

IMPROVING PURCHASING POWER THROUGH FARMING-BASED TOURIST VILLAGE IN INDONESIA

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Abstract: *The paper aims to assess the potentials of Kuningan Regency West Java Indonesia in improving people's income from farming based tourism. This is importance as Kuningan faces low level of people's purchasing power contributing to low level of Human Development Index (HDI) compared to other regions in West Java and low participation of young people in farming sectors. This research is an empirical study using secondary data from various related sources. The result of this study finds that based on the resource assessment an integrated farming and tourism program is a feasible solution for increasing income and advancing farming in Kuningan. The operationalized short term strategy is thorough establishing and developing the farming-based tourist villages.*

Keywords: *tourist village, human development index, purchasing power.*

INTRODUCTION

According to Human Development Index (HDI) category of UNDP Indonesia includes in medium human development country (0.614-0.734) with score 0.684 in 2013 (UNDP, 2013). Indonesian Governments in all levels, development NGOs, practitioners and academicians recently have done various attempts to increase the quality of Indonesian people's live through a series of policy, regulation and programs. One way they have done is through improving people's purchasing power to boost up income percapita in all regions in Indonesia through among others advancing and maximizing their own potentials and resources. This strategy is believed to promote sustainable development where all development attempts should be locally and culturally relevant and reflect environmental, economic, and social situation of the society and country (Mustaq and Azeem, 2012).

Kuningan is one regency in Indonesia that has local potential in terms of natural resources and farming-based industries such as rice field, fishing, and forestry. In addition, Kuningan has the beauty of its attractive nature that invites both domestic and foreign tourists. Kuningan is well known in terms of its fresh and clean water

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and air, and cold and relaxing environment. The beautiful landscape and geographical area of Kuningan is supported by Ciremai, the highest mountain in West Java that brings visitors to a mountain tourism.

However, Kuningan faces a serious challenge in terms of the low level of HDI (73,70 percent) for 2013 compared to the average HDI of West Java although compared to its neighbouring regions like Cirebon, Indramayu and Majalengka, Kuningan is the highest. From the three composite indexes, the lowest score is income index that is far below educational (85.19) and health dimension (76.78) (Bappeda Kuningan, 2015). In other words, Kuningan face lower level of peoples's standard of living and purchasing power. Indeed, Kuningan has potentials of the beauty of natural resources but so far they have not been optimally managed to increase the people's income. Additionally, this situation is worsened by the poor quality of tourism industries that include (1) the lack of facilities in tourism sites, (2) low awareness among Kuningan people on the importance of tourism, and (3) the lack of tourism promotion that has not been supported by advanced information technology.

This article attempts to explore the real existing economic problems faced by Kuningan recently and discuss a possible way to increase the people's income. The proposed strategy revolves around the advancement of integrated farming and tourism. The initial assessment shows that this strategy is quite strong in supporting and promoting Kuningan as a ecotourism-based region that may end up in the increase level of people's standard of living. Hence, the stressed aspect of development programs by the government should be related to the combination of both farming and tourism industries in Kuningan regency.

This qualitative research is arranged as follows. The next section discusses summary of theories and conceptual framework of HDI and supporting data of HDI in Kuningan. Section 3 summarizes research method while section 4 presents the farming-based tourism development. Section 5 summarizes and concludes.

CONCEPTUAL FRAMEWORK

HDI and Purchasing Power

HDI is defined as an output of measurement of key human development aspects that comprise healthy live and longevity, education and good living standard (UNDP, 2014). HDI has expanded human development to a broader coverage to not only concentrate on income and commodities but also to the quality of human lives that rely on the other influencing factors (Alkire & Deneulin, 2009). HDI also classified countries into developing and developed nations. Those exist in the top quartile of HDI distribution include developed countries while those in the bottom three quartiles include developing countries (Nielsen, 2011). The higher level of

country HDI the more developed the country is and vice versa. For the regional level, HDI is a commonly used indicator of the human development of the country and its local areas.

As the main factor of economic development of the country, human development becomes basic capital for development. The other resources of the country can not be optimally utilized unless the qualified human resources are available. HDI has strong and direct relationships with human development in one side and economic development in the other side (Basri and Munandar, 2009).

Income and purchasing power is an indicator in determining HDI beside health and education. A family with high income may spend more money comparing to the low one (Dornbush, Fiscer, & Startz, 2008:194). The main aspect that should get serious attention in increasing the purchasing power is the infrastructure for achieving the objective and the success of the planned goal. The quality and management of infrastructures is considered very important in business to make decisions for the expansion. Indonesia regional autonomy watch committee (KPPOD) in 2012 commented on the regional economic management in 20 regencies and cities in Indonesia: "the quality and management of infrastructure is considered as the important aspect by business people which influence their decision toward new business investments in the regions or in making expansions" (KPPOD, 2012).

Poor quality and quantity of infrastructure is the most important obstacle in doing business in Indonesia as indicated by the low spending of public work agents (Tambunan 2013). The study on local government budgets in 2012 showed that that the average spending for public works was very low (KPPOD, 2012). Therefore, the involvement of investors in providing infrastructure seems to be a key aspect in overcoming this obstacle (Sagir, 2008).

Kuningan Statistical Data

According to Central Statistical Body of Kuningan (BPS, 2014) the economic growth of Kuningan Regency in 2012 reached 5.91%, increasing 0.92 point compared to the last two years (2010 at 4.99%). At the same time, the inflation of Kuningan Regency based on the consumer price index was 3.62% in 2012 whereas the Gross Regional Domestic Product (GRDP) and GRDP percapita at the constant price of 2000 for 2012 was IDR 4.2 trillion and IDR 4.2 million. The purchasing power of around 1.1 million people of Kuningan in 2010 according to survey of social and economic region was IDR 549,000. The most current data on open unemployment rate in 2014 was 5.53%.

The job market in Kuningan Regency was dominated by farming and trading sectors. Farming still dominated the work absorbtion at 39% whereas 30% was in trading. Three sectors, farming, services, and trading dominated Kuningan GRDP. The rest of GRDP is contributed by construction 5.21%, manufacturing industry

2.07%, mining and mineral 0.78% and electricity, gas and water at 0.5% (BPS, 2013). See Picture 2.3. This GRDP index is used as an indicator to indicate the capability of the regional population in generating incomes or reward for production factor involved in the production process in the region (Basri & Munandar, 2009).

One of the causes of the relatively high level of unemployment is the low level of worker absorption from farming and trading. Moreover, many businesses do their investment in Kuningan mainly due to the minimum labour payment which is still far cheaper than other regions (Bapeda Kuningan, 2014). Additionally, the presented data also showed that farming and trading sectors had less significant contribution to the economic development of Kuningan.

METHODS AND POPULATION OF THE RESEARCH

The research method used in this study was applied research. Sekaran (2009: 9) stated that applied research is a research carried out to solve the recent problem which asks for immediate solution. In this research, the problem solved is the low purchasing power among the people in Kuningan Regency by providing the improvement of purchasing power within the framework of HDI.

The researcher took Kuningan Regency as the location which included related local government agencies, e.g. of industry and trading agency, cooperation and SMEs agency, integrated license service and investment agency, capital investment agency, local government revenue agency, local government planning and development body, farming agency, tourism agency and others. The data used were primary and secondary. Umar (2005: 42) said that primary data are gathered from the original sources, individuals or groups using interviews or distributing questionnaires. Secondary data are collected from the primary data which are further processed and presented by the first collectors or the other parties. The population of the research was the purchasing power of Kuningan Regency people in 2009-2013. The method of the sampling was the saturated sample which used all populations as the sample.

The data analysis technique was descriptive analysis to find out the purchasing power of Kuningan people, to identify factors influencing the purchasing power, to analyze existing condition and to set out purchasing power strategies by adopting Sagir (2008)'s improving purchasing power strategies.

THE DISCUSSION

The Farming-based Tourism Development

One strategy to improve the purchasing power is by doing promotion by all governments, especially in provincial and regional government e.g. city and regency to make the products produced in that region more popular. Promotion is one way

to introduce, persuade, and remind the customers directly or indirectly about the product or trademark offered (Kotler & Keller, 2009 :510). Basically, communication is a form of communication integrately conducted whose effectivity will determine the ability to inform or even persuade the public.

The next promotion that can be done by Kuningan Regency is informing and socializing the potential products of farming and tourism. Natural attraction, culture, history and other developments should be driven into professional tourism. National welfare shown by the high people's purchasing power is made, created, and managed through a range of good planning efforts. This means that to increase the competitiveness of the country, increasing the capacity of the industry and innovation should be taken into consideration seriously. This could occur when there is competitiveness in competition created from the strong local competition supported by the local suppliers of goods. The determined factors necessary to be maximized is the local market target (Sagir, 2008). Porter (1990) ascertain

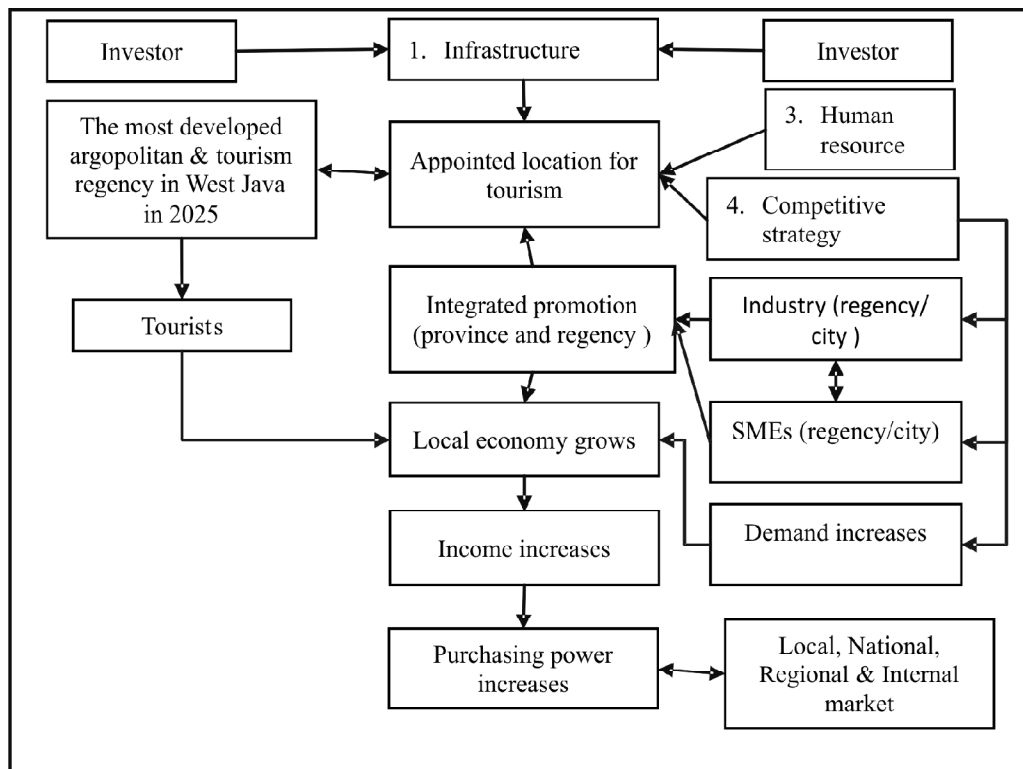
Why are you certain companies based in certain nations capable of consistent innovation? Why do they ruthlessly pursue improvements, seeking an ever more sophisticated source of competitive advantage? Why are they able to overcome the substantial barriers to change and innovation that so often accompany success? The answer lies in four broad attributes of a nation attributes that individually and as a system constitute the diamond of national advantage, the playing field that each nation establishes and operates for its industries

Four factors or attributions individually or as a system a diamond of the nations, a playing yard where all nations develop and run for industries include:

1. Condition factors that is the position of the country in terms of industrial factors such as the condition of economic resources, natural resources, human resources (skilled workers), capital, technology and entrepreneurships.
2. Supported and related industries which is related to the availabilities of suppliers and other related industries internationally competitive.
3. The strategy of the company, structure and competition, that is the condition of the national government relating to how the company was created, organized, managed, and the characters of the domestic competition.
4. Condition of the high domestic market demand for goods and services, that is the higher demand of the domestic market on one sector, the stronger foundation of such a sector would be.

Tourism can be a fantastic trigger of energy to boost regional economic development. The government ideally do not put an emphasis on getting tax revenue from the tourism or just take the business people that get chances to build hotels, restaurants and other facilities to be the partner, rather the local authority can develop the farming-based tourism in the region. One of the contributing factors

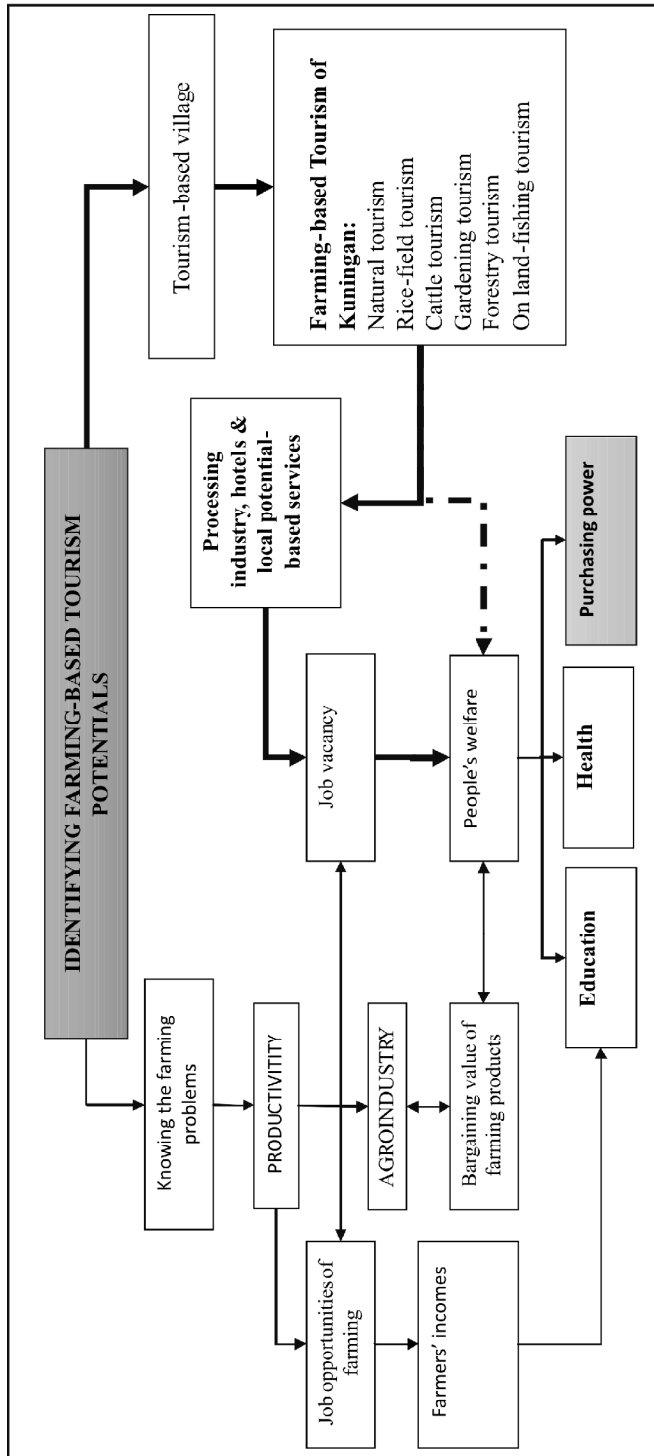
to the decrease of farming productivity is the low level of farmer welfare. Farming is not a promising sector despite the more developed the country the more food would be needed. The farmers are the key of green economy as they plant trees and develop cattle. The results of the farming activities are able to provide meals, clothes, housing etc. tge The shows that ninety percent of farmers live in developing countries. This means the potential resource to develop the welfare is in this type of countries.



Sumber: adopted from Sagir (2008)

Picture 1: Strategy to increase the purchasing power

Empowering farmers can be done through tourism village in potential areas since foreign tourists are basically more interested in the nature-based ecotourism. This is very potential and gives more benefits. However, the awareness of the nature-related environment is still low among the citizens. Along with the dynamic, the approaches on tourism development pervade extensively to various terminologies like sustainable tourism development and ecotourism and they try to govern tourism to move to villages not cities. One of the frameworks of alternative tourism-based developments is village tourism to increase the rural people's welfare. The



Picture 2: Road Map of identifying farming-based tourism potentials

main ingredient of the village tourism is implemented in the lifestyle and the quality of live of the people that consist of cultural heritages, farming activities, the nature, services, historical and cultural tourism, and unique and exotic areas. By doing so, the modelling of tourism village is continuously and creatively developed.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the research findings on the strategy on purchasing development in the framework of HDI of Kuningan regency, some conclusions are presented in the followings, first, based on the GRDP, farming sector dominates economic sector in Kuningan regency. The tourism sector at the same time is believed to be able to develop the economy which in turn will improve the other sectors such as hotels, culinary and creative industry. The strategy formulation is based on the development of farming and tourism sectors in accordance with four other determined factors of purchasing powers: infrastructure, promotion, resources and goods and service-related industries. Second, the roadmap of purchasing power development is based on the improvement of productivity and income of the most famous sectors in Kuningan regency. These two sectors are hoped to open job vacancies and stimulate small and medium enterprises (SMEs) to grow.

Recommendations

Some suggestions for improving the purchasing power in the framework of HDI of Kuningan Regency include first, the existence of farming and tourism sectors which contribute the most to the GRDP of Kuningan after farming have to get serious attention and local government should consistently keep their potentials. The efforts to develop such two sectors should be focused on developing the tourism village by emphasizing ecotourism in Kuningan. Second, the development of purchasing power should be based on the improvement of people's productivity especially the farmers by developing ecotourism. The combination of both farming and tourism development is hoped to increase people's the purchasing power based on the local potentials for long term period.

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