



The Role of Sustainable Tourism in Strengthening Regional Economic Growth

Harjum Muharam¹

¹ Universitas Diponegoro, Semarang, Indonesia

Abstract

Article history:

Received: January 21, 2023

Revised: March 15, 2023

Accepted: May 7, 2023

Published: June 30, 2023

Keywords:

Collaboration,
Economic Growth,
Regional Income,
Sustainability,
Tourism,

Identifier:

Zera Open

Page: 29-43

<https://zeraopen.com/journal/jfsa>

Sustainable tourism has become increasingly acknowledged as a strategic instrument in regional economic growth. The tourism sector holds vast potential to generate employment, encourage local MSMEs, and enhance Regional Original Revenue (*Pendapatan Asli Daerah*/PAD). These contributions highlight the necessity of promoting destinations that are inclusive, environmentally sustainable, and socially beneficial. This study aims to examine how sustainable tourism development supports regional income and stimulates local economic progress. The research applies a descriptive qualitative design through literature review, relying on data from scientific articles, journals. The results demonstrate that sustainable tourism development strengthens regional revenue via sectoral taxes, job creation both directly and indirectly, as well as multiplier effects derived from infrastructure investment and community participation. Nonetheless, issues such as unequal benefit distribution and risks of environmental degradation remain pressing challenges. Therefore, collaborative efforts and regulatory frameworks are recommended to maximize the contribution of sustainable tourism toward inclusive, balanced, and sustainable regional development.

1. Introduction

The tourism industry has evolved into one of the primary engines of regional economic development in many nations, including Indonesia. With its vast cultural diversity, rich historical heritage, and stunning natural landscapes, tourism has been positioned as a strategic sector with the ability to increase Regional Original Revenue (PAD), create new employment opportunities, and stimulate local economic activity. In recent years, several regions in Indonesia have taken advantage of this potential by developing diverse tourist destinations designed to draw both domestic and international visitors in significant numbers. Nonetheless, within the framework of sustainable development, relying solely on rising visitor numbers is no longer a viable approach. Emerging global and national discourses highlight that tourism growth must adhere to sustainability principles that incorporate economic, social, and environmental considerations (Hall, 2019). In this context, sustainable tourism models such as eco-tourism, green tourism, and community-based tourism have become relevant solutions to counter the negative consequences of conventional mass-tourism approaches.

These models prioritize environmentally responsible management of destinations, inclusivity for local communities, and equitable economic returns for residents (Streimikiene et al., 2021). When carefully managed, sustainable tourism offers substantial opportunities. It has the capacity to strengthen local fiscal revenues through taxes and retributions from the tourism sector, support MSMEs within the tourism supply chain, and provide employment in supporting industries including transportation, accommodation, culinary services, and creative industries. Moreover,

sustainable tourism development has the potential to empower and revitalize remote areas that previously had limited access to mainstream development programs (Rahman et al., 2022). Despite this promise, the reality shows that not all regions have maximized their tourism potential effectively. In several cases, destinations are developed on a large scale without comprehensive planning that integrates social and environmental dimensions. This has led to problems such as ecosystem degradation, disputes with local communities, and unequal distribution of benefits between major investors and local populations (Proikaki et al., 2018).

The phenomenon of over-tourism in popular destinations further underscores how unchecked expansion can erode visitor satisfaction while simultaneously threatening the sustainability of tourism attractions. This discrepancy between potential and actual economic outcomes represents a pressing issue. Some regions blessed with extraordinary natural and cultural wealth contribute relatively little to local fiscal revenues. Such conditions point to weaknesses in governance of tourism development, particularly in areas like regulatory frameworks, stakeholder participation, and integration with broader development agendas (Vicente et al., 2021). Fragmented policies, often disconnected from environmental governance or local economic empowerment, create additional obstacles. Consequently, tourism that should serve as a source of prosperity risks becoming a long-term ecological and social burden (Gómez et al., 2021).

In light of these issues, it becomes necessary to examine critically whether sustainable tourism can deliver real economic benefits, especially in terms of increasing PAD. This question is particularly relevant given Indonesia's alignment

with the Sustainable Development Goals (SDGs), which highlight the role of tourism in poverty reduction, job creation, and environmental protection. Moreover, the National Tourism Development Master Plan (*Rencana Induk Pembangunan Kepariwisata Nasional/RIPPNAS*) stresses inclusive and community-based development as an integral part of tourism policy (Scarpi et al., 2022). Nevertheless, empirical investigations directly connecting sustainable tourism development to regional revenue growth remain limited (Khan et al., 2020). Much of the existing scholarship concentrates on tourist behavior or attraction management, with fewer studies analyzing systematically the economic implications of adopting sustainability-oriented approaches. Addressing this gap is crucial to determine the actual effectiveness of sustainable tourism as a catalyst for local economic progress.

From this background, the central aim of the present study is to analyze empirically the impact of sustainable tourism on regional economic growth, particularly its role in strengthening PAD. Furthermore, the research seeks to evaluate how far sustainability principles such as environmental preservation, inclusivity of local communities, and economic efficiency have been applied in developing tourism across Indonesia's diverse regions. The study also intends to uncover structural and institutional challenges that impede the full realization of tourism's economic potential, such as policy fragmentation, weak coordination, and limited human resources. Based on these findings, the study will propose strategic recommendations for local governments to create policies that align tourism development with long-term economic strategies and environmental governance.

2. Methods

This study adopts a descriptive qualitative approach with a library research method. This approach was chosen because it is considered appropriate for examining complex socio-economic issues, particularly in analyzing how sustainable tourism development influences the growth of regional revenue. The use of a literature review allows researchers to explore relevant written sources in order to build a comprehensive understanding of the topic under investigation. The data in this research obtained directly from the field but gathered from pre-existing sources. Collection was carried out by peer-reviewed journal articles, scientific papers, and that are closely related to tourism, sustainability, and regional economic growth. The selection of materials was conducted purposively, considering the relevance of the content, the accuracy of the information, and the credibility of the sources used.

The study concentrates on exploring two central aspects. The first concerns sustainable tourism development, which includes elements such as environmental protection, cultural preservation, economic efficiency, and the empowerment of local communities in building and managing tourist destinations. The second relates to the increase in regional income, observed through contributions from the tourism sector to Regional Original Revenue (PAD) and broader indicators of regional economic growth. Data analysis was carried out by classifying, comparing, and synthesizing information from diverse references. This process made it possible to identify recurring patterns, similarities, and contrasts regarding the relationship between sustainable tourism development and regional income growth. The analysis employed an interpretative and critical perspective to uncover underlying meanings,

reveal emerging trends, and highlight the key factors influencing the success of tourism policies based on sustainability principles. Through this approach, the study aims to provide a detailed and comprehensive picture of both the opportunities and challenges associated with implementing sustainable tourism in different regions. The findings are expected to serve as a valuable reference for policymakers, academics, and practitioners in developing strategies that not only enhance regional revenues but also ensure the balance between economic progress, environmental stewardship, and social inclusivity.

3. Results

3.1. The Contribution of Sustainable Tourism to Regional Revenue

Sustainable tourism exerts a considerable influence on regional revenue growth through diverse economic, social, and environmental pathways. It not only attracts domestic and foreign visitors but also generates fiscal contributions via hotel taxes, restaurant levies, entrance fees at tourist attractions, and a variety of supporting economic activities. Khan et al. (2020) argue that adopting a sustainable model in tourism destinations ensures a consistent inflow of tourists throughout the year, thereby creating a steady source of Regional Original Revenue (PAD). This financial contribution is closely connected to employment creation, as part of the collected taxes is frequently allocated to local workforce training programs. Moreover, the revenue supports infrastructure investments, such as road improvements to tourist sites or the development of local airports, which in turn increase regional accessibility and competitiveness. For example, in several regions,

funds from tourism-related taxes have been directed toward improving access roads, which has led to a noticeable rise in tourist arrivals and, subsequently, regional income.

Employment generation represents one of the most tangible impacts of sustainable tourism. It creates direct jobs such as hotel staff, tour guides, and restaurant employees while also fostering indirect employment opportunities for artisans producing souvenirs, local farmers supplying food products, or drivers providing transportation services. Ady et al. (2022) highlight that community-based tourism initiatives contribute significantly to household income, often through seasonal employment like beach vendors or guides for cultural village tours. In some Tourism Villages, local residents are actively engaged in producing traditional handicrafts, such as woven fabrics, which not only generate income but also contribute to PAD through taxes on microenterprises. Community involvement in destination management further reinforces the sustainability of tourism. Local workers, especially those engaged as guides, tend to possess strong environmental awareness, thereby playing an active role in conserving natural resources and ensuring destinations remain appealing to visitors. In addition, the availability of these jobs reduces poverty and unemployment, boosts purchasing power, and stimulates economic circulation in local markets, ultimately contributing to stronger PAD (Scarpi et al., 2022).

Another important aspect of sustainable tourism is its role in stimulating infrastructure investment. Projects such as road construction, port facilities, and public service improvements enhance tourist accessibility and generate wider

economic activities. Kronenberg and Fuchs (2022) explain that the multiplier effect of tourism manifests when tourist expenditures fuel growth in ancillary sectors, including trade, agriculture, and services. For instance, the development of a new road to a tourist site can increase visitor numbers, which in turn promotes the growth of culinary businesses, homestays, and handicraft markets. This growth further raises PAD through various tax mechanisms. Lee and Jan (2019) observe that enhanced infrastructure not only attracts greater numbers of tourists but also generates foreign exchange earnings and additional tax revenues. Infrastructure projects frequently engage local workers, providing added economic benefits and strengthening community involvement.

For example, the establishment of a new port may increase the number of operating tourist boats, which creates local employment opportunities for boat crews and tour operators while simultaneously generating tax income. The multiplier effect is also visible in the agricultural sector, where farmers benefit from supplying food to hotels and restaurants, thereby broadening the economic reach of tourism activities. By linking multiple sectors through these interactions, sustainable tourism not only strengthens PAD but also creates a more inclusive growth model (Bakker, 2019). In summary, sustainable tourism contributes to regional economic development in multifaceted ways. It strengthens fiscal capacity through taxes and levies, promotes employment opportunities for local communities, and fosters infrastructure improvements that generate long-term economic benefits (Mpofu, 2022). Its multiplier effects extend to various sectors, reinforcing the significance of tourism as a sustainable driver of regional income.

3.2. Sustainable Tourism, Community Empowerment, and Regional Revenue

Sustainable tourism places local communities at the center of destination management, ensuring fair distribution of economic benefits. Income derived from homestays, entrance fees, and cultural attractions such as traditional dance performances is typically managed by indigenous community groups. A portion of these profits is reinvested in village development, cultural preservation, and educational initiatives, thereby improving community welfare while simultaneously contributing to PAD through micro-business taxation (Putri et al., 2020). This system not only strengthens the local economy but also preserves cultural identity, which serves as a unique appeal to visitors. Community involvement is closely tied to job creation, as locals participate in tourism-related activities such as homestay operations, handicraft production, and service provision. Moreover, many residents possess traditional ecological knowledge, which supports sustainable management of natural resources. Communities engaged in cultural tourism management also contribute to maintaining rice terraces and rivers, ensuring destinations remain attractive and environmentally sound.

Nevertheless, sustainable tourism is not without challenges. Unequal distribution of benefits and environmental degradation often limit its long-term effectiveness. Research indicates that large investors tend to dominate profits from luxury accommodations, while local residents frequently benefit only from lower-paying jobs such as cleaners or shop assistants. Furthermore, resource exploitation such as the overuse of groundwater for hotel swimming pools has led to water

shortages in certain regions, threatening both destination attractiveness and revenue sustainability. Addressing these issues requires carefully designed strategies. Local community empowerment can minimize inequality by ensuring benefits are more evenly distributed, as evidenced in successful community-based tourism villages (Mtapuri et al., 2022). Meanwhile, regulatory measures are essential to safeguard environmental resources, including restrictions on excessive water use and comprehensive waste management systems. Waste handling has become a crucial aspect of sustainable tourism to maintain both ecological integrity and destination appeal.

Sustainability in tourism must integrate environmental conservation, cultural preservation, and community economic empowerment. Rivera et al. (2022) emphasize that ecotourism-oriented destinations enhance regional revenue through entrance fees and tourism services while simultaneously protecting biodiversity. Supporting strategies include digital promotion, vocational training for local residents, and diversification of tourism products into areas such as culinary tourism, cultural performances, or adventure-based experiences. Programs such as tour guide certification and social media promotion have successfully increased tourist arrivals, thereby expanding PAD through taxes and fees. These initiatives also enhance foreign exchange earnings, generate jobs via skill development, and support infrastructure projects funded by tourism revenues (Radovic et al., 2020). Empowering local communities plays a dual role by addressing socio-economic inequalities while also mitigating environmental risks through improved resource governance. Concrete examples further illustrate these dynamics. Entrance fee

revenues have financed infrastructure such as hiking trails, while training programs for local guides have created new employment opportunities (Lukoseviciute et al., 2022).

Community-led destination management ensures that benefits are shared equitably and that ecological sustainability is preserved. Digital promotion initiatives have expanded market access, drawing more visitors and strengthening regional income streams. However, the rising issue of over-tourism presents new challenges, requiring more effective destination management strategies to preserve long-term sustainability (Schubert & Schamel, 2021). Sustainable tourism provides a significant boost to regional revenue through multiple mechanisms, including foreign exchange earnings, tax contributions, employment generation, infrastructure multiplier effects, and empowerment of local communities. Its strategic integration of environmental, cultural, and economic dimensions ensures enduring benefits, while inclusive governance structures help address inequality and ecological pressures. With effective implementation of digital marketing, skill development, and regulatory frameworks, sustainable tourism stands out as a vital catalyst for inclusive and sustainable regional economic growth.

4. Conclusion

The development of sustainable tourism has consistently demonstrated a positive and substantial role in enhancing regional revenue. Its contributions to Regional Original Revenue (PAD), employment generation, local economic empowerment, and multiplier effects across sectors such as trade, agriculture, and

services highlight its strategic value. By integrating environmental protection, community empowerment, and infrastructure development that improves accessibility, sustainable tourism fosters inclusive and stable economic circulation. Evidence from several destinations shows that when local communities are actively engaged in destination management and directly gain economic benefits, both sustainability and long-term regional economic impacts are better secured.

Despite these advantages, challenges remain, particularly concerning unequal distribution of benefits, the dominance of large investors, and overexploitation of natural resources that undermine long-term viability. Addressing these issues requires more inclusive and equitable development strategies. This includes enforcing strict regulations against environmentally harmful practices, strengthening digital promotion that involves local actors, and expanding skill training to improve community competence. A collaborative framework uniting government, local communities, and the private sector is essential for ensuring that the benefits of tourism are widely shared. With such an approach, sustainable tourism can be positioned not only as a source of economic growth but also as a strategic instrument to build just, resilient, and sustainable regional economies.

References

Ady, S. U., Moslehpour, M., Van, D. N., Johari, S. M., Thuy, V. V. T., & Hieu, V. M. (2022). The impact of Sustainable tourism growth on the economic development: evidence from a developing economy. *Cuadernos de Economía*, 45(127), 130-139.

- Bakker, M. (2019). A conceptual framework for identifying the binding constraints to tourism-driven inclusive growth. *Tourism Planning & Development*, 16(5), 575-590.
- Gómez, A. L., Palomo, D. R., Gámez, M. A. F., & Revilla, M. R. G. (2021). Sustainable tourism development and economic growth: Bibliometric review and analysis. *Sustainability*, 13(4), 2270.
- Hall, C. M. (2019). Constructing sustainable tourism development: The 2030 agenda and the managerial ecology of sustainable tourism. *Journal of sustainable tourism*.
- Kronenberg, K., & Fuchs, M. (2022). The socio-economic impact of regional tourism: an occupation-based modelling perspective from Sweden. *Journal of Sustainable Tourism*, 30(12), 2785-2805.
- Lee, T. H., & Jan, F. H. (2019). Can community-based tourism contribute to sustainable development? Evidence from residents' perceptions of the sustainability. *Tourism management*, 70, 368-380.
- Lukoseviciute, G., Pereira, L. N., & Panagopoulos, T. (2022). The economic impact of recreational trails: A systematic literature review. *Journal of Ecotourism*, 21(4), 366-393.
- Mpofu, F. Y. (2022). Industry 4.0 in financial services: Mobile money taxes, revenue mobilisation, financial inclusion, and the realisation of sustainable development goals (SDGs) in Africa. *Sustainability*, 14(14), 8667.
- Mtapuri, O., Camilleri, M. A., & Dłużewska, A. (2022). Advancing community-based tourism approaches for the sustainable development of destinations. *Sustainable Development*, 30(3), 423-432.

- Proikaki, M., Nikolaou, I., Jones, N., Malesios, C., Dimitrakopoulos, P. G., & Evangelinos, K. (2018). Community perceptions of local enterprises in environmentally degraded areas. *Journal of Behavioral and Experimental Economics*, 73, 116-124.
- Putri, C. T., Wardiyanto, B., & Suaedi, F. (2020). Policy evaluation of village fund through an agro-tourism village for sustainable local development. *Masyarakat, Kebudayaan dan Politik*, 33(2), 174-183.
- Radovic, G., Petrovic, M. D., Bajrami, D. D., Radovanovic, M., & Vukovic, N. (2020). Can proper funding enhance sustainable tourism in rural settings? Evidence from a developing country. *Sustainability*, 12(18), 7797.
- Rahman, M. K., Masud, M. M., Akhtar, R., & Hossain, M. M. (2022). Impact of community participation on sustainable development of marine protected areas: Assessment of ecotourism development. *International Journal of Tourism Research*, 24(1), 33-43.
- Rivera, J. P. R., Gutierrez, E. L. M., David, I. B. M., & Newsome, D. (2022). Implementing an Effective Ecotourism Strategy for the Philippines. In *Tourism in the Philippines: Applied Management Perspectives* (pp. 23-45). Singapore: Springer Nature Singapore.
- Scarpi, D., Confente, I., & Russo, I. (2022). The impact of tourism on residents' intention to stay. A qualitative comparative analysis. *Annals of tourism research*, 97, 103472.
- Schubert, S. F., & Schamel, G. (2021). Sustainable tourism development: A dynamic model incorporating resident spillovers. *Tourism Economics*, 27(7), 1561-1587.

- Streimikiene, D., Svagzdiene, B., Jasinskas, E., & Simanavicius, A. (2021). Sustainable tourism development and competitiveness: The systematic literature review. *Sustainable development*, 29(1), 259-271.
- Vicente, G. V., Martín Barroso, V., & Blanco Jimenez, F. J. (2021). Sustainable tourism, economic growth and employment The case of the wine routes of Spain. *Sustainability*, 13(13), 7164.