

Impact of Free Visa Policy on the Arrival of Foreign Tourists to Bali

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Abstract: The government has announced a number of economic policy packages in order to strengthen the rupiah exchange rate against the value of the dollar. One policy is to increase the number of countries that get free visa for short visits to Indonesia, so that the total countries that have received the policy are 174 countries. This policy is one of the ways to increase foreign tourists to Indonesia; so that it can increase revenues obtained from the tourism sector and are expected to improve the performance of the trade balance in the services sector. This study aims to determine whether there is a significant difference between before and after the implementation of this policy, and identify the impacts that arise from the policy. Data is taken from the level of foreign tourist arrivals to Bali which is the main entrance of tourists to Indonesia. Based on the results of the analysis it was found that there were no significant differences between before and after the implementation of the free visa visit policy. The impact of this policy provides benefits to government revenues and also has an impact on the increasing activities of small and medium micro industries, in addition to having several potential negative impacts. The potential negative impacts include the occurrence of misuse of residence permits, threats of terrorism, drug smuggling, and human trafficking. Bali, which is the main destination in Indonesia, has also prepared itself to welcome this policy. Recommendations on the results were also discussed to improve the role and cooperation between institutions to maintain the image of Bali and Indonesia as a choice of favorite places for travel activities.

Keywords: free visa visit, regulation, impact, foreign tourist, Bali, Indonesia.

INTRODUCTION

The Indonesian government has announced an Economic Policy Package in order to stabilize the rupiah exchange rate against the US dollar and increase the country's foreign exchange earnings. In the Economic Policy Package, the government provides 174 free visas for short visits to tourists. The government is optimistic that this policy can accelerate the achievement of the target of increasing foreign tourist arrivals to Indonesia. Free visa policy is one way to increase foreign tourists entering Indonesia, so that it can increase foreign exchange earned from the tourism sector and is expected to increase the country's foreign exchange. The target of this policy is the addition of around 1 million foreign tourists to Indonesia which is worth approximately 1.2 billion US dollar. At present, foreign tourists visiting Indonesia are still not too many compared to other ASEAN countries. In Indonesia's statistics bureau report in 2018, the cumulative number of foreign tourist arrivals to Indonesia in 2015 reached 10,406,291 people, an increase of 10.29%, in 2016 it reached 11,519,275 people or an increase of 10.70% and in 2017 reached 14,039,799, increase to 21.88%. The free visa policy is one of the government's efforts in Indonesia's

tourism marketing program to increase the number of foreign tourists and can increase foreign exchange earnings from the tourism [1].

This free visa policy is welcomed by tourism practitioners and countries including visa exemptions. This policy has the support of other stakeholders. Deputy Chairman of the House of Representatives supported the policy issued by the government, because according to him, when the national economic conditions are currently sluggish, the Government's bold steps are needed that are innovative breakthroughs [3]. The National Tourism Industry Association claimed ready to welcome visitors from various countries who have been granted visas to Indonesia [17]. Free visa policies issued by the Indonesian government, in addition to providing positive benefits, this policy change also has the potential for negative impacts. The negative impact was realized by the government. The President said that the provision of free visa facilities would not disturb the stability of domestic security. The government will ask security and immigration officials to fix the gaps that have been considered vulnerable to violations [4].

The Ministry directly affected by this policy is the Ministry of Law and Human Rights. The free visa visit policy will reduce 50 percent of non-tax state revenue [16]. With the release of fees for tourists from 30 countries, the income is automatically reduced. Concerns about this policy are also felt by Indonesian hotel and restaurant associations, who assess the visa exemption policy does not necessarily affect the occupancy rate or occupancy of hotel rooms in the local area. Free visa policies should provide benefits not only to tourism industry players, but also to local governments. The readiness of all components in welcoming the arrival of foreign tourists is needed in order to provide the best service to tourists, both in terms of infrastructure, human resources, cleanliness and comfort. Good impression and service will have an impact on tourists' satisfaction in visiting. Readiness of tourism objects and tourism products is expected to provide comfort to tourists, so that tourists will stay longer and spend more money so that the impact on the country's foreign exchange earnings.

Bali as one of the main tourism destinations in Indonesia welcomes this policy. Based on data from the Bali Tourism Office [5], an increase in the number of foreign tourist arrivals to Bali in 2015 amounted to 4,001,835 people increased by 6.24% from 2014 amounting to 3,766,638, and increased by 23.14%, in 2016 with the number of tourist visits foreign countries totaling 4,927,937. In 2017 there was an increase of 15.62% to 5,697,739 foreign tourists. The increase in the number of tourist visits has a positive impact on the tourism industry in Bali. The Bali Provincial Government through the Bali Provincial Tourism Office recorded the number of tourists visiting Bali for the period of January - April 2015 rose by 13% compared to the same period the previous year. The number of foreign tourists who came to Bali during the beginning of this year had reached 600 thousand people. The report of the Bali Tourism Office stated that the average length of stay of tourists in star-rated hotels fluctuated; in 2014 it was 3.30 increasing from 2013 at 3.20. Then in 2015 there was a decline from 2014, from 3.30 to 3.08. Likewise, the percentage of occupancy rates for star-rated hotel rooms in Bali also fluctuates. In 2014 decreased to 60.31% from 2013 amounting to 60.68 percent, and an increase in 2015 to 60.48%. Some of the possible causes of the decline in room occupancy rates in star-rated hotels in Bali are the increasing number of accommodations (hotels and villas) built in Bali as well as the increasing choice of tourist destinations for foreign tourists outside Bali. This condition is expected to be improved by the existence of a free visa policy issued by the Government of Indonesia. Based on the background mentioned above, this study aims to find out whether there is a difference between the average number of foreign tourist visits before and after the issuance of regulations to increase visa exemption visits to

Indonesia, especially foreign tourists visiting Bali, and identify the impact of free visa policies.

Marketing of tourism destinations is the implementation of improving the quality of tourism products to attract a larger and sustainable market. Image is an important aspect of a tourist attraction. Images also have a major impact on cognitive experience on attractiveness. The concept of imagery has been studied for years in areas such as marketing and customer behavior [18]. According to [6] the image is the result of the perception that the customer has on the company which consists of impressions, beliefs and feelings of a person towards the company. In the tourism industry, find that image is one of the two most important factors for guests of a hotel in considering repurchase intentions and giving recommendations to others [10]. Therefore, companies engaged in tourism businesses can increase their market share growth by increasing customer loyalty and also the image of tourism destinations themselves. Brand image is a relationship to the company's brand that is in the minds of consumers due to the assumptions of the brand that are perceived by consumers and each company must be able to position its brand, so as to provide a good and unique image and perception in the community and consumers [13]. Branding plays an important role because a positive brand will allow customers to better visualize and understand the product and reduce the risk that customers feel in buying services and helping companies achieve sustained superior performance [9]. For tourist purposes in general, assessing the destination image is important in designing an effective destination marketing strategy. The purpose of the image itself can serve as an umbrella in a different geographical unit, tourist attractions and various providers of tourism infrastructure and accommodation, and therefore, the image has a huge impact on the company [14]. In destination image management, several studies have found that destination image affects the value perceived by tourists [19] and has an influence on tourist satisfaction and the image influences the intention of tourist behavior through tourist satisfaction [15, 8].

Marketing is a social and managerial process where individuals and groups get what they need and want through the creation and exchange of products and values with others [11]. Based on the definitions and concepts that have been described, the definition of marketing for services, especially tourism, has a different understanding from the marketing of products that are not service products. Lumsdon defines tourism marketing as a managerial process that anticipates and satisfies the desires of existing visitors and prospective visitors more effectively from competing suppliers or destinations [7]. According to Krippendof states that tourism marketing is a system and coordination that must be implemented as a policy for companies

engaged in tourism, whether private or governmental business, both regionally, nationally and internationally to achieve optimal satisfaction for the needs of tourists in addition to achieving profits [7]. Furthermore [7] states that tourism marketing is a system and coordination carried out as a policy for companies engaged in tourism, both private and government, in the local, regional, national and international scope to be able to achieve tourist satisfaction by obtaining benefits reasonable. Based on the definition described above, it can be said that tourism marketing is a management process in a system and coordination of various elements of government, private and community in identifying tourism activities to achieve tourist satisfaction both in the short and long term.

RESEARCH METHODS

This research was conducted to determine the differences in foreign tourist visits before and after the free visa policy. The data used is secondary data and collected through documentation techniques. Documentation is a data collection technique by observing the level of foreign tourist arrivals. Paired sample analysis T-test was applied in this study and is a type of parametric statistical test with a comparative hypothesis test. This analysis is used to test two paired

samples, whether the average is the same or significantly different. Because data is paired, automatically many data from both samples must be the same. Paired sample T-test test requirement is the difference between two data groups with normal distribution is by testing normality. The data used in this study is the number of foreign tourist arrivals to Bali from January - December 2016 and January - December 2017. Bali is the largest and largest entrance of foreign tourists visiting Indonesia. Free visa for short stay policy was issued in July 2015, September 2015, and in March 2016. Hypothesis testing was used to determine the difference in the number of foreign tourist visits before and after the free visa regulation.

RESULTS AND DISCUSSION

Free visa policies issued in June 2015, September 2015 to March 2016, have provided additional visitor free visa, so that the total number of countries that have free visa visit facilities are 174 countries. This study aims to analyze whether there are differences between before and after applying free visa visits to Indonesia. The normality test aims to find out the distribution of data before and after the regulation of free visa. Good and proper data is data that has a normal distribution and in this study, the normality of the data uses the Kolmogorov-Smirnov Normality test.

Table-1: One-Sample Kolmogorov-Smirnov Test

		Before Regulation	After Regulation
N		12	12
Normal Parameters ^{a,b}	Mean	333486.25	408387.08
	Std. Deviation	39662.335	38343.143
Most Extreme Differences	Absolute	.191	.098
	Positive	.191	.098
	Negative	-.162	-.066
Kolmogorov-Smirnov Z		.660	.338
Asymp. Sig. (2-tailed)		.776	1.000
a. Test distribution is Normal.			
b. Calculated from data.			

Based on the results of the calculation of the normality test obtained that the significance value of the data before regulation (0.776) and after the regulation (1,000) of free visa has a value greater than 0.05, the data used in this study is declared to be normally distributed. Likewise with the Z value, before regulation = 0.660 ($p > 0.05$) and after regulation = 0.338 ($p > 0.05$) then the data is stated to have a normal distribution. Development of Number of Foreign Tourist Visits to Bali. Free visa policies for several

countries have been carried out three times from June 2015 to March 2016. Based on a comparison of data on the number of tourist visits, the level of foreign tourist arrivals to Bali has always been increasing, as shown in Table 1. The trend of decreases in the month July to December 2015, while in January to December 2016, the trend was increasing. This decrease is more due to the holiday season in Europe and Australia has begun to finish. The government must be optimistic that the development of tourist visits continues to increase.

Table-2: the Number of Foreign Tourist to Bali

Month/Year	2015	Month/Year	2016
January	301.748	January	350.592
February	338.991	February	375.744
March	305.272	March	364.113
April	313.763	April	380.767
Mei	295.973	Mei	391.027
June	359.702	June	405.835
July	382.683	July	484.231
August	303.621	August	438.135
September	389.060	September	445.716
October	369.447	October	432.215
November	270.935	November	413.232
December	370.640	December	442.800

Below is the result of a paired sample T-test analysis.

Table-3: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Before regulation	333486.25	12	39662.335	11449.530
	After regulation	408387.08	12	38343.143	11068.712

Table-4: Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	before & after	12	.592	.043

Table-5: Paired Samples Test

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	before	-	35261.048	10178.988	-	-	7.358	.000	
	- after	74900.833			97304.634	52497.032			

Hypothesis

Ho: $\mu_1 = \mu_2$: There is no significant difference in the number of foreign tourist visits before and after the free visa regulation

Ha: $\mu_1 \neq \mu_2$: There is a significant difference in the number of foreign tourist visits before and after the free visa regulation.

The significance level of the test uses a two-sided test with a significance level of $\alpha = 5\%$. The value of t-table at $\alpha = 5\%: 2 = 2.5\%$ with the degree of freedom (df) n-1, then the results obtained for the value of t table is 2.571 and the value of t count = -7.3358.

Based on the results of the testing criteria, the result that Ho is accepted and Ha is rejected which means that there is no significant difference in the number of foreign tourist visits before regulation and after the free visa regulation. Based on the number of tourist visits to Bali, the number of tourist visits in January to December 2015 still fluctuated, while the number of tourist visits in January to December 2016

increased, but the increase was not high. This data shows that it is true that there is no significant difference in the number of foreign tourist visits before regulation and after the free visa to Indonesia.

Impact of Free Visa Policy

First, this policy is expected to be able to increase the number of foreign tourist arrivals to Indonesia, so that state and regional revenues will increase, especially income from tourist spending during visits to tourism destinations in Indonesia. As quoted from www.beritasatu.com, the Minister of Tourism said he was confident that the free visa policy could increase the growth of the tourism sector in the country, and it is very likely to increase foreign tourist arrivals. Data from the Central Bureau of Statistics in 2016 stated that foreign tourist arrivals to Indonesia in 2015 amounted to 10,406,759 people, up by 10.29% from the previous year so that the target of the Ministry of Tourism in visiting tourists to Indonesia had been reached [2]. This increase indicates that has an impact on increasing tourist arrivals. In comparison, South Korea which granted free visa to China had an impact

on an increase in Chinese foreign tourists visiting Korea to 18.9%. Likewise, China gave free visa to Japan; there was an increase in Japanese foreign tourists visiting China by 18.47%. State's concern for loss of income from the cost of visas through non-tax state revenue, the effect is not very significant, because foreign tourists expenses incurred while in Indonesia is much greater than the cost of the visa. Indeed, this difference needs to be further studied, because this free visa policy will only be implemented starting in June 2015 and the recipient countries are free from visiting visa until March 2016 to 174 countries. The cost of making a visa only affects non-tax state revenues, but tourist spending during a visit to Indonesia has a wide impact on various real sectors that are directly in contact with the tourism industry [12].

Second, this policy also has an impact on the development of micro, small and medium enterprises (MSMEs) that are directly in contact with tourism industry activities such as transportation services, restaurants, souvenir shops, spas, entertainment, hotels, travel agents and other industries. Third, this policy also has an impact on the increasing number of foreign workers who work illegally who do not have adequate competence. The threat of foreign workers cannot be stopped, because it is supported by the implementation of the ASEAN Economic Community (AEC) regulations, so special supervision is needed on incoming foreign tourists so there is no immigration violation [12]. In 2013, according to the Director General of Immigration Ministry of Law and Human Rights, there were as many as 2,011 immigration violations by foreign nationals. Fourth, this policy also has an impact on the increasing business carried out by foreigners in an effort to bring prohibited and dangerous goods such as narcotics to Indonesia. Therefore, the role and cooperation of related parties in this case the National Narcotics Agency, Customs and Excise, and Police must be further enhanced to prevent the entry of drug trafficking into Indonesia. Fifth, this policy will also have an impact on increasing the spread of various types of diseases or viruses such as swine flu, zika virus, AIDS, and other types of viruses [4]. Supervision of foreigners who enter must be further enhanced, especially when they have just arrived at the airport, so as to prevent the entry of viral diseases that can cause transmission to Indonesian citizens. Sixth, this policy has an impact on the level of security. Concern over the increasing vulnerability in security, has been responded by the government. The President stated that free visa visit policy would not threaten Indonesia's security. Security does not need to be worried because it can be increased by the Police, Intelligence and Immigration Agency.

CONCLUSION

Based on the results of the discussion, the results showed that there were no significant

differences between the average number of foreign tourist arrivals before the regulation and after the regulation of free visa entered Indonesia, especially foreign tourists visiting Bali. Free visa policy for short visits for foreign tourists to tourism potential in Indonesia, especially Bali, has a positive impact and also a negative impact. A joint effort is needed to prevent the negative impact of the policy, besides that, this policy also has a positive impact on improving the welfare of the community. In general, the positive impact is an increase in regional income, the development of small and medium micro-enterprises, reducing the unemployment rate because of the greater opportunity to work, and tourism businesses are growing. But behind all that, there are negative impacts that need to be anticipated together, among them are the issue of security and terrorism, drug trafficking, the entry of illegal workers, and also the impact of the spread of various viruses and diseases. The collaboration of all parties needs to be improved in order to anticipate the positive and negative impacts that might occur to provide tourists comfort in their vacation or other activities.

RESEARCH IMPLICATIONS AND RECOMMENDATIONS

This research provides results that there is no significant difference between pre-regulation and after a free visa regulation for a short visit. This means that this policy has not had a significant impact on the level of foreign tourist arrivals to Indonesia, especially Bali. Therefore, the central and regional governments and related elements further enhance promotion and cooperation with the embassy and travel agents, in informing these policies to the public and prospective tourists. Furthermore, it can work with international level event organizers to be able to organize MICE activities in Indonesia, especially in Bali. Cooperation between the central government, local government, immigration, customs, religious departments and the police in anticipating the negative impacts that might occur from the free visa policy of this short visit. The immigration and customs authorities are stricter in the supervision of tourists who come to anticipate negative things that might happen. Further research is to use more data so that better comparisons can be obtained, for example using more data, so that visible differences will be clearer.

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