

ABSTRACT

Indonesia's tourism sector is one of the largest foreign exchange earners in national foreign exchange earnings. For this reason, International tourism demands that the number of foreign tourists' arrival needs to be considered and increased. The growth in the number of foreign tourists' visits to Indonesia still tends to fluctuate. In addition, Indonesian tourism is still not optimal where Indonesia is still in the fourth position in ASEAN compared to other competing countries.

This study aims to analyze the influence of the number of foreign tourist arrivals in the previous year, GDP per capita from foreign tourists, international trade with foreign tourists, the population from foreign tourists, Indonesian government effectiveness, and the Indonesian rule of law on the number of foreign tourist arrivals in Indonesia. This study uses panel data covering 30 countries of origin of foreign tourists in 2009 – 2019. The method used in this study is the System Generalized Method of Moments (GMM).

The results showed that the number of tourist arrivals in the previous year, GDP per capita from foreign tourists, international trade from foreign tourists, the population from foreign tourists, and the Indonesian rule of law had a positive and significant influence on the number of foreign tourist arrivals in Indonesia. Meanwhile, the Indonesian Government effectiveness variable was found to have no significant effect on the number of foreign tourist visits in Indonesia. This study recommends the importance of promoting tourism, especially to countries with high GDP per capita and increasing international trade with tourists' home countries as well as improving the quality of state security.

Keywords: International Tourists, International Trade, Institutional Quality, System GMM