastructure can take the form of expanding road infrastructure development, repairing roads that are in poor condition, and opening new roads to tourist destinations. Increasing the accessibility of transportation facilities in the form of procurement transportation equipment that can support tourism activities such as buses, boats, ferries, etc. Meanwhile, part of the transportation system can be in the form of increasing the security element and the feasibility of the transportation unit.

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Appendix

Table 3.3 The Result of Fixed Effect Model (FEM) Estimation

Dependent Variable: LOGY?
Method: Pooled Least Squares
Date: 03/05/22   Time: 16:45
Sample: 2014 2018
Included observations: 5
Cross-sections included: 33
Total pool (balanced) observations: 165

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.09147	0.323012	31.24174	0.0000
LOGX1?	0.043119	0.016083	2.681022	0.0083
LOGX2?	0.045626	0.036603	1.246519	0.2149
LOGX3?	0.538210	0.056835	9.469623	0.0000
LOGX4?	0.038925	0.029511	1.318985	0.1895
Fixed Effects (Cross)				
_ACEH—C	0.061016			
_SUMATERAUTARA—C	0.201260			
_SUMATERABARAT—C	0.031532			
_RIAU—C	0.248992			
_JAMBI—C	0.090068			
_SUMATERASELATAN—C	0.216737			
_BENGKULU—C	-0.076137			
_LAMPUNG—C	0.205841			
_KEPBANGKABELITUNG—C	-0.153580			
_KEPRIAU—C	-0.313596			
_DKIJAKARTA—C	1.141354			
_JAWABARAT—C	0.446780			
_JAWATENGAH—C	0.348073			
_DIYOGYAKARTA—C	-0.347142			
_JAWATIMUR—C	0.407697			
_BANTEN—C	0.467024			
_BALI—C	-0.311641			
_NTB—C	-0.325780			
_NTT—C	-0.235598			
_KALIMANTANBARAT—C	0.004632			
_KALIMANTANTENGAH—C	-0.093483			
_KALIMANTANSELATAN—C	0.268334			

_KALIMANTANTIMUR—C	0.394144
_SULAWESIUTARA—C	-0.096622
_SULAWESITENGAH—C	-0.315259
_SULAWESISELATAN—C	0.165380
_SULAWESITENGGARA—C	-0.382888
_GORONTALO—C	-0.321521
_SULAWESIBARAT—C	-0.423581
_MALUKU—C	-0.387962
_MALUKUUTARA—C	-0.523652
_PAPUABARAT—C	-0.371040
_PAPUA—C	-0.019383

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.992797	Mean dependent var	12.25685
Adjusted R-squared	0.990771	S.D. dependent var	0.524903
S.E. of regression	0.050427	Akaike info criterion	-2.942008
Sum squared resid	0.325490	Schwarz criterion	-2.245523
Log likelihood	279.7156	Hannan-Quinn criter.	-2.659280
F-statistic	490.0417	Durbin-Watson stat	1.731459
Prob(F-statistic)	0.000000		

Source: Data processed with Eviews

Table 3.4 Fix Effect Coefficient Interpretation Model 33 Provinces in Indonesia

Districts/City	Effect	Individual Effect
Aceh	0,061016	10,152486
Sumatera Utara	0,201260	10,292730
Sumatera Barat	0,031532	10,123002
Riau	0,248992	10,340462
Jambi	0,090068	10,181538
Sumatera Selatan	0,216737	10,308207
Bengkulu	-0,076137	10,015333
Lampung	0,205841	10,29727
Kep Bangka Belitung	-0,153580	9,93789
Kepulauan Riau	-0,313596	9,777874
Jakarta	1,141354	11,232824
Jawa Barat	0,446780	10,53825
Jawa Tengah	0,348073	10,439543
Yogyakarta	-0,347142	9,744328
JawaTimur	0,407697	10,499167
Banten	0,467024	10,558494
Bali	-0,311641	9,779829
NTT	-0,325780	9,76569
NTB	-0,235598	9,855872
Kalimantan Barat	0,004632	10,096102
Kalimantan Tengah	-0,093483	9,997987
Kalimantan Selatan	0,268334	10,359804
Kalimantan Timur	0,394144	10,485614
Sulawesi Utara	-0,096622	9,994848
Sulawesi Tengah	-0,315259	9,776211
Sulawesi Selatan	0,165380	10,25685
Sulawesi Tenggara	-0,382888	9,708582
Gorontalo	-0,321521	9,769949
Sulawesi Barat	-0,423581	9,667889
Maluku	-0,387962	9,703508
Maluku Utara	-0,523652	9,567818
Papua Barat	-0,371040	9,72043
Papua	-0,019383	10,072087

Source: Data processed with Eviews