

THE IMPACT OF HORIZONTAL STRATEGY, RESOURCE EFFICIENCY AND BUSINESS FACILITATION IN TOURISM FOREIGN DIRECT INVESTMENT TOWARDS LOCAL ECONOMIC GROWTH IN NORTH SUMATRA, INDONESIA

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ABSTRACT

The research investigates tourism foreign direct investment in North Sumatra, Indonesia. The key factors influence the investment decision in the tourism sector by use of horizontal strategy, resource and efficiency strategy, and business facilitation. The research also examines the extent to which existing investments and their impact on economic growth in North Sumatra.

The research uses mixed methods with qualitative and quantitative approaches. Quantitative data were obtained by surveying 250 respondents who are tourism service providers including tourism and hospitality business sector-accommodation and restaurants (178 respondents), travel agents and tours operators (62 respondents) and tourist guide services (10 respondents). The quantitative data analysis methods used in this research are multiple regression. It also added the interview to get data from the government's point of view which can be verified by quantitative data findings from agencies/institutions related to tourism in North Sumatra.

The results of this research show that the three variables, namely horizontal strategy, resource efficiency strategy, also business facilitation have a positive and significant effect on tourism foreign direct investment. This research also proves that the economic growth factor is influenced by the presence of tourism foreign direct investment. Meanwhile, the results of the survey and the interview, show that the increase in the quality of human resources

and the quality of company management is an indicator of economic growth that is most affected by the existence of tourism foreign direct investment.

This research shows that the results support or strengthen the theory of investment, mainly foreign direct investment which has an impact on economic growth. For the government of North Sumatra, this research can be used as a consideration for evaluating policies on investment in tourism. Future research would be better if we add comparators for two regions that have different conditions of tourism potential and other per capita income. It will provide an overview of the weaknesses and strengths in the development of tourism in the area and its impact on economic growth.

INTRODUCTION

The global crisis that hit practically all ASEAN nations did not make the economy in Indonesia experience a critical stun and even experienced a 4.6 per cent growth in 2009. The economic fluctuation continues to face difficulties over the previous couple of years, with gross national product (GDP) growth declining for the second time in 2014 (from 6.03 per cent in 2012 to 5.56 per cent in 2013 and 5.01 per cent in 2014).

Many factors are causing economic development in a country, one of which is the tourism sector. Tourism is a potentially promising path for economic and people development in developing countries (UNTACD, 2007). Tourism is one of the world's largest industries, as big as one-third of the

total global service trade (Endo, 2006). The tourism industry is one of the incredibly important sectors of economic development in Indonesia. Tourism assumed to be a substantial role with an average 5 per cent growth since 2009 and ended with 5.17 per cent in 2018.

The importance of the tourism industry to the economy was also conveyed by the Governor of Bank Indonesia (BI) Perry Warjiyo. There is an optimism that tourism should be the most significant foreign exchange producer, after oil palm. Furthermore, BI Governor Perry Warjiyo outlined foreign exchange earnings of 16.1 billion USD in 2018 and 17.6 billion USD in 2019. Other data confirm the tourism industry has an incredibly significant effect on government achievement regarding revenue. Tourism development in Indonesia is the main root of foreign income as well as job creation and company growth. Revenue generated from foreign tourists exceeded 20.997,1 million USD during 2018 or increased by 5 per cent over the past year.

It must be recognized that tourism's contribution from 2010 to 2018 had been dropping (Figure 1). On the other side, tourism income had a multiplier effect on other industries (BPS, 2018). Total travel and tourism contributions are including revenue from hotels, airlines, airports, travel agents, numerous facilities that cope directly with visitors, investments in the tourism industry (such as new hotel buildings), public projects (such as tourism and travel marketing), and tourism supply chain (Minister of Tourism and Creative Economics, 2018).

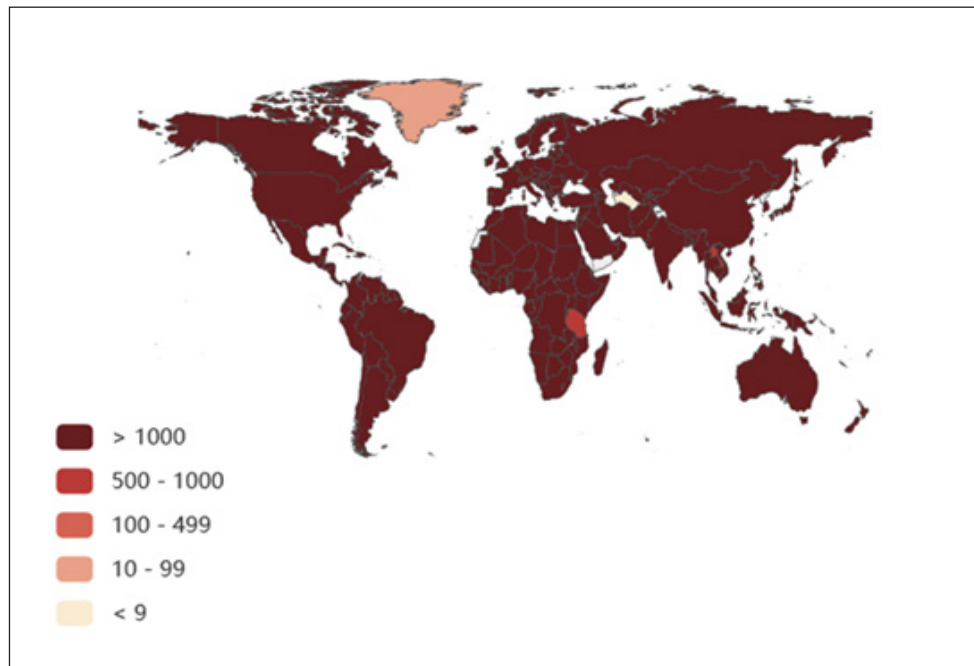


Figure 1 Tourism contribution to Indonesia GDP (2010 – 2018; Million USD)
Source: Statistics Indonesia, 2019

Apart from the background above, to have an impact on the economy, tourism, like any other sector, requires enormous investment. Investment is needed to provide all supporting tourism infrastructure. Hence, investment in the tourism industry is exceptionally capital-intensive because of the high cost of supra structures (resorts, hotels, motels, restaurants, shopping centres, places of amusement, and guesthouses) and equipment (JA Snyman and M. Saayman, 2009). In other words, the development of the tourism industry requires investment in infrastructure, including transport, utilities, and telecommunications, while developing countries are having inadequacy of the necessary capital, technology, or knowledge. Therefore, investment is considered a solution to fill their inadequacy (ECLC, 2008).

Currently, Indonesia is trying to loosen its investment policies to attract foreign investment in the business and tourism sectors. The government commits to attracting investors and preserves a business climate enhanced with opportunities for growth and profit. The approach is implemented through cooperation between the two sides or more

company operators based on equality, openness, and mutual benefit to reinforce connections between entrepreneurs on different company scales (Badan Koordinasi dan Penanaman Modal [BKPM], 2018).

One of the areas that have investment potential in the tourism sector is North Sumatra. North Sumatra currently is focusing on several leading tourist destinations such as Lake Toba and Samosir Island in Toba and Samosir Districts (Tobasa). Another example, Gunung Leuser National Park (TNGL) is a natural preservation area covering 1,094,692 hectares located in Aceh and North Sumatra province (North Sumatra Culture and Tourism Office, 2019).

The extraordinary tourism potential: natural beauty, culture, great historical heritage, and other resources make North Sumatra's economy improve every year (Figure 1). Between 2010 – 2018, the GRDP's income from the tourism sector accelerated from 2.1 per cent in 2010 to 2.22 per cent in 2013 or contributing from 462.45 million USD to 577.57 million USD. Later after that year until 2018, it showed incredibly significant growth from 2.20 per cent to 2.37 per cent

with a contribution of 808.78 million USD (in 2018). With the tourism potential and the contribution increment toward the GDRP, it is incredibly crucial for North Sumatra to increase investment to develop tourism.

Based on the data and information, as mentioned earlier, several pertinent issues become the basis of the problem to be analyzed. First, there is a gap or a large enough distance between the enormous tourism potential in North Sumatra and the number of tourist arrivals compared to the contribution of tourism revenue toward the economic growth of North Sumatra which is still under 3 per cent, and still has more space for growth (Statistics Indonesia, 2019).

Second, it can be said that the existing tourism potential has not been providing an optimal experience to tourists because of the lack of facilities in several tourist destinations in North Sumatra. The problem lies in the investment amount that has not been able to maximize all expected facilities to support tourism activities. Third, whether the economic growth that has been happening has been quite influenced by foreign investment in tourism in North Sumatra. Tourism foreign investment is used as an important tool to expand the tourism industry in particular, those who have just emerged in the industry and affect economic growth positively (Endo, 2006; Subbarao, 2008; Jauhari, 2009; Chen, 2010; Colantonio, 2006; Nair, 1996; Zhang et al., 2007; Lim & Pan, 2005; Selvanathan et al., 2012).

Based on the background and problem, this research intends to analyze the influence caused by factors of horizontal strategy, resource and efficiency strategy, business facilitation toward tourism foreign direct investment decisions, and their impact on economic growth.

LITERATURE REVIEW

Tourism Foreign Direct Investment

Tourism is processes, activities, and outcomes arising from the relationship and interactions among tourists, tourism suppliers, host governments, host communities, and surrounding environments that are involved in the attracting and hosting of visitors (Goeldner & Ritchie, 2009).

The international tourism industry (like any other service trade that involves trade in services) is developing with international investment. This study uses the concept of foreign direct investment (FDI) as an investment measurement in a field related to tourism development. FDI is the process whereby residents from abroad acquire ownership of assets to control the asset, production, distribution, and other activities of a firm in another country (Moosa, 2002; Naude & Krugell, 2003; Hill, 2005).

Therefore, the concept of FDI plays a vital role in the provision of tourism services. FDI is one of the ways they hope to be able to develop tourism. FDI is often considered one of the most effective engines to utilize capital, infrastructure, knowledge, and access to global marketing and distribution chains (Richardson, 2001; Peric & Nikšić Radić, 2010; Dwyer, 2003).

Horizontal Strategy

Horizontal multinationals are firms that produce the same good or services in multiple plants in different countries, where each plant serves the local market from the local production (Protsenko, 2003). One of the earliest models of horizontal strategy FDI is Markusen (1984) with firm-level scale economies as a driving force: a two-plant firm has fixed costs that are less than double the ones of a single plant firm, thus creating motivation for multi-plant production.

Resource Efficiency

The latter category of vertical FDI is production cost-minimizing, where firms seek to produce in lower-cost locations or seek inexpensive inputs to export their product. Inexpensive inputs include natural resources, raw materials, or low-cost inputs such as labour. Market-seeking of FDI aims at penetrating the local markets of the host country. Efficiency-seeking FDI is interested in creating new sources of competitiveness for firms (Dumludag, 2007).

Business Facilitation

Apart from economic factors such as the government policy framework and other steps that facilitate business, there are other important factors of FDI. These factors affect the inflow or decision-making of FDI. How vital these determinants are, is not always the same from time to time because it depends on the strategy of each foreign investor. Another factor is the provision of incentives or facilities for bureaucratic problems faced by a new foreign business or company in a country, it is intended as business facilitation. In this research, the business facilitation in question is related to the following matters: long-term strategy, foreign exchange policy, investment incentives, investment promotion, investment facilitation, and trade regulations (Dumludag, 2007).

Economic Growth

A large stand of economic literature is on the relationship between trade and economic growth. As the theory suggested, trade is related to economic growth through different channels. Trade serves a transmission channel of capital, non-capital goods, or knowledge between domestic countries and the rest of the world, which stimulates productivity and thus economic growth (Romer, 1990). Trade may promote economic growth by introducing

the economics of scale and improving the optimal allocation of resources between the commodity production sector and the knowledge production sector (Helpman, 1981; Krugman, 1979). Capital accumulation and technological innovation are the major factors driving economic growth. Naturally, it has generated extensive literature on the growth effect of FDI (Wang & Wong, 2009).

HYPOTHESIS

The number of determinants of FDI is “uncountable” because location factors, economic, policy and business pro-active determinants, push and pull factors, demand-side and supply-side determinants political and social circumstances as well as historical events, have an impact (Kowalle, 2009).

Many theories attempt to explain the investment factors (Leitao & Faustino, 2010; Chakrabarti, 2001). These theories are significant steps towards the development of a systematic framework for the emergence of investors. Dunning (1993) and Dumludag (2007), their research regarding three main types of investors based on the motive behind the investment from the perspective of the investing firm, could be combined into the market-seeking FDI (horizontal-strategy), resource and efficiency-seeking strategy (vertical or export-oriented investment) and business facilitation strategy, it takes place when foreign investors welcome the long-term strategy of the governments and the way that policies were applied.

Investments (FDI) are made to get positive returns and to develop a company's or organization's performance. Investments and investment decisions are made in a process, which includes various analyses and information retrieval. (Sykianakis & Bellas, 2005; Dwyer et al., 2010; Ferreira, 2011; Tiainen, 2013). Based on these assumptions, here are the models and hypotheses of this study:

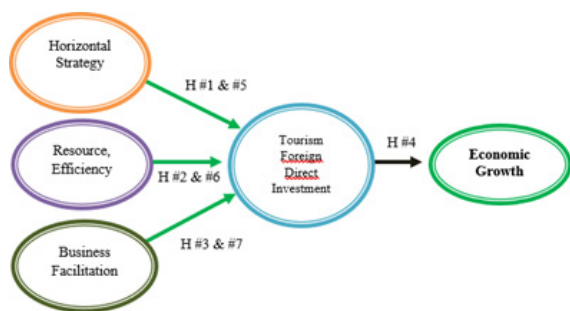


Figure 2 Research model

H #1: Horizontal strategy significantly affects tourism foreign direct investment in North Sumatra.

H #2: Resource and efficiency strategy significantly affect tourism foreign direct investment in North Sumatra.

H #3: Business facilitation significantly affects tourism foreign direct investment in North Sumatra.

H #4: Tourism foreign direct investment significantly affects economic growth in North Sumatra.

H #5: Horizontal strategy significantly affects economic growth moderate by tourism foreign direct investment in North Sumatra.

H #6: Resource and efficiency strategy significantly affect economic growth moderate by tourism foreign direct investment in North Sumatra.

H #7: Business facilitation significantly affects economic growth moderate by tourism foreign direct investment in North Sumatra.

RESEARCH METHOD

The research uses the post-positivism paradigm as the basis of thoughts. Post-positivism argues that it is impossible to get the truth if the researcher makes a distance from reality or is not directly involved with reality. Apart from a research point of view, it also requires general data that can be obtained by

conducting surveys as quantitative data and in-depth insights that can only be obtained by conducting interviews as qualitative data. The research uses a mixed method to obtain data quantitative data and qualitative data from interviews to get in-depth insights.

The research objects are investors who have a business investment in tourism in North Sumatra. For this reason, it focuses on the population of tourism industry players in the area. To take insights from tourism businesses, it uses a respondent from a data sample taken from some investors who are considered to represent the entire population.

Since the population of tourism investment in North Sumatra is 685, therefore the minimum sample size is 234. This research will involve 250 respondents using non-probability sampling criteria; it adopts the accidental sampling from tourism investment in North Sumatra to ensure a sufficient sample number for the questionnaire.

Analysis conducted with quantitative data includes interviews to get a different point of view, which comes from the government of North Sumatra. The interview can be useful as verification of quantitative data findings from agencies/ institutions related to tourism in North Sumatra.

In quantitative, the research instrument was tested for its validity and reliability. Furthermore, test the data distribution through a normality test. Next, the researcher elaborates on the descriptive results of the research respondents' answers and multiple regression analysis tests to uncover the influence of the research variables.

RESULTS

The following are the results of multiple regression analysis on the first research model that tests the tourism foreign direct investment factors:

Table 1 Multiple regression test results for tourism foreign direct investment factors

Model	B	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		Std. Error	Beta			
1	(Constant)	9.166	2.586		3.545	.000
	Horizontal Strategy	.716	.176	.223	4.071	.000
	Resource Efficiency	.715	.196	.214	3.654	.000
	Business Facilitation	.893	.126	.423	7.101	.000

a. Dependent Variable: Tourism Foreign Direct Investment

Sources: processing research data on 250 respondents using SPSS 22

First Hypothesis Test Results

H0: There is no effect of horizontal strategy on tourism foreign direct investment t-statistic < critical t-statistic or α (sig.) > 0.05

H1: There is an effect of horizontal strategy on tourism foreign direct investment t-statistic \geq critical t-statistic or α (sig.) \leq 0.05

Based on Table 1, the t-statistic of the horizontal strategy variable is 4.071, the significance is 0.000, df = 245, and the critical t-statistic value is 1.6525 (see appendix 16) mean that the value of 4.071 > 1.6525 and 0.000 < 0.05 (t-statistic \geq critical t-statistic and α (sig.) \leq 0.05). The conclusion is to accept H1. The horizontal strategy variable has a positive and significant effect on Tourism Foreign Direct Investment. It indicates that an appropriate horizontal strategy will determine whether tourism foreign direct investment in an area is good or not.

Second Hypothesis Test Results

H0: There is no effect of resource efficiency on tourism foreign direct investment t-statistic < critical t-statistic or α (sig.) > 0.05

H1: There is an effect of resource efficiency on tourism foreign direct investment t-statistics \geq critical t-statistic or α (sig.) \leq 0.05

Based on Table 1, the t-statistic of the resource efficiency variable is 3.654, the significance is 0.000, df = 245, the critical t-statistic value is 1.6525 (see appendix 16) mean that the value of 3.654 > 1.6525 and

0.000 < 0.05 (t-statistic \geq critical t-statistic and α (sig.) \leq 0.05). The conclusion is to accept H1. The resource efficiency variable has a positive and significant effect on Tourism Foreign Direct Investment. It indicates that resource efficiency is one of the considerations made by entrepreneurs in implementing tourism foreign direct investment in an area.

Third Hypothesis Test Results

H0: There is no effect of business facilitation on tourism foreign direct investment t-statistic < critical t-statistic or α (sig.) > 0.05

H1: There is an effect of business facilitation on tourism foreign direct investment t-statistic \geq critical t-statistic or α (sig.) \leq 0.05

Based on Table 1, the t-statistic of the business facilitation variable is 7,101, the significance is 0.000, df = 250, and the critical t-statistic value is 1.6525 (see appendix 16) meaning that the value of

7.101 > 1.6525 and 0.000 < 0.05 (t-statistic \geq critical t-statistic or α (sig.) \leq 0.05). The conclusion is to accept H1. The business facilitation variable has a positive and significant effect on Tourism Foreign Direct Investment. It indicates that business facilitation is one of the considerations or stimuli that make entrepreneurs choose to invest in tourism in an area.

Table 2 Results of the multiple regression summary models

Model	F	Sig.	R	R Square
1				
Regression	100.745	0.000 ^b	0.742	0.551
Residual				
Total				
a. Dependent Variable: Tourism Foreign Direct Investment				
b. Predictors: (Constant), Business Facilitation, Horizontal Strategy, Resource Efficiency				

Sources: processing research data on 250 respondents using SPSS 22

Table 2 shows the F statistic with a value α (sig.) ≤ 0.05 . The conclusion is a simultaneous (joint) effect exists between all independent variables, namely horizontal strategy, resource efficiency, and business facilities on Tourism Foreign Direct Investment. It interprets that the three independent variables are factors that determine investment action in the tourism sector in an area. Meanwhile, the coefficient of determination (R Square) of 0.551 shows that the horizontal strategy, resource efficiency, and business facility have an influence of 55.1%

on the formation of tourism foreign direct investment decisions in North Sumatra. The MRM model tourism foreign direct investment factors of this research are:

$$Z = 9.166 + 0.716X_1 + 0.715X_2 + 0.893X_3,$$

where the descriptions were explained below:

- Z: Tourism FDI
- X: Horizontal Strategy
- X2: Resource Efficiency
- X3: Business Facilitation
- β_0 : Intercept
- ϵ : Error
- β_1, β_2 and β_3 : Coefficients of variable

In the second research model, the hypothesis is a linear regression test for the effect of tourism and foreign direct investment on economic growth in North Sumatra.

Table 3 Linear regression test results

Model	B	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		Std. Error	Beta			
2	(Constant)	20.845	1.889		11.033	.000
	Tourism Foreign Direct Investment	.597	.035	.731	16.878	.000
a. Dependent Variable: Economic Growth						

Sources: processing research data on 250 respondents using SPSS 22

Fourth Hypothesis Test Results

H0: There is no influence on tourism foreign direct investment factors on economic growth
 t - statistic < critical t -statistic or α (sig.) > 0.05

H1: There is an effect on tourism foreign direct investment factors on economic growth
 t - statistics \geq critical t -statistic or α (sig.) ≤ 0.05

Based on Table 3, the t -statistic of tourism foreign direct investment factors variable is

16.878, the significance is 0.000, $df = 245$, the critical t -statistic value is 1.6525 (see appendix 16) mean that the value of $16.878 > 1.6525$ and $0.000 < 0.05$ (t -statistic \geq critical t -statistic or α (sig.) ≤ 0.05). The conclusion is to accept H1. Tourism foreign direct investment factors have a positive and significant effect on economic growth. It indicates that tourism foreign direct investment is an indicator of economic growth in North Sumatra.

Table 4 Summary of linear regression model results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. error of the Estimate
2	.731 ^a	.535	.533	6.108

a. Predictors: (Constant), Tourism Foreign Direct Investment

Sources: processing research data on 250 respondents using SPSS 22

Table 4 shows the coefficient of determination (R Square) of 0.535. It means that tourism foreign direct investment has a significant influence, namely 53.5 per cent on economic growth in North Sumatra. The MRM model 2 of this research is:

$Y = 20.845 + 0.597Z$, where the descriptions were explained below: Y: Economic Growth

Z: Tourism FDI

β_0 : Intercept

ϵ : Error

β_1 : Coefficient of variable

In the third research model, the hypothesis is a multiple linear regression test for the effect of tourism foreign direct investment factors (horizontal strategic, resource efficiency and business facilitation) on economic growth moderate by tourism foreign direct investment in North Sumatra.

Table 5 Multiple regression test results for impact tourism foreign direct investment factors towards economic growth moderate by tourism FDI

Model	B	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		Std. Error	Beta				
3	(Constant)	11.649	6.145			1.896	.049
	Horizontal Strategy	1.843	.645	.701		2.857	.005
	Resource Efficiency	.968	.655	.354		1.978	.014

Business Facilitation	1.203	.450	.697	2.675	.008
Tourism Investment	1.015	.143	1.243	7.095	.000
Horizontal Strategy × Tourism FDI	.027	.012	.928	2.202	.002
Resource Efficiency × Tourism FDI	.019	.013	.620	1.841	.015
Business Facilitation × Tourism FDI	.019	.009	.996	2.114	.036

a. Dependent Variable: Economic Growth

Sources: Processing research data on 250 respondents using SPSS 22

Fifth Hypothesis Test Results

H0: There is no effect of horizontal strategy on economic growth moderate by tourism foreign direct investment: t-statistic < critical t-statistic or α (sig.) > 0.05

H1: There is an effect of horizontal strategy on economic growth moderate by tourism foreign direct investment: t-statistic \geq critical t-statistic or α (sig.) \leq 0.05

Based on Table 5, the t-statistic of the effect of horizontal strategy on economic growth moderate by tourism foreign direct

investment is 2.202, the significance is 0.002, df = 245, and the critical t-statistic value is 1.6525 (see appendix 16) meaning that the value of $2.202 > 1.6525$ and $0.000 < 0.05$ (t-statistic \geq critical t-statistic and α (sig.) \leq 0.05). The conclusion is to accept H1. The horizontal strategy variable has a positive and significant effect on economic growth moderate by tourism foreign direct investment. It indicates that an appropriate horizontal strategy will determine whether economic growth in an area is good or not.

Sixth Hypothesis Test Results

H0: There is no effect of resource efficiency on economic growth moderate by tourism foreign direct investment: $t\text{-statistic} < \text{critical } t\text{-statistic or } \alpha \text{ (sig.)} > 0.05$

H1: There is an effect of resource efficiency on economic growth moderate by tourism foreign direct investment: $t\text{-statistics} \geq \text{critical } t\text{-statistic or } \alpha \text{ (sig.)} \leq 0.05$

Based on Table 5, the t-statistic of the effect of resource efficiency on economic growth moderate by tourism foreign direct investment is 1.841, the significance is 0.015, $df = 245$, and the critical t-statistic value is 1.6525 (see appendix 16) means that the value of $1.841 > 1.6525$ and $0.000 < 0.05$ ($t\text{-statistic} \geq \text{critical } t\text{-statistic and } \alpha \text{ (sig.)} \leq 0.05$). The conclusion is to accept H1. The resource efficiency variable has a positive and significant effect on the effect of resource efficiency on economic growth moderate by tourism foreign direct investment. It indicates that resource efficiency is one of stimulating economic growth that came from foreign direct investment.

Seventh Hypothesis Test Results

H0: There is no effect of business facilitation on economic growth moderate by tourism foreign direct investment: $t\text{-statistic} < \text{critical } t\text{-statistic or } \alpha \text{ (sig.)} > 0.05$

H1: There is an effect of business facilitation on economic growth moderate by tourism foreign direct investment: $t\text{-statistic} \geq \text{critical } t\text{-statistic or } \alpha \text{ (sig.)} \leq 0.05$

Based on Table 5, the t-statistic of the business facilitation on economic growth moderate by tourism foreign direct investment is 2,114, the significance is 0.000, $df = 245$, and the critical t-statistic value is 1.6525 (see appendix 16) means that the value of $2,114 > 1.6525$ and $0.036 < 0.05$ ($t\text{-statistic} \geq \text{critical } t\text{-statistic or } \alpha \text{ (sig.)} \leq 0.05$). The conclusion is to accept H1. The business facilitation variable has a positive and significant effect on economic growth moderate by tourism and foreign direct investment. It indicates that business facilitation is one of the considerations or

stimuli that make entrepreneurs choose to invest in tourism in an area that had effects on economic growth.

Table 6 Results of the Multiple Regression Summary Model 3

Model	F	Sig.	R	R Square	
3	Regression	63.228	0.000 ^b	0,804	0,647
	Residual				
	Total				
a. Dependent Variable: Economic Growth					
b. Predictors: (Constant), Business Facilitation × Tourism FDI, Horizontal Strategy, Resource Efficiency, Business Facilitation, Tourism Investment, Horizontal Strategy × Tourism FDI, Resource Efficiency × Tourism FDI					

Sources: processing research data on 250 respondents using SPSS 22

Table 6 shows the F-statistic with a value $\alpha \text{ (sig.)} \leq 0.05$. The conclusion is a simultaneous (joint) effect exists between all independent variables, namely horizontal strategy, resource efficiency and business facilities on economic growth moderate by tourism foreign direct investment. It interprets that the three independent variables are factors that determine investment action in the tourism sector in an area that had effects on economic growth. Meanwhile, the coefficient of determination (R Square) of 0.647 shows that the horizontal strategy, resource efficiency, and business facility influence 64.7 per cent of the formation of economic growth moderate by tourism foreign direct investment decisions in North Sumatra. The MRM model 3 of this research is:

$$Y = 11.649 + 1.843X_1 + 0.968X_2 + 1.203X_3 + 1.015Z + 0.027X_1Z + 0.019X_2Z + 0.019X_3Z,$$

where the descriptions were explained

- below: Y: Economic Growth
- Z: Tourism FDI
- X1: Horizontal Strategy
- X2: Resource Efficiency
- X3: Business Facilitation
- X1Z: Horizontal Strategy * Tourism FDI
- X2Z: Resource Efficiency * Tourism FDI
- X3Z: Business Facilitation * Tourism FDI
- β_0 : Intercept
- β_1, β_2 and β_3 : Coefficients of variable

DISCUSSION

The Positive and Significant Influence of Horizontal Strategy on Tourism Foreign Direct Investment

Based on the point of view of business strategy decision-making, the horizontal strategy greatly determines foreign investment decisions in North Sumatra. Hypotheses testing shows that the variable has a positive and significant effect on foreign investment decision-making. It means investors will see several things related to the potential of the North Sumatra region in terms of tourism.

Dunning (1993) and Dumludag (2007), their research regarding three main types of investors based on the motive behind the investment from the perspective of the investing firm, one of these types is market seeking. Market seeking is a form of the horizontal strategy carried out by investors by looking at the market potential in the investment area. Banga (2005) emphasizes the determinants of FDI in tourism, one of which is the consideration of whether or not the tourism market is available (which aligns with the previous explanation).

Speaking about tourism potential in North Sumatra, the existing market potential is enormous. The opportunities indicator of the tourism market have insight from the answers of respondents (tourism industry players in North Sumatra). They feel that the possibility of getting a high profit and the market potential growth is quite large in North Sumatra (mean 4.26 and 4.12).

A horizontal strategy perspective is a strategy that aims to serve local and regional markets (local market by local production, market size, and market growth). Thus, the economic condition of the recipient country has an important role (Dunning, 1993). North Sumatra has all the positive things that can attract foreign investors to invest in developing tourism throughout the North Sumatra region.

Positive and Significant Impact of Resource Efficiency on Tourism Foreign Direct Investment

Based on the research hypothesis, shows that the resource efficiency point of view is also proven to be a determining factor in foreign investment decisions in North Sumatra. Resource efficiency has a positive and significant effect on Tourism and Foreign Direct Investment. Its principle is that the decision to invest in tourism determines by the consideration of whether tourist destinations in an area can meet the needs of investors in saving production costs.

It is consistent with Dumludag (2007), who states that the latter category of vertical FDI is production cost-minimizing (firms seek to produce in lower-cost locations or seek inexpensive inputs to export their product). They are natural resources, raw materials, or low-cost labour. Market-seeking of FDI aims at penetrating the local markets of the host country. Efficiency-seeking FDI is interested in creating new sources of competitiveness for firms.

Based on the survey results, tourism industry players in North Sumatra think the essence of cost efficiency is that it comes from human resources with good quality and fair wages. Meanwhile, based on the current conditions in North Sumatra, it has sufficient availability of trained workers to support tourism development (mean 4.24) and the availability of infrastructure to support tourism activities (mean 4.17).

On the contrary (based on the survey results), the labour wages are in poor condition (mean 3.05). However, 2,499,422 IDR (as the regional minimum wage in North Sumatra) is still in a rational range for entrepreneurs. It aligns with Wardhana (2020), he states nevertheless of the current poor condition, the quality still needs improvement by doing training. On the positive side, the amount is considered fair for foreign investors.

Positive and Significant Influence of Business Facilitation on Tourism Foreign Direct Investment

The third hypothesis test concludes that business facilitation is the most determining factor in investment decisions among two other variables in the North Sumatra tourism sector. It proves that foreign investors who invest in North Sumatra consider what kind of business facilities they get if they decide to invest in North Sumatra.

Based on interview results and data (from the North Sumatra government), the prime stimulus for foreign investors is to reduce the amount of taxes. However, there are other incentives to attract more foreign investment. It aligns with Duumludag (2007), apart from the economic factors such as the government policy framework and other steps that facilitate business, there is another essential factor of FDI. The other factor is the provision of incentives or facilities for bureaucratic problems faced by a new foreign business or company in a country. In this research, business facilitation is related to the following matters: long-term strategy, foreign exchange policy, investment incentives, investment promotion, investment facilitation, and trade regulations.

Positive and Significant Influence of Tourism Foreign Direct Investment on Economic Growth

The next hypothesis also proves that tourism foreign direct investment in North Sumatra has a positive and significant impact on regional economic growth. Based on the determination test, there is a 53.5 per cent effect of tourism foreign direct investment on changes in economic growth in North Sumatra. It shows the share of tourism foreign direct investment in determining the level of regional economic growth.

The results of this hypothesis testing support the theory, which states that the tourism industry is essential for the world economy. The tourism-led growth hypothesis

postulates that international tourism had considered a potential strategic factor for long-run economic growth. Balaguer and Cantavella (2002) state that international tourism had been recognized to have a positive effect on the increase of long-run economic growth through quite different channels.

Additionally, Butler (1974) mentions the theory of the impact of tourism foreign direct investment on economic growth by identifying the positive social impacts of tourism as a provider of better living standards, recreation facilities, and improved social services. Hazari and Sgro (1995) discover that in a micro-economy, the increase in world demand for tourism would have a positive effect on economic growth in the long run. Robu and Ballan (2009) suggest that a growing national tourism sector contributes to an increase in national income and employment, and this effect leads to an improved balance of payments. In this way, tourism acts as a driver of growth and plays a leading role in the alleviation of poverty.

Based on the tourism foreign direct investment cases in North Sumatra, it strengthens the opinion of De Mello (1997), that tourism foreign direct investment gives an impact on two main channels. First, tourism foreign direct investment can encourage the adoption of new technologies in the production process through technological spillovers. Second, tourism foreign direct investment may stimulate knowledge transfers, both in terms of labour training and skill acquisition and by introducing alternative management practices and better organizational arrangements.

Impact of Horizontal Strategy, Resource Efficiency and Business Facilitation on Economic Growth Factors Moderate by Tourism FDI in North Sumatra

The next hypothesis also proves that moderation effect tourism foreign direct investment factors in North Sumatra has a positive and significant impact on regional economic growth. Based on hypothesis

testing, the horizontal strategy has the greatest influence among the other two factors, namely business facilitation and resource efficiency.

Based on the determination test, there is a 64.7 per cent moderation effect of tourism foreign direct investment factors on changes in economic growth in North Sumatra. It shows the share of tourism foreign direct investment in determining the level of regional economic growth.

After previously existing hypotheses and theories that state tourism foreign direct investment affects economic growth. The following are the results of surveys and interviews that show some of the leading indicators that are impacted by foreign investment in North Sumatra.

First is the increase in the quality of the services (especially in the tourism sector with a mean value of 4.41). Second, it is creating many certified workers in the tourism industry and increasing training frequency to improve human resource quality. This increase could be due to the existence of a higher standard expected by foreign investors in tourism services. So that indirectly affects the tourism environment as a whole.

Regarding the previous paragraph, the North Sumatra government also states that currently there are several programs aimed at improving the quality of services (mostly from human resources with various training and schools specifically aimed at improving the quality of tourism). Tourism in North Sumatra is certainly very influential in improving the quality of human resources (which can change people's attitudes and perceptions) in North Sumatra (Harianto, 2020, Rangkuty, 2020).

The third is economic growth, as seen from the improvement of better implementation for local entrepreneurs (in terms of management and finance with a mean value of 4.44). Muchlis (2020) states that tourism does have a multiplier effect on economic growth (from the perspective of tourism industry players in the hotel and restaurant sector). Tourism foreign direct investment not only creates jobs but also stimulates the industries' growth.

CONCLUSION

The study has successfully achieved the research objectives based on the results of multiple regression tests and a summary of findings. Here is the conclusion of this research:

First, there is a positive and significant influence of horizontal strategy toward Tourism Foreign Direct Investment. The findings confirmed that investors will see several things related to the potential of the North Sumatra region in terms of tourism. Previous research regarding three main types of investors based on the motive behind the investment from the perspective of the investing firm, one of these types is market seeking. Market seeking is a form of the horizontal strategy carried out by investors by looking at the market potential in the investment area.

Second, there is a positive and significant influence of resource efficiency on Tourism Foreign Direct Investment. The findings confirmed its principle that the decision to invest in tourism determines by the consideration of whether tourist destinations in an area can meet the needs of investors in saving production costs. Dumludag (2007) states that the latter category of vertical FDI is production cost-minimizing (firms seek to produce in lower-cost locations or seek inexpensive inputs to export their product). They are natural resources, raw materials, or low-cost labour.

Third, there is a positive and significant influence of business facilitation toward Tourism and Foreign Direct Investment. The findings confirmed that foreign investors who invest in North Sumatra consider what kind of business facilities they get if they decide to invest in North Sumatra. Based on interview results and data (from the North Sumatra government), the prime stimulus for foreign investors is to reduce the amount of taxes.

Fourth, there is a positive and significant influence of Tourism and Foreign Direct Investment on economic growth. The findings confirmed that the share of tourism foreign direct investment in determining the level of regional economic growth. The results of this

hypothesis testing support the theory, which states that the tourism industry is essential for the world economy. The tourism-led growth hypothesis postulates that international tourism had considered a potential strategic factor for long-run economic growth.

Fifth, moderation effect tourism foreign direct investment factors in North Sumatra has a positive and significant impact on regional economic growth. Based on hypothesis testing, the horizontal strategy has the greatest influence among the horizontal strategy factors, whereas the other two factors (resource efficiency and business facilitation). Based on the determination test, there is a 64.7 per cent moderation effect of tourism foreign direct investment factors on changes in economic growth in North Sumatra. It shows the share of tourism foreign direct investment in determining the level of regional economic growth. Economic growth factors experiencing the highest increase in North Sumatra because of tourism investment are the increase in the quality of the services, creation of many certified workers in the tourism industry and increased training frequency to improve human resource quality and improvement of better implementation for local entrepreneurs.

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