

# THE IMPACT OF LOCAL ECONOMIC DEVELOPMENT THROUGH COMMUNITY-BASED TOURISM ON ECONOMIC WELFARE OF THE COMMUNITY IN TAMANSARI VILLAGE, BANYUWANGI, EAST JAVA, INDONESIA

**Harod Rahmad Novandi<sup>1</sup>**

<sup>1</sup>Graduate Student at the Departement of Social Welfare, Faculty of Social and Political Sciences, Universitas Indonesia. Senior Policy Analyst at Coordinating Ministry for Human Development and the Culture Republic of Indonesia, [harod.novandi@gmail.com](mailto:harod.novandi@gmail.com)

**Isbandi Rukminto Adi<sup>2</sup>**

<sup>2</sup>Professor at the Departement of Social Welfare, Faculty of Social and Political Sciences, Universitas Indonesia. [adi1126@yahoo.com](mailto:adi1126@yahoo.com)

---

## *Abstract*

*According to the data of the Central Bureau of Statistics (BPS) East Java (2017), the percentage of poor people in East Java was 11.20 percent or 4.41 million people. This figure was still high compared to the national average poverty rate which was 10.12 percent of the total population. Poverty in the East Java region is dominated by rural poverty as many as 2.95 Million People and the other was due to urban poverty as much as 1.46 million people. In Tamansari Village, a rural settlement area at the foot of Mount Ijen makes the village the spearhead of public services, cultural centers, and local economic drivers. This research discusses the impact of local economic development (LED) through community-based tourism (CBT) in Tamansari village, Banyuwangi Regency, Indonesia. The research area and using qualitative approach with descriptive research. While collecting data using in-depth interviews with 30 informants consisting of local government, local economic organizations, and local communities. The results of this research show a positive impact, the first impact of LED on work behaviour, in the second impact of LED on Family Financial Management the conditions, The third impact of LED on the Improvement of the Family Economy, The fourth impact of led on changes in mindset and behavior of stakeholders in the community. Based on the results of this research note that local economic development through community-based tourism in Tamansari Village prioritizes the interests of local communities. This condition should be carried out sustainably and be connected with human, social and cultural, and physical resources.*

## **Keywords:**

*Tourism, Local Economic Development, Community Based Tourism.*

---

## INTRODUCTION

Poverty is the biggest challenge in development. It often forms social inequality in society and impedes the development process. This imbalance will cause the rich to get richer and the poor to become poorer (Mulyani, 2017). According to the data of the Central Bureau of Statistics (BPS) East Java (2017), the percentage of poor people in East Java was 11.20 percent or 4.41 million people. This figure was still high compared to the national average poverty rate which was 10.12 percent of the total population. This condition was still insignificant compared to conditions in other cities/regencies where from 17 out of 39 regencies/cities in East Java, the poverty levels were above the average poverty level in the province. East Java Province sat in the first rank for its largest contribution to the poverty rate for Indonesia's poverty data, followed by Central Java and West Java. Poverty in the East Java region is dominated by rural poverty as many as 2.95 Million People and the other was due to urban poverty as much as 1.46 million people (Central Bureau of Statistics or BPS East Java, 2017).

Looking at the high number of poor people in rural areas, efforts need to be made to overcome poverty, one of the things that hinder development. The efforts were transformed through the "Nawacita" policy, especially the third point, which is developing Indonesia from the periphery by strengthening regions and villages within the framework of a unitary state into the National Government Medium-Term Development Plan or RPJMN 2015-2019 (Bappenas, 2015). The efforts of the central government to strengthen rural areas to reduce rural poverty are carried out through various programs, including optimization of village funds, social protection through the program of '*keluarga harapan*' or family of hope programs, and non-cash aid.

The implementation of sustainable regional development is directed to spur

development equality and reduce poverty in the context of increasing the utilization of local potentials optimally. In carrying out various activities related to the main tasks and functions of the region, large amounts of funding are required. Therefore, it is necessary to look for other sources of funding that are sufficiently recalling that not all funding sources can be provided by the government through the State Budget (APBN) and Regional Budget (APBD) funds.

Based on the data on rural poverty and its impact, there is a thought that a local economic development program that is suitable for an area can overcome the problem of poverty. The accomplishment of the local economy can provide equitable and sustainable prosperity for the entire population, especially for the poor in rural areas. Various policy initiatives from the central and regional levels are synergized. One of them is Banyuwangi Regency through an integrated poverty alleviation program that is still being refined with the communities. This includes the sectors of education, health, agriculture, micro small and medium enterprises (MSMEs), and the current leading sector, i.e. tourism ([banyuwangikab.go.id](http://banyuwangikab.go.id)).

From the data of Community and Village Empowerment Agency Banyuwangi Regency (2017), from a total of 189 villages in Banyuwangi, only 123 villages have formed Village-Owned Enterprises (BUMDes). However, only 84 BUMDes can grow, develop and enter the healthy category. The commitment of village heads to increase village original income, reduce rural poverty and unemployment is questionable. During this time many BUMDes are not developing because they choose the wrong type of business of local economic development that is tailored to the potential of the region. Meanwhile, BUMDes which focus on tourism are unable to find the

true potential of their villages, so the efforts to promote their villages are not running well.

A different condition is experienced by the smart village in Tamansari Village, a rural settlement area at the foot of Mount Ijen which makes the village the spearhead of public services, cultural centers, and local economic drivers. Tamansari Village, Licin Sub-district, Banyuwangi Regency is one of the villages that implements and develops the local economy through community-based tourism (CBT) and is supported by BUMDes Ijen Lestari. Since the establishment of BUMDes Ijen Lestari in 2016, Tamansari Village has become one of the Tourism villages that prioritizes the potential of the village besides relying on Mount Ijen tourism object with its blue fire, a tourist attraction which can only be found in two (2) places in the world, namely in Iceland and Banyuwangi, Indonesia. Tamansari Village (Desa Tamansari, 2018) already has a village original income (PAD) of Rp. 40,883,500 and Village Fund (APBN) Rp. 1,028,887,000 and Village Fund Allocation (APBD) Rp. 1,055,021,000 so that the total budget is Rp. 2,124,791,500. A part of the village budget was made as capital participation in BUMDes Ijen Lestari as much as Rp. 51,415,000 in 2018. Meanwhile, from its business, BUMDes Ijen Lestari yields an average of 40 million/month or 480 million in one year. At this time BUMDes Ijen Lestari also has various assets including office buildings and business units that employ residents.

The existence of various business potentials in Tamansari Village has led to the diversification of businesses or livelihoods in the community. For example in the village of miners, the villagers not only transport sulfur to be sold to collectors but also transport tourists to get up and down the Ijen crater by renting masks and " trolley taxi". In addition, now homestays also collaborate with BUMDes as their marketing partner. Homestays are provided for visitors who want to stay in the same house with homestay owners and

experience the life of the villagers. This local economic development directly opens employment opportunities by optimizing community efforts in managing village potential. Therefore, this research will focus on the impact of local economic development through community-based tourism on the economic welfare of the community in Tamansari Village, Licin Sub-district, Banyuwangi Regency. Based on a study of previous research, there are several research gaps, including:

- Previous studies generally discussed a lot of concepts, namely local economic development or community-based tourism as the basis of analysis. However, not much research has discussed the concept of Local Economic Development (LED) and the concept of Community Based Tourism (CBT) in an integrated way as a collaboration adjusted to the profile of the study area.
- There has not been any research that discusses the impact of Local Economic Development (LED) and Community Based Tourism (CBT) on the welfare of the community as well as the aspects of local economic institutions that support them.

## RESEARCH METHODS

Data collection techniques were carried out through a review of literature and documentation studies, observations, and in-depth interviews. The number of respondents in this study was 30 people from Banyuwangi regional government, specifically from Tourism and Culture Office, Community and Village Empowerment Office, Licin Sub-district, Tamansari Village Head, Village Consultative Council, Tourism Awareness Group or *Pokdarwis*, Chairman and management of BUMDes Ijen Lestari, leaders of Hamlets, activists of local economic and tourism as well as village cadres. This research wants to see and

understand the problem, social phenomena, and the impact of the situation that occurred. Therefore, this research uses a qualitative research approach. Qualitative approach as proposed by Creswell (1994: 2), is defined as: "... an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of information, and conducted in a natural setting." This study has aimed to provide a systematic illustration or description of a problem, the properties, and the relationships between the phenomena investigated. Neuman said that descriptive research is "Research in which the primary purpose is to "paint a picture" using words or numbers and to present a profile, a classification of types, or an outline of steps to answer questions such as who, when, where, and how." (Neuman, 2016: 44).

Data analysis is an effort to search and organize data systematically to improve researchers' understanding of the case under study and present it as a finding for others. According to Neuman (2016, pp. 560-570), the qualitative research analysis is inductive. As stated by Neuman, this data analysis is divided into 3 data, namely:

1. Data one, that is, collecting data as basic data derived from the experience of researchers during fieldwork which consists of: listen, observe, interview
2. Data two, namely data recording, consists of sound recording, visual recording, and field notes.
3. Data three, namely selecting and processing data in a final report, which consists of sorting, classification, coding (Open, Axial coding, and selective coding), in coding selection (other than data 2 it can also be obtained from other resources, such as map and document), then proceed with interpretation and elaboration. This stage of the activity is carried out by making a taxonomy (grouping of data) to ensure the credibility of the data, which is

intended to summarize the discussion concerning the quality of the research itself.

## RESULTS

### 1) The Impact of LED on Work Behavior.

- Previous conditions: People's income relied on plantation, agriculture, and sulfur mining sectors
- After Conditions: Obtaining additional income or focus of activities from local economic development through community-based tourism through

#### a. Increased Community Capability in Utilizing Information Technology (IT).

- IT is used not only as a complementary means of communication, but it has become the main access to work.
- Ease to promote tourism and products from local economic development through IT, i.e. via the website.

#### b. Emerging Job Opportunities and Better Compensation Alternatives.

- There are job opportunities and better income alternatives from LED through CBT. This can happen because of the sluggishness of the main sector which has been the foundation of life for the residents of Tamansari Village for decades, namely the Lijen plantation.
- Some sulfur miners switch to tour guides and offer 'trolley taxi' at adjusted rates.
- The residents of Tamansari Village who previously worked in Bali returned to the village because now there are business opportunities that can provide for their living needs.

#### c. The Community Can Focus on Choosing Job Based on Their Skills

- Focus on processing coffee seeds that require expertise and special knowledge by developing civet coffee that has a high selling price.

- Focus on managing homestays with improved standards.

**d. Development of Investment in the Tourism Sector**

- Investment through the construction of restaurants, guest houses, hotels, and even resorts, which directly requires a considerable workforce. This certainly provides an opportunity to change the methods or work behavior of the tourism sector.

**2) The Impact of LED on Family Financial Management**

- Previous condition: People generally rely on livestock, especially goats, for daily needs and investment.
- The conditions afterward are as follows:
  - a. Savings:** Savings in banks, in this case, the first financial management is directed at savings in banks because it is safer.
  - b. Operational:** Household expenses, the income from local economic development through community-based tourism is used to meet the daily needs of the family
  - c. Investment**
    - Livestock investment: Investment in livestock, is local wisdom held by villagers and communities in the Tamansari Village.
    - Children's Education: There are efforts to set the income aside for educational support, not only formal education provided by the government but also religious education, such as by sending children to Islamic boarding schools.
    - Installments and Loans: Investments are made as a form of local economic development where the income received is also allocated to the obligation of paying installments.

**3) The Impact of LED on the Improvement of the Family Economy**

- Previous condition: Some communities have not met their primary and secondary needs
- The Conditions afterward: In general, the community has been able to meet their primary and secondary needs. However, there are concerns that in the future they will be too dependent on tourism. This is because there is a view that tourism is seasonal and that the cause of the lack of visitors cannot be precisely predicted.

**a. The Fulfillment of the Primary Needs of the Family**

- The Fulfillment of primary needs of families, specifically food and shelter.

**b. The Fulfillment of the Secondary Needs of the Family**

- The fulfillment of secondary needs is based on the priority scale of the family which includes the need for vehicles or means of transportation such as motorcycles and communication devices such as mobile phones.

**4) The Impact of LED on Changes in Mindset and Behavior of Stakeholders in the Community**

- Previous conditions: The community is not yet aware of tourism. There is no initiative and innovation in developing the potential of their villages; Avoid taking risks by working in sectors that they inherit from the previous generations; Be apathetic and accept the conditions as they are; Haven't had the commitment to develop the local economy through community-based tourism
- The conditions afterward:
  - a. Positive mindset**
    - The community is very aware of tourism. There is a change in

mindset so that now they better understand that there is a tourism potential in their village where they can benefit from.

- The community does not hesitate to try to innovate because failure is a consequence of what they fight for.
- The attitude of not giving up is easily shown by the community which can be seen from their patience in implementing joint activities in the community.
- Commitments from all elements in the village to move forward.

#### **b. Negative Mindset**

- Loss of local culture and a high dependence on tourism: There is concern from the residents related to tourist behavior such as renting a one-bedroom homestay for two people of the opposite sex without knowing their marital status, while for the local culture this behavior is taboo.
- Community insights and perspectives on domestic and foreign tourists: The homestay management is happier to welcome foreign tourists because they are more "simple" and very informative. It is different from the local tourists who tend to be more demanding.
- Development of access and facilities as well as destinations are destroying the ecosystems: The patterns of cooperation between local governments and local communities as well as the agency that manages natural resource conservation in Ijen (BKSDA) are not equal. This is because, in general, the regional administration does not allow intervention in the Ijen region
- Increased land price: The increased land price is due to investors bidding

on land owned by the community at an expensive price. There needs to be an effort to control the community from selling their land to investors excessively.

### **DISCUSSION**

*The first analysis*, of all the impacts of local economic development on the methods or work behavior it is shown that the variations of impacts generally lead to a positive direction. This indicates that local economic development through community-based tourism in Tamansari Village has an impact on employment opportunities and entrepreneurship, to produce a good multiplier effect. One important thing is that to provide a multiplier effect is by presenting something authentic, and it can be found in the lifestyle and quality of life of the Tamansari Village community. In its implementation, LED through CBT is an activity that is in direct contact and involves the community, thus bringing various impacts to the local community. This is considered to have the power to make local people experience changes in various aspects of life. When an area or a region is determined to be a tourist destination, this will certainly cause a change in the life experience and daily life of residents because their activities are then related to attractions and efforts to meet the needs of tourists who come to their villages.

Local economic development through community-based tourism in Tamansari Village has contributed positively to increasing employment and entrepreneurship opportunities, which directly reduces unemployment in Tamansari Village. The youth and villagers who previously did not have a job now have various jobs in the field of tourism with the marketing cooperation between the government and local business units. According to Yamamoto (2007), the element of

collaboration between government and local communities is very important. Therefore, the element of innovation becomes an important concern in endogenous development as an effort to reduce poverty. Jobs related to community-based tourism include dairy farmers, coffee farmers, dairy goat breeders, hoteliers, and resorts owners. Local tour guide workers, ornamental plant workers in the village of flowers, homestay owners, workers in tropper car transport business, ecotourism workers, sulfur porters who also pull the trolley taxi, and workers at Lijen Plantation.

*The second impact analysis* of local economic development through community-based tourism is related to family financial management (savings, operational, and investment). One of them is that savings are associated with the need to create a sustainable community. Related to a sustainable community, Green and Haines (2008) explained that there is a relationship between natural resources and economic development. Therefore, what is done to save a certain amount of money is a strategic step towards safer and low-risk family financial management because financial control is held independently. From all the impacts of local economic development on family financial management, there is also a variation of the impacts that generally lead to progress. This indicates that local economic development through community-based tourism in Tamansari Village has an impact on ownership and financial control by the local community. Local economic development in Tamansari Village takes the pattern of community-based tourism development or community-based tourism (CBT) by promoting Endogenous Development. Therefore, until now financial ownership and financial control are moving in a better direction.

*The third impact analysis*, of all the impacts of local economic development on improving the family economy there is also a variation of the impacts that lead to a positive thing, namely the fulfillment of primary and

secondary needs. This indicates that local economic development through community-based tourism in Tamansari Village has an impact on local people's income so that they can meet the needs of the community.

An increase of income occurs in various fields of community livelihoods such as traders, tourism service workers, etc. Endogenous development positively contributes to increasing community income, both directly and indirectly. According to Barquero (2002: 21-23), this accumulates the potential that exists in a development managed by local communities that focus on local needs and community participation in development. The benefits can be felt directly by residents in the form of increased sales for traders or for those who open food stalls, and it is income for other people who work in the tourism sector. Meanwhile, the indirect impact is the increase in the price of land which also means investment for the people. However, this needs to be addressed with caution because not all land should be sold to investors as this will make local people have no assets in their village.

Local economic development through community-based tourism in the village of Tamansari can be enjoyed by all communities, especially communities around the tourism destination. This is influenced by the readiness of Tamansari Village is accepting tourist arrivals either individually or in groups. Therefore, a management authority that can organize the entire service function in local economic development is needed. The existence of BUMDes Ijen Lestari is the answer. BUMDes Ijen Lestari and the community continue to develop products and destinations to provide tourism-based local economic products that have their characteristics and can attract tourists. There are also aspects of marketing development, such as promoting tourism destinations, provision of clear and effective

tourism information, and the aspect of environmental development, such as infrastructure provision and human resource development. Furthermore, local economic development through community-based tourism makes it easier for people to earn income so that family income also increases, making the community have higher purchasing power and higher ability to meet their needs. The community now not only oriented on fulfilling their primary needs but also secondary and tertiary needs. To sum up, the increase in income is generated by a large number of tourists which results in profits for businesses in Tamansari Village.

*Analysis of the fourth impact* of local economic development through community-based tourism is related to changes in mindset and stakeholder behavior. From all the impacts of local economic development on the change in mindset and behavior of stakeholders in the community, it is seen that there are variations in the impact that lead to positive mindset and negative mindsets. This indicates that local economic development through community-based tourism in Tamansari Village has an impact on the mindset of local people in Tamansari Village. Barquero (2002: 16) conveys the diffusion of innovation on economic development and the approach of Endogenous development as a useful interpretation for understanding long-term economic growth and productivity behavior.

The mindset of the Tamansari villagers was very simple. They were oriented to traditions and jobs that had been around for years. Along with various examples of the success of Tamansari Village in managing and developing the local economy through community-based tourism, the mindset of the community gradually began to change. People are more open in accepting changes in terms of employment and in exploiting the potential of the village environment and from the ability of human resources, social and cultural resources of the community. The

community. The residents and the village also participate in developing tourism with BUMDes Ijen Lestari as the institution which also contributes to the community. Take for example, the residents of Tamansari village have changed their mindset regarding education. They once considered education was not required. Now many families invest in children's education from the results of LED. Local economic development through community-based tourism causes a change in the mindset of the community. In addition to meeting their daily needs as people who work in the tourism sector, now they also pay attention to their children's education. Moreover, to improve the marketing of services, the villagers are considering increasing the use of digital technology in introducing villages, tourism products, and services. The impact is seen from the use of websites, blogs, and social media as the media for marketing.

## CONCLUSION

The purpose of the study explains the impact of local economic development (LED) through community-based tourism (CBT) on the economic welfare of the community in Tamansari Village, Licin Sub-district, Banyuwangi Regency, East Java Province. Based on the results of the study, the following facts can be explained:

- Tamansari Village seeks to improve its capabilities by utilizing information technology through digital media literacy as the main access in work and a means of promoting the excellence of the village.
- More investment enters Tamansari Village. This is evidenced by the existence of various kinds of accommodation and tourism facilities established in the village area, thus raising the prospect of employment for residents.
- Family financial management in Tamansari Village from local economic development



is not only for daily needs but is also used for savings and investment, whether it is for livestock, paying installments and loans to develop homestays and for children's education.

- In general the community has been able to meet their primary and secondary needs. However, there is concern that they will be too dependent on the tourism sector, while there is a view that visits are difficult to predict as there are peak season and low season.
- The community in Tamansari Village is already aware of tourism and is actively innovating, has an unyielding attitude, and is committed to developing the local economy through community-based tourism. On the other hand, there is a negative thought that local cultures and values will erode due to the massive tourism and increasing land prices that allow the land to be sold to investors, while villagers cannot buy it because the price is beyond their reach.

Based on these facts, it can be concluded that local economic development through community-based tourism has a positive impact on the economic welfare of the community. There is progress in the economic mindset, an increasing number of new livelihoods, increasing income and financial management as well as methods and work behavior. The impact is correlated with the increased income of the residents of Tamansari Village, increased employment opportunities, and entrepreneurship of the local community in the tourism sector, both in services and others. There is also retribution that must be paid when entering the village, and this influences on increasing the ownership and control of local communities and pride in working and doing business in their village. From the results of the study, it is found that local economic development through community-based tourism tends to have a positive impact on local economic development. This is because local economic development through

community-based tourism in Tamansari Village prioritizes the interests of local communities. This condition should be carried out sustainably and be connected with human, social and cultural, and physical resources.

## REFERENCES

- Bappenas. (2005). *Panduan pembangunan: klaster industri untuk pengembangan ekonomi daerah berdaya saing tinggi*. Jakarta: Bappenas.
- Barquero, Antonio Vazquez. (2002). *Endogenous development: Networking, innovation, institution and cities*. New York: Routledge.
- BPS. (2017). *Laporan statistik jawa timur 2017*. Surabaya: Badan Pusat Statistik.
- BUMDEs Ijen Lestari. (2016). *Laporan Kegiatan BUMDes Ijen Lestari 2018*.
- Creswell, J. W. (1994). *Research design: quantitative and qualitative approach*. London: Sage Publication.
- Dinas PM dan Desa Banyuwangi. (2017). *Laporan Dinas PMD Banyuwangi*.
- Green, Gary Paul. and Anna Haines. (2008). *Asset building and community development* (2nd edition). California: SAGE Publications, Inc.
- Ife, Jim. (2013). *Community development in an uncertain world: Vision, analysis and practice*. New York: Cambridge University Press.
- Kabupaten Banyuwangi: Strategi Pengentasan Kemiskinan Terpadu. bayuwangikab.go.id <http://tkpk.banyuwangikab.go.id/news/detail/11/strategi-dan-sasaran-penanggulangan-kemiskinan-di-kabupaten-banyuwangi> (diakses pada tanggal 17 Maret 2018)
- Mulyani, Sri. (2017). Tempo.co: Kemiskinan, tantangan besar dalam pembangunan. <https://nasional.tempo.co/read/833119/sri-mulyani-kemiskinan-tantangan-besar-dalam-pembangunan> diakses pada tanggal 24 Maret 2018.
- Neuman, W. Lawrence. (2016). *Social research methods: Qualitative and quantitative approaches (7<sup>th</sup> ed)*. University of Wisconsin, Whitewater: Pearson Education, Inc.
- Suansri, P. (2003). *Community based tourism*

- handbook*. Bangkok, Thailand: Responsible Ecological Social Tours (REST) Project.
- Swinburn Gwen, Soraya Goga & Fergus Murphy. (2006). *Local economic development: a primer developing and implementing local economic development strategies and action plans*. Washington DC: The World Bank: *Document and Report*, Bertelsmann Stiftung, Cities of Change.
- Tsurumi, Kazuko. (1999). "Chugoku nomin kigyoka ni mirareru ki pasun" [key persons among rural entrepreneurs in china], *naihatsu-teki hattenron ni yoru paradaimu tenkan* [paradigm shift through endogenous development theories] *Business and Economy History*. Tokyo. 204-6.  
[www.thebhc.org/sites/default/files/yamamoto.pdf](http://www.thebhc.org/sites/default/files/yamamoto.pdf).
- Yamamoto, Takashi. (2007). *East meets west in an entrepreneurial farming village in japan: endogenous development theories and economic gardening practices*. Akita International University, Japan. *Business History Conference*. URL: <http://www.thebhc.org/publications/BEHonline/2007/yamamoto.pdf>.

