



## **The Influence of Exchange Rate Analysis, TCPI and Tax Refund Policy Toward Foreign Tourist in Indonesia**

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### **Abstract**

Tourism is one of sector that have an important effect in economy of Indonesia, one of them as a source of foreign exchange earnings. That's not caused due to the growth of Indonesian tourism that has a positive impact to foreign exchange earnings in Indonesia. The number of tourists in Indonesia is the factor that directly affects the foreign exchange earnings. This study aims to determine how much kurs, TCPI and Tax Refund as a macro economic variables to the number of Singapore tourists in Indonesia at 2009-2013. Analysis metode used in this study is OLS (Ordinary Least Square) using E-views program assistance. Research show that kurs and Tax Refund affects significantly to the number of Singapore tourists in Indonesia and TCPI didn't make it. The number of tourists can be improved by efforts of Indonesia's government in maximizing the policy implementation of Tax Refund, control the inflation in Indonesia and make rupiah doesn't continuously depreciate. With that efforts, more foreign tourists will come to Indonesia..

**INTRODUCTION**

The tourism industry is a sector that plays an important role in the Indonesian economy, it is become a source of foreign exchange earnings. According to Gamal (2004), tourism in Indonesia has become as one of the important economic sectors.

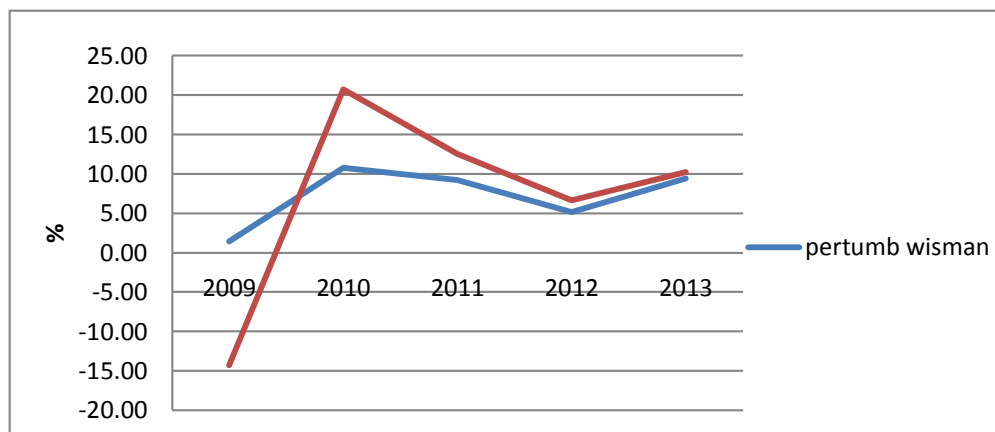
Tourism as one of the export commodities that can not be seen clearly. However, its continue to increase its role in the Indonesian economy (Tourist Tourist Statistics 2012).

These sector expected to be the main role after the traditional agrarian industrial sector has decreased (Farmaki, 2012).

According to BPS (2012), Indonesia's international tourism sector activity is the most significant contributor in Indonesia's economic growth.

Tourism is also a significant source of foreign exchange, as evidenced by the increase of Indonesia's foreign exchange reserves, which is the impact of the number of foreign tourists visiting Indonesia which continues to increase from year to year until the total amount in 2009 to 2013 reached USD 41,630.83.

The increase of foreign exchange reserves can be seen from the development of foreign tourists who visit Indonesia. Foreign tourists experience significant growth from year to year due to the shifting behavior of foreign tourists today who prefer the natural attractions (Bazneshin et al., 2015) which makes Indonesia increasingly favored foreign tourists. That condition makes foreign exchange earnings from the tourism sector contribute great value to Indonesia's foreign exchange reserves. For more details can be seen in the following graph.

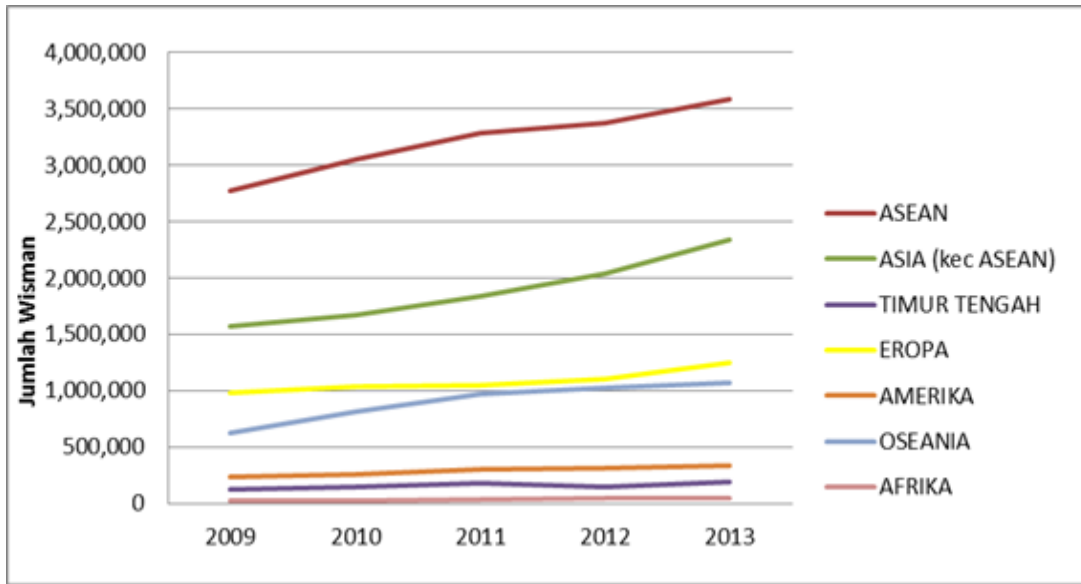


**Figure 1.** Foreign tourism and foreign exchange reserves growth in Indonesia 2009-2013  
 Source: Information Centre Tourism Ministry and Central Statistic Agency, processed

Based on Figure 1. it can be seen that the growth of Indonesian foreign exchange earnings is directly related to the growth of foreign tourists. Indonesia's foreign exchange reserves. Most of the foreign tourists who come to Indonesia come from the continent of ASEAN, its proven by Figure 2. Based on the graph we can know that the most foreign tourists come to Indonesia are from ASEAN, which reached the average visit of

3.2 million foreign tourists per year, followed by Asian tourist with an average visit of 1.88 million per year.

Meanwhile, when viewed from the ASEAN tourists by country of residence, Singapore tourists are the most tourists who visit Indonesia compared with other ASEAN country tourists. For more details can be seen in Table 1. below.



**Figure 2.** Foreign Tourism by Origin from 2009 to 2013

Source: Information Centre Tourism Ministry and Central Statistic Agency, processed

**Table 1.** The Number of Foreign Tourism by Origin

Country origin	2009	2010	2011	2012	2013	total	Average
Brunei Darussalam	15.709	39.063	48.193	27.734	23.309	154.008	30.802
Malaysia	1.179.366	1.277.476	1.302.237	1.335.531	1.430.989	6.525.599	1.305.120
Filipina	162.463	189.486	223.779	229.806	246.497	1.052.031	210.406
Singapura	1.272.862	1.373.126	1.505.588	1.565.478	1.634.149	7.351.203	1.470.241
Thailand	109.547	123.825	141.771	149.760	141.349	666.252	133.250
Vietnam	14.456	28.196	36.917	40.084	39.770	159.423	31.885
ASEAN lainnya	18.281	21.113	26.179	26.898	65.357	157.828	31.566

Source: Information Centre Tourism Ministry and Central Statistic Agency, processed

Based on Table 1. it can be seen that most of the ASEAN tourists who come to Indonesia in 2009-2013 is a Singaporean tourists with the amount of 7.35 million followed by Malaysian tourists with the amount of 6.52 million.

Singapore tourists are the highest foreign tourists who come to Indonesia compared with other global tourists. One of the factors that attract foreign tourists to visit Indonesia is the value of the rupiah exchange rate is relatively

lower than the value of currencies in other countries.

According to Nopirin (1996: 163), the exchange between two different currencies will get a comparison of the price between the two. That comparison is called the exchange rate. The policy on exchange rate is effective enough to attract foreign tourists to visit (Yoeti, 2003: 119).

As happened in Indonesia, the relatively lower exchange rate of rupiah against the exchange rate of other countries makes foreign tourists prefer to come to Indonesia. The exchange rate of other countries higher than the value of the rupiah makes foreign tourists can travel in Indonesia with the thrift spending. Such as Bank Indonesia transaction rate of SGD currency. The exchange rate policy is very beneficial to foreign tourists who comes to Indonesia, including the Singaporean tourists as can be seen in Table 2. above. Exchange rate used by bank or money changer when buying foreign currency or when we will exchange foreign currency that we have with rupiah is called the buying rate.

More specifically, the exchange rate imposed by a bank when making a purchase of foreign currency is the buying rate (Yoeti, 2003: 121). The selling rate and buying rate of SGD currency is relatively higher than the rupiah. In 2013 for example, with a buying rate of \$ 1 = Rp 9,576 make products and services in Indonesia become very cheap.

In addition to foreign exchange rates, within the international scope one can affecting foreign tourists in travel is the cost of living in a country destination (Yoeti, 2003: 119). The cost of living can affect foreign tourists in travel, because the cost of living that includes the CPI is the price movement of goods or services most often consumed by the public, including foreign tourists visiting Indonesia.

The CPI is calculated on the basis of seven expenditure groups (based on the Classification of individual consumption by purpose -

COICOP) covering the group of foodstuffs; finished food, beverage and tobacco groups; housing groups; clothing group; health groups; education and sports groups; transportation and communications (Bank Indonesia) group.

Indonesia's CPI movement from 2009 to 2013 always increases with significant figures, while the Singapore CPI is also increasing every year but the increase does not show significant figures. Based on this, we can compare the CPI between the two countries to obtain TCPI calculation results that can show relative price levels in which country tends to be higher.

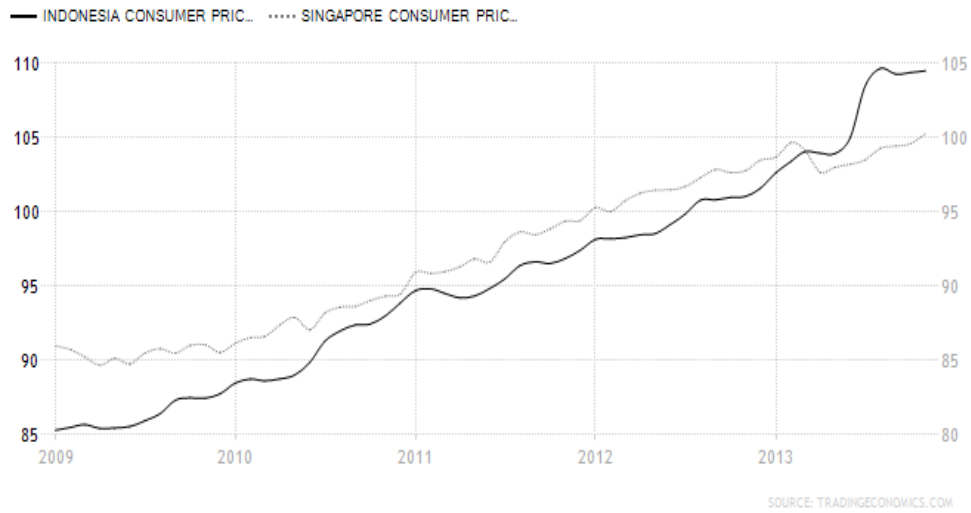
The cost of living between the country of origin of tourists and the cost of living in the destination country if compared would be obtained more rational numbers and can provide information to us about the relative price level in both countries. This is normal called the TCPI or Tourism Consumer Price Index.

TCPI or Tourism Consumer Price Index is considered as a factor influencing the decision of foreign tourists in tourism to a country. According to Witt (1987) and Dritsakis (2001) in Deluna (2014), TCPI explains the cost of living required by foreign tourists traveling to other countries. TCPI is a variable obtained by comparing the CPI of the destination country with the CPI of the country of origin. The lower the cost of living in the destination country when compared to the cost of living in the country of origin, the higher the demand for tourism from the country of origin to conduct tours in the country.

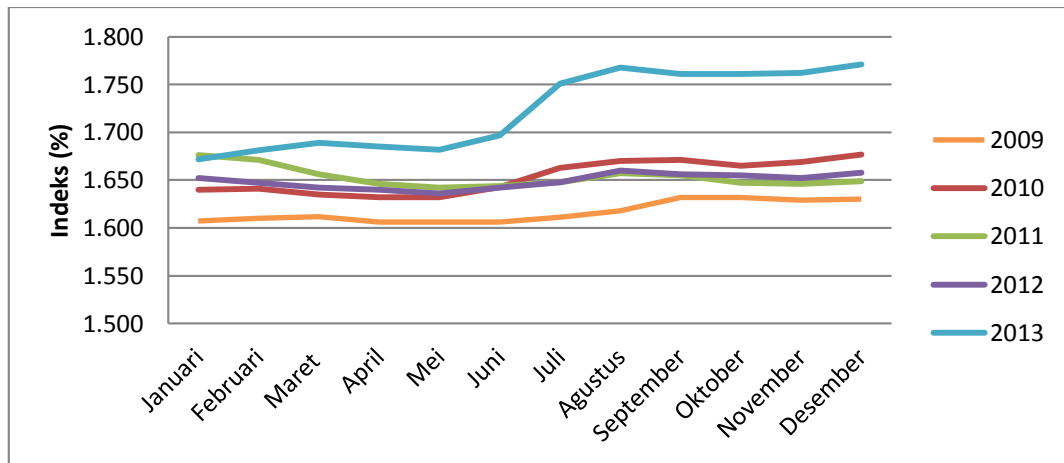
**Tabel 2.** SGD Transaction Currency

Tahun	Kurs Jual (Rp)	Kurs Beli (Rp)
2009	6,735.35	6,661.68
2010	7,018.25	6,942.96
2011	7,011.08	6,937.57
2012	7,947.98	7,866.25
2013	9,679.97	9,576.00

Source: Bank Indonesia



**Figure 3.** Consumer Price Index (CPI) in Indonesia and Singapore  
 Sumber: www.tradingeconomics.com



**Figure 4.** Singapore TCPI  
 Source : Singapore Statistic Bureau & BPS Indonesia, processed

In addition to exchange rates and TCPI, the government's policy of applying to foreign tourists coming to Indonesia also affected the number of foreign tourists. These policies include the Tax Refund policy. Enterprises in increasing the role of tourism sector in supporting the development, among others can be through the increase of the budget for the development of infrastructure

facilities that are expected to attract foreign tourists to come to Indonesia. In terms of fiscal support can be a tax refund to foreign tourists who have spent their money in Indonesia. The Tax Refund Policy was enacted by the Indonesian government since April 1, 2010, the provision is stated in Law Number 42 Year 2009 on VAT and PPnBM.

The purpose of this study is to know the extent to which macroeconomic variables including exchange rate, TCPI and Tax Refund policy affect the number of Singapore tourists coming to Indonesia in 2009-2013.

## RESEARCH METHOD

The research method used is quantitative approach. Quantitative approaches essentially emphasize the analysis on numerical data (numbers) are processed by statistical methods. In quantitative methods will be obtained significance of group differences or significance of relationships among variables studied (Wirartha, 2006: 140). This study uses monthly analysis (month to month) and the data used are all data from the population that is as much as 60 observations from January 2009 to December 2013.

The number of observations is less than 100, then all data will be used in research, so the research is called population research.

The type of data used in this study is secondary time series data with the period January 2009 to December 2013. The data comes from the relevant agencies and official website owned by the government, with data on the number of Singapore tourists from the official website Kemenparekraf and BPS Indonesia, then the exchange rate data from the official website of Bank Indonesia, IHK Indonesia's data from the official website of BPS Indonesia, CPI data from Singapore's official website Statistic Bureau, as well as the Tax Refund policy data from the Indonesian Ministry of Home Affairs website with the number of Singaporean tourists as dependent variable and exchange rate, TCPI, Tax Refund policy as independent variable.

Data collection method in this research completes with several ways, namely literature search, questionnaires and interviews. While

the method of data analysis used in this research is descriptive analysis and multiple linear regression analysis with OLS model. To know the influence between independent variable with dependent variable equation is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \text{Dummy} + e$$

whereas:

Y	= singapore f oreign tourist
X1	= SGD Exchange rrate
X2	=TCPI Indonesia-Singapura
Dummy	= Tax Refund policy
e	= error term
0	= coefficient

## RESULTS AND DISCUSSION

OLS method is used to determine the effect of independent variables namely exchange rate, TCPI and Tax Refund policy towards the number of Singapore tourists coming to Indonesia. Then the data has been processed using Eviews 6.0 application. Regression results obtained can be seen in Table 3.

Based on analysis the result that the t value of the statistical variable exchange rate indicates that the exchange rate have a positive effect on the number of Singapore tourists coming to Indonesia. It can be seen from the probability value for the exchange rate of 0.0469 means  $< \alpha 0.05$ .

The exchange rate variable has a probability value below 0.05, it can be concluded that the exchange rate variables significantly affect the number of Singapore tourists coming to Indonesia.

TCPI variable shows the number -0.524 it can be concluded that TCPI variables separately negatively affect the number of Singapore tourists coming to Indonesia.

**Table 3.** Regression analysis result

Variable	coefficient	Std. Error	t-value	Probability
Constant	12,01784	5,9 1332	2,032 333	0.0469
Exchange rate	- 62099.80	118 413.2	- 0.524433	0.6020
TCPI	20429.53	767 9264	2,660 349	0.0102
Tax refund policy	122286.0	163 918.5	0.746 017	0.4588
R-squared	0.654925			
Adjusted R-squared	0.616721	F-statistic		6,44146
Prob(F-statistic)	0.000797			1

Source: data processed

Then seen from probability value for TCPI variable that is equal to 0.6020 mean  $> \alpha$  0,05. TCPI variable has probability value above 0,05 hence can be concluded that TCPI variable does not significantly influence to number of Singapore tourists coming to Indonesia Tax Refund policy variable shows the number 2,660. It can be concluded that the variable tax refund policy separately positive effect on the number of Singapore tourists coming to Indonesia.

It can be seen from probability value for population that is equal to 0.0102  $< \alpha$  0,05. Hence it can be concluded that Tax Refund policy significantly influence to number of Singapore tourists coming to Indonesia. The result of calculation of regression equation conducted at the buying rate of SGD from January 2009 until December 2013 shows the value of coefficient of KURS is 12,018.

This means that if there is an exchange rate of 1 rupiah or a depreciation of 1 rupiah, it will result in the number of Singapore tourists coming to Indonesia increased by 122.286 people with the assumption that other variables remain. Based on the calculation, the probability value for exchange rate is 0.0469 where the probability  $< \alpha$  0.05 then it can be said that the exchange rate significantly affect the number of Singapore tourists coming to Indonesia. So it can be concluded that the exchange rate has a negative and significant influence on the number of Singapore tourists coming to Indonesia. This is in accordance with the initial hypothesis proposed in the study, where the initial hypothesis states that the exchange rate has a negative and significant effect on the number of Singapore tourists coming to Indonesia

Based on the calculation of t-statistics obtained probability value for TCPI variable is equal to 0.6020 where the probability value  $> \alpha$  0.05 then it can be said that TCPI variable does not significantly affect the number of Singapore tourists coming to Indonesia. So it can be concluded that the TCPI variable has a negative and insignificant effect on the number of Singapore tourists coming to Indonesia.

The result of regression equation calculation done on Tax Refund policy before policy from January 2009 until March 2010, and period after policy in April 2010 until December 2013 based on t-statistic calculation the probability value for dummy variable of Tax Refund policy is 0,0102 where the probability value  $< \alpha$  0.05 then it can be said that dummy variable Tax Refund policy significantly influence the number of Singapore tourists coming to Indonesia. So it can be concluded that the dummy variable Tax Refund policy has a positive and significant effect on the number of Singapore tourists coming to Indonesia. This is in accordance with the initial hypothesis proposed in the study, where in the initial hypothesis states that the Tax Refund policy has a positive and significant effect on the number of Singapore tourists coming to Indonesia.

## CONCLUSION

Based on the analysis it can be concluded that the exchange rate variable has a positive and significant effect on the number of Singapore tourists coming to Indonesia, TCPI variable (Tourism Consumer Price Index) has a negative and insignificant effect on the number of Singaporean tourists coming to Indonesia. These results indicate that the high or low relative price level in Indonesia does not affect the number of Singapore tourists coming to Indonesia as well as the Tax Refund policy variables have a positive

and significant impact on the number of Singapore tourists coming to Indonesia.

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