

# Potential of the Tourism Industry in Improving the Economy of North Sumatera

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## Abstract

The hotel industry in North Sumatera is a vital sector that has a significant contribution to the regional economy. This article explores the potential of the hotel industry and its impact on North Sumatera's economic growth. Through field research and data analysis, this article provides an in-depth overview of the important role the hotel industry plays in driving the regional economy. This research highlights the rapid growth of the hotel industry in North Sumatera, in line with the increase in tourist visits, both local and foreign. The impact of this industrial growth is not only reflected in the increase in the number of hotels and hospitality facilities, but also in the improvement of the local economy. The comprehensive analysis in this article includes the contribution of the hotel industry to regional income, the multiplier effect on related sectors, as well as government and private efforts in optimizing the growth of the hotel sector. With an in-depth explanation of the potential of the hotel industry, this article provides the necessary insights for policy makers, entrepreneurs and the public to better understand the importance of the hotel sector in strengthening the North Sumatera economy as well as the strategic direction for the future development of this industry. The data used in this research is secondary data obtained at the research agency based on literature documentation, literature and other reports relating to tourism development and economic improvement in the North Sumatera region in the form of supporting factors such as the number of hotels, number of hotel rooms, development of visits, tourists, both foreign and domestic, length of stay, and the contribution of the hotel industry sector to North Sumatera's GDP.

**Key words:** Tourism industry, Improving, Economy, North Sumatera

## INTRODUCTION

Tourism development is the process of building and maintaining a tourism industry in a particular location. At the most basic level, tourism development can be defined as the process of developing strategies and plans to increase/develop/encourage tourism in a particular destination. In line with the conclusions of researcher. (Yudananto. 2011) the tourism sector has an important role in increasing regional income, creating jobs and improving community welfare. The tourism sector also has strong links with other sectors in every province in Indonesia. Therefore, the development of the tourism sector needs to be carried out in a sustainable and competitive manner so that it can have a positive impact on the area. Adnyana et al (2016) concluded that the tourism sector also has a high multiplier effect on other sectors, such as trade, agriculture, industry and services. Therefore, the development of the tourism sector needs to be carried out by improving the quality and diversification of tourism products, as well as optimizing the use of natural and cultural resources in Buleleng Regency. Hidayah (2023) in his research concluded that the tourism sector has a significant influence on the economy in the provinces of Bali, Yogyakarta, West Nusa Tenggara and North Sumatera, which are provinces that have high tourism potential in Indonesia.

Research conducted by Farhad and Endrayadi (2017) states that the growth of tourism has opened up new jobs for the community as managers of tourism services and regenerated local culture through carnival events held by local governments and the community.

In line with the government's program, efforts will continue to be made for the tourism sector in Indonesia to increase from year to year so that the role and contribution of the tourism sector in contributing to the national gross domestic product (GDP) will also increase. Likewise, what is expected from one of the businesses in the tourism sector is the hotel industry, which every year also increases both in number and role and contribution to the gross domestic product of a region.

The hotel industry is one sector that plays an important role in supporting tourism development in an area. The hotel industry provides accommodation, food and beverage services, as well as other facilities for tourists visiting a destination. The hotel industry also contributes to the regional economy through job creation, increasing local revenue, and the multiplier effect resulting from hotel business activities.

North Sumatera is one of the provinces in Indonesia which has great tourism potential, both in terms of nature, culture and history. North Sumatera has various interesting tourist destinations, such as Lake Toba, Mount Sibayak, Maimun Palace, Medan Grand Mosque, and others. North Sumatera also has a strategic geographical

location, namely bordering the Strait of Malacca, Aceh Province, Riau Province and the Indian Ocean. This provides good accessibility for tourists, both domestic and foreign, to visit North Sumatra.

In line with the development of tourism in North Sumatra, the hotel industry in this province is also experiencing quite rapid growth. According to data from the North Sumatra Province Central Statistics Agency, the number of hotels and other accommodation in North Sumatra experienced an average growth of 11.83% during the 2017-2022 period. The number of hotels and accommodation is greater in the cities of Medan, Karo, Deli Serdang, Samosir, Langkat and Samosir, which are the main tourist destinations in North Sumatra. The number of hotel rooms and other accommodation has also increased from year to year, reaching 35,366 rooms in 2022.

We can see that the performance of the star hotel industry in North Sumatra can be seen from the indicators of room occupancy rate (TPK), average length of stay (RLM), and revenue per available room (RevPAR). During and after the Covid-19 pandemic, the performance of the star hotel industry in North Sumatra experienced fluctuations, but generally showed a positive trend. Many things are the driving factors and reasons that service quality has a positive and significant effect on consumer satisfaction. Of the five dimensions of service quality, the most influential dimension is empathy, namely the hotel's ability to provide attention and understanding to consumers. The results of research conducted by Yakup & Haryanto (2019) Schubert, et al (2011) show that tourism has a positive effect on economic growth and conversely economic growth has a positive effect on tourism. Other factors that influence tourism demand in Indonesia are the exchange rate and inflation.

The establishment and development of the hotel industry has a positive impact on local economic growth, increasing employment opportunities and supporting the growth of the tourism sector. Likewise, the opinion of several experts states that investment in accommodation facilities such as hotels causes an increase in tourist visits, which in turn increases local spending and regional income. On the other hand, the growth of the hotel industry influences other sectors such as food, transportation and retail, creating a domino effect that strengthens the local economy. Apart from that, the availability of adequate hotel facilities can increase the attractiveness of investment in the area, encouraging wider economic growth.

The results of this research show that directly the number of tourist visits has a positive but not significant effect on North Sulawesi Hotel Occupancy Rates, Hotel Occupancy Rates have a positive and significant effect on Tourism Sector Revenues and indirectly the Number of Tourist Visits in North Sulawesi has North Sulawesi Tourism Sector Revenues through the Hotel Occupancy Rate is positive but not significant, so that the Hotel Occupancy Rate can function as an intervening variable between the Number of Tourist Visits and Revenue from the North Sulawesi Tourism Sector (Bujung, et.al, 2019)

The results of research conducted by Asmorowati and Widarjono (2016) show that foreign tourist expenditure and regional expenditure have an effect on increasing Gross Regional Domestic Product (GRDP). However, the number of hotels has no effect on Gross Regional Domestic Product (GRDP).

Puspitasari and Rahmawati (2022) stated the results of their research that the influence of the tourism sector related to the tourism competitiveness index significantly and positively, the number of tourists and investment had an effect on local revenue, while the room occupancy rate and population did not have a significant and negative effect.

When linked to economic development with balanced growth, tourism can be expected to play a decisive role and can be used as a catalyst to develop its development sector. Meanwhile, the economic impact of tourism development can be positive or negative. The positive impacts are (1) creating jobs; (2) increasing opportunities, (3) increasing community income in the surrounding tourist area. Meanwhile, the negative impact on the environment is the natural environment, built environment and culture. (Wibowo. et.al, 2017)

The fact that the emergence of challenges and increasingly sharp levels of competition among hotel business actors is the impact of the growth of the hotel industry in North Sumatra. This condition forces hotel managers to improve the quality of services, facilities and products offered to consumers. The quality of service, facilities and products are factors that influence consumer satisfaction, which will ultimately have an impact on hotel loyalty, image and performance. Therefore, it is important to carry out research on the hotel industry in North Sumatra, in order to identify factors that influence optimal performance, as well as measure the performance of the hotel industry which will have an impact on the economy in North Sumatra.

## **THEORETICAL REVIEW**

This article outlines the conclusions of the theoretical review carried out, emphasizing the importance of tourism development as a strategy to improve the economy of North Sumatra. Joint commitment is needed from various parties, including government, society and the private sector, to implement the strategies that have been proposed to maximize tourism potential and achieve sustainable economic growth in North Sumatra.

## METHOD

This research uses a qualitative method with a deductive nature which explains the potential that the hotel industry in North Sumatra has to improve the economy in this area, namely by improving management, friendliness and professionalism shown by human resources involved in the hotel industry.

The research uses secondary data and several reports that are related to the information needs used for data processing.

## RESULTS AND DISCUSSION

The number of hotel rooms in North Sumatra is an indicator that shows the capacity and quality of the hotel industry in this province. The number of hotel rooms in North Sumatra is influenced by various factors, such as the number and class of hotels, room occupancy rates, market demand and supply, tourism development, and socio-economic conditions.

From the data presented below, it can be seen that the number of hotel rooms in North Sumatra has experienced quite good growth on average. Although from 2021 the number of existing rooms was 37,958 and decreased to 35,366 or around 6.83%. This happened in 2021 at Melati hotels, there was a decrease of 2,197 (8.93%) when compared to the realization in 2020 of 24,584. In 2022, the Melati hotel category will see another decline, namely 22,387 to 20,366 or around 9.03%. The cause is the inability of jasmine hotels to rise again to survive after being hit by the Covid-19 pandemic in previous years.

Table 1: Number of Hotel Rooms in North Sumatra

STAR/ MELATI	YEARS					
	2017	2018	2019	2020	2021	2022*
Star 5	1.794	1.118	1.603	1.591	1.497	5.000
Star 4	3.367	3.339	3.559	3.448	3.340	4.000
Star 3	3.779	4.445	3.978	4.522	4.740	3.000
Star 2	1.541	1.564	1.441	1.819	1.879	2.000
Star 1	935	1.047	976	994	795	1.000
Melati Hotel	20.079	18.661	20.600	24.584	22.387	20.366
Total	31.495	30.174	32.157	36.958	37.958	35.366

\*estimate - (Source: BPS North Sumatra – processed)

In line with the data presented above, the number of hotels also experienced fluctuations and also decreased from the previous year, especially in the budget hotel category. From the table below we can see that in 2021 the number of budget hotels was 1,267 but in 2022 it will be 949. This number has decreased quite significantly, namely 318 rooms or the equivalent of 25.10%. However, star hotels are still able to continue to survive to this day. Although in reality there are also star hotels that collapse and stop operations and even sell them.

Table 2: Number of Hotels in North Sumatra

STAR /MELATI	YEAR					
	2017	2018	2019	2020	2021	2022*
Star 5	9	5	8	8	7	10
Star 4	22	24	24	23	22	25
Star 3	49	55	53	55	59	55
Star 2	25	24	30	29	35	30
Star 1	21	23	25	24	22	25
Melati Hotel	1.030	978	1.078	1.286	1.267	949
Total	1.156	1.109	1.218	1.425	1.412	1.094

\*estimate (Source: BPS North Sumatra – processed)

Fadhila and Rahmini (2019) concluded in their research that the number of tourist visits, hotel occupancy levels, length of stay of tourists simultaneously influence economic growth and the most dominant variable is the number of tourist visits.

According to Purwanti and Dewi (2014), the influence of the number of tourist visits is very significant for the development of the tourism industry and local revenue so that domestic and foreign tourists are interested in visiting an area which has an impact on room occupancy rates.

Table 3: Number of Domestic and Foreign Tourist Visits

YEAR	FOREIGN TOURIST	DOMESTIC TOURIST
2017	163.849	6.057.000
2018	171.841	6.321.000
2019	182.270	6.601.000
2020	25.175	1.320.000
2021	74.498	1.632.000
2022	* 102.000	* 2.100.000

\*estimasi ( Sumber: BPS Sumatera Utara – diolah)

The table above presents data from 2017 to 2022. It can be seen that the number of foreign and domestic tourists visiting North Sumatra has fluctuated, especially during the Covid-19 pandemic, the number of tourists visiting has decreased. The impact of this is the low occupancy rate of hotel rooms in North Sumatra.

In the next table is the length of stay of tourists, both foreign and domestic tourists. It can be seen that in 2020 the average length of stay for foreign and domestic tourists decreased.

If we look at the realization of the figures in the table, the average length of stay for foreign tourists is still quite low compared to several other tourist destinations in the country. This indicates that there is still a lack of tourist attractions offering attractions or activities with a tourism nuance, so this has an impact on the length of stay of tourists in North Sumatra.

Research conducted by Rizki, Karini (2023) concluded that tourist attractions and prices have a positive and significant effect.

Table 4: Average length of stay for foreign and domestic tourists in North Sumatra

YEAR	FOREIGN TOURIST	DOMESTIC TOURIST
2017	8,33	1,67
2018	8,45	1,69
2019	8,57	1,71
2020	4,30	1,86
2021	9,88	1,45*
2022	10*	1,46*

\*estimate (Source: BPS North Sumatra – processed)

Table 5: Contribution of the Hotel Sector to North Sumatra's GDP

YEAR	Hote GDP (RP. mil)	North Sumatera GDP (RpMil)	Hotel Contribution (%)
2017	2.375,9	1.005.419,9	0,24
2018	2.559,4	1.089.094,3	0,23
2019	2.785,7	1.180.333,9	0,24
2020	1.472,1	1.191.306,9	0,12
2021	1.632,5	* 1.200.000,0	0,13
2022	1.800,0	* 1.300.000,0	0,14

\*estimate (Source: BPS North Sumatra – processed)

Gross Domestic Product (GDP) is an indicator in measuring the success of a region's economic level. From the table above, it can be seen that the contribution of the hotel sector to gross domestic product (GDP) is still very low.

Star hotels that can accommodate large numbers of tourists are only found in a few big cities, especially four and five star hotels, namely in Medan City as the capital of North Sumatera province. With the concentration of star hotels in the city of Medan, tourists visiting the North Sumatera area, especially foreign tourists, mostly stay in the city of Medan. Another factor that is no less important that causes this is that tourist attractions in North Sumatera can be reached in a short time. This has an impact on the length of stay of tourists at tourist attractions in North Sumatera.

The contribution of the hotel industry to North Sumatera's gross domestic product appeared to have decreased greatly during the Covid-19 pandemic. The number of tourists visiting has decreased very significantly and has had an impact on the hotel industry's income and in turn also has an impact on the hotel industry's contribution to the gross domestic product of North Sumatera province.

## CONCLUSION

After looking at the presentation in several tables above and reading several reports related to tourism in North Sumatera, there are several conclusions that the author can draw, namely: Looking at the availability of hotel rooms, hotels in North Sumatera still have the potential and opportunity to accommodate the number of tourists who come to visit this area. The low length of stay of tourists in North Sumatera can still be improved by improving the quality of services, tourist attractions, accessibility to tourist attractions, community attitudes and of course the role of local government in increasing tourism awareness for the people of North Sumatera, especially the people who live around tourist attractions. The contribution of the hotel industry to North Sumatera's gross domestic product (GDP) is still quite low. By increasing the quality of products and services provided by hoteliers and also the people living around tourist attractions, it will stimulate tourists to visit North Sumatera by having an impact on room occupancy rates, hotel income and ultimately will have an impact on increasing the economy of North Sumatera.

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