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The Effect Of Government Policy And Environmental Sustainability On The Performance Of Tourism Business Competitiveness: Empirical Assessment On The Reports Of International Tourism Agencies

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ABSTRACT

There is a very close relationship between tourism growth, government policy support, and environmental preservation obligations. In the context of strategic management, this research focuses on government policy, and tourism resource such as environmental, socioeconomic and cultural factors for increasing tourism business competitiveness and its implication on the performance of tourism business using explanatory survey with unit analysis countries listed in both Travel and Tourism Competitiveness Report of World Economic Forum and World Travel and Tourism Council. This study used partial least square for statistical analysis. Data collections are conducted through latest secondary data from TTCR and WTTC, which include data and findings regarding government policy, tourism resource, tourism business competitiveness, and the performance of tourism business players. The research findings show that government policy has correlation with tourism resource and government policy and tourism resource simultaneously influence tourism business competitiveness. Partially, tourism resource dominantly influences business competitiveness if compared to government policy, tourism business competitiveness influences the performance of tourism businesses, and government policy and tourism resource directly influence the performance of tourism business. Partially, government policy dominantly influences the performance of tourism business if compared to tourism resource. Government policy and tourism resource influence the performance of tourism business through business competitiveness.

Keywords: Government Policy, Environmental Factors, Tourism Research, Tourism Business Competitiveness, Business Performance
JEL Classifications: Z31, Z32

1. INTRODUCTION

Tourism is travel for recreation, vacation, and business purposes. World Tourism Organization (1995) defines a tourist as "people traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" (World Tourism Organization, 2011). Tourism plays important roles in strengthening the economy, creating employment amd opportunities for career developments, promoting development, providing services to customers, and improving societies' quality of life. In turn, these will reduce unemployment and poverty, since tourism is a labor intensive industry (Eugenio-Martin et al., 2004). The effect of tourism business is not limited only to the sectors which are directly related, but to other directly unrelated as well (Kohli and Eizenga, 2011).

Hassan (2011) suggested that if the tourism potentials such as human resources, cultural resources, and natural resources cound be optimized, a country could strengthen its tourism competitiveness. Lall (2003) suggests that government policies could develop industry's competitiveness. Based on this suggestion, poor tourism competitiveness implies less supportive government policies.

Many governments do not play sufficient roles in creating and implementing tourism regulations and policies. Government operational expenditure for tourism is often below the required need. Governments still do not prioritize the travel and tourism development. There is an increasing awareness among world leaders regarding the importance of tourism for economic growth and progress in modern society. The better ways are yet to be found to satisfy the visitors' needs (Turanli and Guneren, 2003) However, potentials for tourism development in a country will depend on its ability to maintain its competitiveness in providing goods and services to visitors through government policies (Dwyer et al., 2009). While more and more countries acknowledge the importance of tourism in spurring economic and social progress, it is interesting to examine the role of government policy and tourism resource in increasing bussiness competitiveness and its implication on the performance of tourism business, particularly from the scientific point of view.

This research departs from various considerations that there is a very close relationship between tourism growth, government policy support, and environmental preservation obligations. First, tourism is now growing rapidly by relying on the characteristics offered by nature to attract more tourists. Therefore, this natural status must be maintained. Secondly, government support policies are needed to balance natural functions and their sustainability with the drive to increase the contribution of tourism to the local and national economies (Andriansyah et al., 2019). Kara et al. (2003) suggested that physical environment, social environment, and economic growth could attract people from arround the world to make a visit. The tourism competitiveness comprises dimensions such as economy, sociocultural, and environment. Moreover, some international tourism bodies also improve the concept of competitiveness of tourism business player with more diverse indicators in terms of human resources, public policy, environmental sustainability, market competition, and technological advancement. This shows that human resources, environmental sustainability, health, and technological advancement can spur growth of the tourism sector, income from tourism sector, and investment (Moutinho, 2015; Jambor and Leitao, 2017). As tourism activities increases, government policy focuses on enhancing competitiveness by creating regulations to monitor, control, and improve quality and efficiency, as well as protecting natural resources (Goeldner et al., 2000).

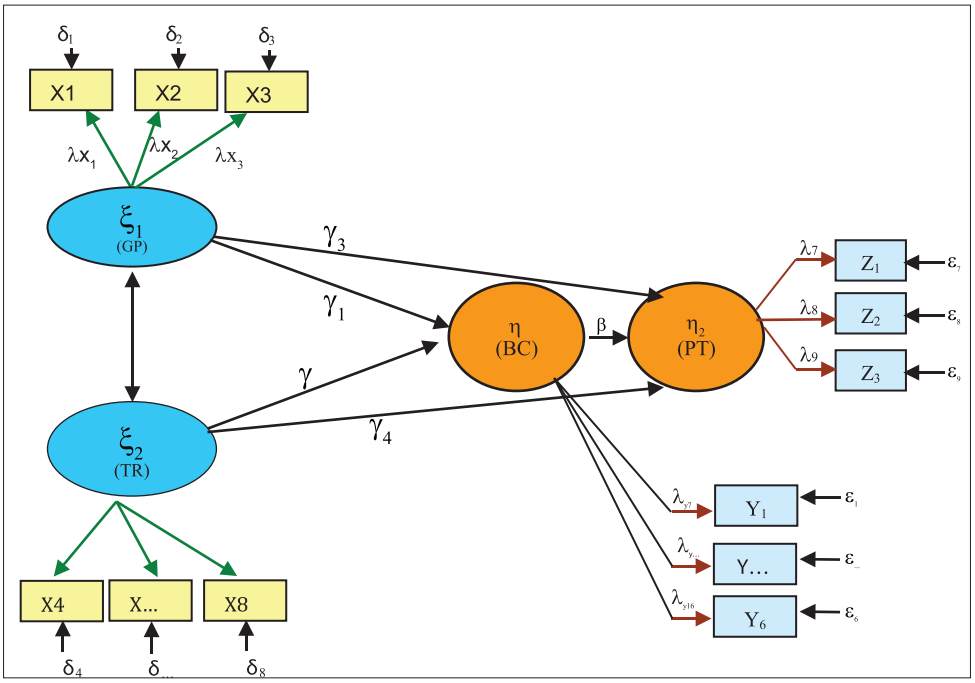
2. LITERATURE REVIEW

2.1. Government Policies

Regulation and government policies refer to a level in which policy environment is favorable for the development of tourism sector (Blanke and Chiesa, 2011). Governments can play an important role in determining tourism attractiveness, depending on whether their policies support or hinder the tourism sector. These include the attitude toward foreign direct investment (FDI), protection of intellectual property right, time and expenditure required to start a business, visa requirement, and openness regarding bilateral and service agreements.

Government intervention is needed to improve tourism performance for social and economic development and poverty reduction. (United Nations ESCAP, 2007). Zhang et al. (2007) reveals government six roles in tourism sectors, which include operator, regulator, investment stimulator, promotor, coordinator, and educator. As an operator, government roles include the infrastructure ownership and provider for tourism development and tourism business operation activity. As a regulator, government

Figure 1: Component-based structural equation model (partial least square)



Where: ξ_1 = Government policy (GP); ξ_2 = Tourism resources (TR); η_1 = Business competitiveness (BC); η_2 = The performance of tourism business players (PT).

formulates and implements regulation in order to control tourism industry activities. As an investment stumulator, government promotes investment by providing financial investment. As a promotor, government spends some money to promote tourism in international market. As a coordinator, government coordinates activities in the departments related to tourism. An as an educator, government builds tourism edication institution system and provide tourism education and training program.

2.2. Tourism Resources

Tourism resources can be defined as environmental factors which influence tourism business activities (Crouch and Ritchie, 1999). Crouch classifies tourism resources into air transport infrastructure, land transport infrastructure, tourism infrastructurer, natural resources, and cultural resources. The quality of air transport infrastructure eases access from and to a country, so does the movement from one tourist destination to another in one country (Blanke and Chiesa, 2011). The extensiveness and quality of land transport infrastructure are very important for the movement of visitors within a country. Land transport infrastructure includes the quality of road, railway, port, and efficient and accessible national transport network to bring visitors to a tourist destination and tourism attraction in a country.

Transportation is an integral part of tourism industry. Transportation connects various tourist destinations and delivers people, goods, and services (Sorupia, 2005). Tourism infrastructure also includes accomodation infrastructure (the number of hotel rooms) and car rental services. Financial infrastructure is also included. The role of information and communication technology (ICT) is also increasingly important in the modern tourtism industry. Cultural herritage have become the crucial element of tourism in many tourism destinations around the world (Timothy, 2006). The rising demand for cultural experience to attract visitors to a tourist destination has made cultural resources a crucial element for tourism competitiveness (Dugulan et al., 2010). Forest, land, water, fishery, and energy can be considered when trying to relate natural resources to sustainable development in tourism industry (Lovins et al., 1999).

2.3. Tourism Competitiveness

Today, every country tries to encourage its tourism business players to do their business activities at their best. Gooroochurn and Sugiyarto (2005) said that competitive tourism destination could serve as an indicator of tourism business performance in a country. Taylor et al. (2000) said that a company business performance would improve if that company was able to enhance its competitiveness. Based on this suggestion that poor business performance among tourism business players might be caused by the tourism business competitiveness. The competitiveness of a tourist destination is closely related to the ability of the destination in providing goods and services betther than the others (Heath, 2002). Tourism competitiveness, according to Cracolici et al. (2011), consists of five components, which include human resources, opennes to travel and tourism, social development, price competition, and technological advancement. Human resources include health, education, and training in a country (Blanke and Chiesa, 2011). This pillar can be categorized into two subpillars. First is education and training, which include educational achievements and the quality of the educational system according to the opinion of the business world. Second, the availability of qualified labor, which include regulation regarding hiring and firing, labor regulation regarding the foreign labor recruitment, and labor health.

Opennes to tourism measures the extent in which a country and its society are open to tourism and foreign tourists, which includes attitude toward foreign travellers and the extent to which business leaders are willing to recommend a country to their colleagues (Blanke and Chiesa, 2011). Price competitiveness in the tourism industry is an important element. Lower cost increases the attractiveness for some countries. Price competitiveness is measured with factors such as price comparison among countries, the ticket price and airport tax, fuel price, and taxation (Blanke and Chiesa, 2011). The ICT revolution provides tourism industry with various equipments to spur innovation and enhance competitiveness (Gruescu et al., 2009).

2.4. The Tourism Business Performance

The performance of Tourism business player can be measured in terms of tourism sector growth, imcome from foreign visitors, and investment in tourism sector (Taylor et al., 2000. p. 33). Risso et al. (2010) also suggested that tourism resources, as well as tourism infrastructure, would affect the performance of tourism businesses. Kara et al. (2003) suggested that physical environment, social environment, and economic growth could attract people from arround the world to make a visit. Narayan (2004) suggested that supportive government regulation could increase the number of visitors to a tourism destination, which serrves as one indicator of tourism competitiveness. This study also finds out that tourism resources such as human resources, physical resources, knowledge resources, and capital resources will not create many benefits unless they are backed by supportive government regulation, which include favorable investment policy, communication, and cooperation across countries

Table 1: R square and Cronbach's alpha

	R square
Government policy	
Tourism resources	0.482282

3. HYPOTHESIS

Esty and Porter (1998) suggested that supportive government policies could strengthen tourism resources. Such policies

Table 2: Path coefficient (Mean, STDEV, t-value)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	Standard error (STERR)	t-statistics (|O/STERR|)
Government policy→Tourism resources	0.694465	0.705821	0.032537	0.032537	21.343818

could include building and improving infrastructures like air and ground infrastructures, which are part of tourism resources. Kohli and Eizenga (2011) suggested that strong tourism business competitiveness is the result of favorable government policy. Cracolici et al. (2011) explained that tourism resources could boost tourism business competitiveness. Eugenio-Martin et al. (2004) suggested that the more favorable government policy regarding tourism businesses is, the easier visitors come to a tourism destination, and hence its tourism business competitiveness will improve. Kohli and Eizenga (2011) have proved that government policy influences performance of tourism businesses. Risso et al. (2010) suggested that performance of tourism businesses constitute tourism sector contributing to GDP, industry growth, job creating, income, and investment.

Mazanec et al. (2007) and Gooroochurn and Sugiyarto (2005) suggested that competitive tourism destination could serve as an indicator of tourism business performance of a country. They also suggested that if a country has many tourism destinations that can be visited, it should have always had high tourism growth, more income from tourism sector, and more investment. However, this is not always the case. In face, many countries having aboundant natural and cultural resources welcome less visitors compared to those having more limited natural and cultural resources. Based on the notion, there are other factors contributing to the competitiveness of tourism industry as well as to tourism business performance. Hypotheses in this research include as follows:

- H1: Government policy has correlations with tourism resources.
- H2: Government policy and tourism resources influence tourism business competitiveness, both simultaneously and partially.
- H3: Government policy and tourism resources influence performance of tourism businesses, both directly and indirectly, through business competitiveness.
- H4: Tourism business competitiveness influence performance of tourism businesses.

4. RESEARCH METHODS

4.1. Research Design

The method applied in this research is the explanatory survey method (for aggregate business players, which consist of countries in World Travel and Tourism Council [WTTC] and World Economic Forum [WEF] lists). Explanatory survey is used to test the correlation among variables, which include the influence of government policy and tourism resources on business competitiveness and their implication on the performance of tourism business players around the world. Next, the Explanatory survey will be examined by using partial least square (PLS) until conclusion can be drawn. The type of in this investigation is correlational (for hypotheisis no. 1) and causalistic (for hypothesis no. 2-4), in which the author examine the causalistic correlation between independent and dependent variables. Tha analysis unit in this research includes countries in both WTTC and WEF lists. The lists contain 114 countries. The time horizon in this research is cross sectional, in which research is conducted in one perod of time (WTTC, 2010).

4.2. Variable Measurement

Government policies are measured by using the following indicators: (1) The role of policy and regulation, (2), government operational expenditure, (3) priority on travel and tourism. The variable of tourism resources is measured by using the following indicators: (1) Air tansport infrastructure, (2) land transport infrastructure, (3) tourism infrastructure, (4) natural resources, (5) cultural resources. Meanwhile, the competitiveness of tourism business player is measured by using the following indicators: (1) Human resources, (2) opennes on travel and tourism, (3) environmental sustainability, (4) health, (5) price competition, (6) technological advancement.

The measurements of the variables refer to the data from The Travel and Tourism Competitiveness Report (TTCR) published by The WEF. In this research, the dimensions of performance for tourism business players include as follows : (1) The growth of tourism sector, (2) income from foreign visitors, (3) investment in the tourism sectors. The measurement of the variables refer to the data published by WEF and WTTC (TTCR, 2011).

4.3. Data/Information Collection

The secondary data regarding government policies, tourism resources, and competitiveness of tourism business players will be collected from TTCR, while data regarding performance of tourism business players will be collected from WTTC.

4.4. Hypothesis Test Design

Hypothesis 1 until 4 will be tested by using thes structural equation model based on variance or component. That is, PLS. PLS is a multivariance statistical technique developed by Herman Wold in 1966 as an alternative to a structural equation model, which has a weak theoritical basis. It is used to predict the influence of variable X on variable Y and explains theoretical among the two variables (Figure 1).

The government policy and tourism resources can strengthen business competitiveness and have implication on the performance of tourism business can be seen in the component or variance

Table 3: R square and Cronbach's alpha

	R square	Cronbachs alpha
Tourism business competitiveness	0.803508	0.882311
Government policy		0.729404
Tourism resources		0.887199

Table 4: Path coefficient (Mean, STDEV, t-value)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	Standard error (STERR)	t-statistics (|O/STERR|)
Government policy→Tourism business competitiveness	0.189132	0.190914	0.049340	0.049340	3.833267
Tourism resources→Tourism business competitiveness	0.755925	0.755869	0.040899	0.040899	18.482871

based structural equation model (PLS), which can be visualize in the following figures.

5. RESULT AND DISCUSSION

5.1. Government Policy Correlation with Tourism Resources

The inner model test is conducted by observing R-square value. Based on the test, the R-square value is 0.4822, meaning that tourism resources can explain 48.22%, while the rest (51.78%) is explained by other variables (Table 1). Next, Table 2 observed the parameter coefficient and t-statistic coefficient.

From the table, the parameter coefficient value is 0.694465, meaning that a corrrealtion exists between government policy and tourism resources. The better the government policy, the better tourism resources, indicated by t-statistic value of 21.3438. From the result, Hypothesis testing 1 is accepted, meaning that better goverment policy will result in better government resources.

5.2. Simultaneous and Partial Government Policy and Tourism Resources Influence on Tourism Business Competitiveness

Based on the inner model, the R-square measurement value for government policy and tourism resources against tourism business competitiveness is 0.8035, meaning that tourism business competitiveness that can be explained simultaneously by the variable of government policy and tourism competitiveness is 80.35%, while the rest (19.65%) are explained by other variables (Table 3). Next, Table 4 observed the significance of government policy and tourism resources against tourism business competitiveness by using parameter coefficient and t-statistic significance.

The score for parameter coefficient for government policy is 0.1891, indicating positive influence of government policy toward tourism business competitiveness. The right government policy will create better tourism business competitiveness, with the t-statistic value of 3.833 >t-table (1.96). Likewise, parameter coefficient for tourism resources against the tourism business competitiveness is 0.755, indicating positive influence of tourism resources toward tourism business competitiveness. Better tourism resources will create better tourism budiness competitiveness, with the t-statistic value of 18.48 >t-table (1.96) (0.05 level of significance). From the result, hypothesis testing 2 is accepted. Goverment policy, as well as tourism resources, will simultaneously influence tourism business competitiveness. However, partially, the role of tourism resources is more dominant than the role of government policy.

5.3. Direct Influence of Government Policy and Tourism Resources on the Performance of Tourism Businesses

Based on the inner model, the R-square measurement value for for government policy and tourism resources against performance of tourism businesses is 0.92334, meaning that performance of tourism businesses that can be explained by government policy and tourism resources variables is 92.33%, while the rest (7.67%) are explained by other variables (Table 5). Next, Table 6 observe the significance of government policy and tourism resources against performance of tourism businesses by seeing parameter coefficient and significance of t-statistic.

Table 5: R square and Cronbach's alpha

	R square	Cronbachs alpha
Government policy		1.000000
Performance of tourism businesses	0.923346	0.972322
Tourism resources		0.887199

Table 6: Path coefficient (Mean, STDEV, t-value)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	Standard error (STERR)	t-statistics (|O/STERR|)
Government policy→Performance of tourism businesses	0.911486	0.868922	0.087016	0.087016	10.474868
Tourism resources→Performance of tourism businesses	0.109841	0.129235	0.068857	0.068857	1.595190

Table 7: Path coefficient (Mean, STDEV, t-value)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	Standard error (STERR)	t-statistics (|O/STERR|)
Tourism business competitiveness→Performance of tourism businesses	0.243541	0.278216	0.072017	0.072017	3.381732
Government policy→Tourism business competitiveness	0.188351	0.190308	0.048994	0.048994	3.844381
Tourism resources→Tourism business competitiveness	0.756843	0.755751	0.041433	0.041433	18.266661

Table 8: Total effect (Mean, STDEV, t-value)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	Standard error (STERR)	t-statistics (|O/STERR|)
Tourism business competitiveness→Performance of tourism businesses	0.243541	0.278216	0.072017	0.072017	3.381732
Government policy→Tourism business competitiveness	0.188351	0.190308	0.048994	0.048994	3.844381
Government policy→Performance of tourism businesses	0.045871	0.052686	0.018447	0.018447	2.486657
Tourism resources→Tourism business competitiveness	0.756843	0.755751	0.041433	0.041433	18.266661
Tourism resources→Performance of tourism businesses	0.184322	0.211056	0.059347	0.059347	3.105863

From the table, it can be seen that the parameter coefficient of Government Policy against performance of tourism businesses is 0.91148, indicating positive influence of government policy toward performance of tourism businesses. The right government policy will enhance performance of tourism businesses, with the t-statistic of 10.478 significance (t-tabel of significance 5% = 1.96). Likewise, the parameter coefficient of tourism resources against performance of tourism businesses is 0.1098, indicating positive influence of tourism resources toward performance of tourism businesses. Better tourism resources will enhance performance of tourism businesses.

Based on the result, hypothesis testing 3a is accepted. Government policy and tourism resources directly influence performance of tourism businesses. However, partially, the role of government policy is more dominant than the role of tourism resources. This results confirm the study conducted by Risso et al. (2010), who suggested that tourism resources, as well as tourism infratrsucture, would affect the performance of tourism businesses. Kara et al. (2003) suggested that physical environment, social environment, and economic growth of a country would attract people around the world. In turn, this will enhance performance of tourism businesses.

5.4. Indirect Influence of Government Policy and Tourism Resources on the Performance of Tourism Businesses through Tourism Business Competitiveness

R-square for tourism business competitiveness is 0.8040, meaning that tourism business competitiveness that can be explained simultaneously by government policy and tourism resources variable is 80.40 %, while the rest (19.6 %) are explained by other variables. Likewise, R-square for performance of Tourism businesses, which is 0.0593, can be explained by tourism business competitiveness only by 5.93%, while the rest 94.07 % can be explained by other variables (Table 7).

The influence of government policy against perfoermance of tourism businesses though tourisim business competitiveness is 0.0458 at the level of significance 0.01 (>t-table 2.58). Likewise, the influence of tourism resources against perfoermance of tourism businesses though tourisim business competitiveness is 0.1843 at the level of significance 0.05 (>t-table 1.96). Based on the result, hypothesis testing 3b is accepted. Government policy and tourism resources influence the performance of tourism businesses through tourism business competitiveness (Table 8). However, tourism resources is more dominant in enhancing the performance of tourism businesses through tourism business competitiveness than government policy.

Table 9: R square and Cronbach's alpha

	R square	Cronbachs alpha
Tourism business competitiveness		0.882311
Performance of tourism businesses	0.070151	0.972322

5.5. Tourism Business Competitiveness Influence on Performance of Tourism Businesses

Based on the inner model, the R-square measurement value for tourism business competitiveness against performance of tourism businesses is 0.0701, meaning that performance of tourism businesses that can be explained by tourism business competitiveness is only 7.01%. The rest (92.99%) are explained by other variables (Table 9).

Next, the results observe the significance of Tourism Business Competitiveness against performance of tourism businesses by seeing the parameter coefficient and th significant of t-statistic (Table 10).

The parameter coefficient of tourism business competitiveness and performance of tourism businesses is 0.2648, meaning that there is a positive influence of tourism business competitiveness to the performance of tourism businesses. Better tourism business competitiveness will result in better performance of tourism businesses, with t-statistic of 4.945 significance (t-table of significance 5% = 1.96). Based on the result, hypothesis testing 4 is accepted. Tourism business competitiveness influence performance of tourism businesses. This shows that human resources, environmental sustainability, health, and technological advancement can spur growth of the tourism sector, income from tourism sector, and investment.

To enhance competitiveness in the tourism sector, tourism resources availability should be strongly prioritized, particularly reliable air infrastructure, land infrastructure, tourism infrastructure, and cultural resources. To enhance the performance of tourism businesses, supportive government policy (particularly government operational expenditure as well as priority on the travel and tourism sector) is needed. The results coincide with what is suggested by Hersh (2010), saying that natural and cultural resources, tourism facility, communication infrastructure, accommodations, restaurants, are significant part of tourism destination. The combination of local tourism resources and services determines the characteristics of the tourism products and services.

Risso et al. (2010) also suggested that tourism resources, as well as tourism infrastructure, would affect the performance of tourism businesses. Kara et al. (2003) suggested that physical environment, social environment, and economic growth could attract people from arround the world to make a visit. Narayan (2004) suggested that supportive government regulation could increase the number of visitors to a tourism destination, which serrves as one indicator of tourism competitiveness. This study also finds out that tourism resources such as human resources, physical resources, knowledge

Table 10: Path coefficient (Mean, STDEV, t-value)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	Standard error (STERR)	t-statistics (|O/STERR|)
Tourism business competitiveness → Performance of tourism businesses	0.264861	0.304293	0.053557	0.053557	4.945390

resources, and capital resources will not create many benefits unless they are backed by supportive government regulation, which include favorable investment policy, communication, and cooperation across countries.

The results confirm the study conducted by Vanegas and Croes (2007), who suggested that natural and cultural resources created unique attractions for visitors, which make up the dominant factors in tourism industry. The competitiveness of a tourism destination relates to its ability to provide goods and services with higher quality compared to others. There are many variables included in the competitiveness of a destination, both objectively (e.g. number of visitors, market share, visitor expenditure) and subjectively (e.g. tourism experience) (Heath, 2002). Tourism competitiveness comprises dimensions such as economy, sociocultural, and environment. As tourism activities increases, government policy focuses on enhancing competitiveness by creating regulations to monitor, control, and improve quality and efficiency, as well as protecting natural resources (Goeldner et al., 2000).

Government plays important roles in creating competitive tourism (Blanke dan Chiesa, 2011). By prioritizing Tourism sector, the government can provide needed funds to essential development projects. Prioritization of the sector can be reflected in a variety of other ways as well, such as government efforts to collect and make available tourism data on a timely basis and commissioning high-quality "destination-marketing" campaigns. Government policy refers to the extent in which regolations are favorable for the development of tourism industry (Blanke and Chiesa, 2011). Goverment policy can either support or hinder tourism development. This includes FDI, intelectual and property right, and visa requirement.

6. CONCLUSION

Government policy correlates with tourism resources. Supportive government policy and regulation on tourism businesses, particularly regarding air transportation, could enable foreign visitors to come to tourism destinations. In turn, the tourism dector will flourish and provide positive contribution to the society. The availability of air transport infrastructure indicates any favorable government regulation and policy in supporting tourism businesses. Government policy and tourism resources affect tourism business competitiveness, both simultaneously and partially. However, partially, tourism resources dominate the business competitiveness. Tourism business competitiveness will increase if government policy is directed towards capitalizing on tourism resources, particularly on air transport infrastructure, ground transport infrastructure, tourism infrastructure, and cultural resources. Tourism resources could dominantly enhance tourism business competitiveness. Government policy supports tourism businesses to capitalize on tourism resources in doing their activities through the increase of government operational expenditure in the tourism sector as well as through prioritization of government program on the tourism sector.

Tourism business competitiveness affects the performance of tourism businesses. The performance of tourism businesses increases when competitiveness increases, particularly regarding human resources, environmental sustainability, health, and technological advancement. Tourism business competitiveness will spur growth in the tourism sector, revenue from international visitors, and investment in the tourism sector. Government policy and tourism resources affect the performance of tourism businesses, both directly and indirectly, through tourism business competitiveness. However, partially, Government policy dominantly affects the performance of tourism businesses if compared to tourism resources. Government policy, particularly regarding government operational expenditure will enhance the performance of tourism businesses. Government policy and tourism resources, through business competitiveness, could enhance the performance of tourism businesses.

The findings encourage some policy implementations can be developed, among other:

1. Improving the accessibility and connectivity, by building and opening more international and domestic airports; increasing the frequency, as well as the quality of flight routes, aircraft availability, and service quality
2. Improving the quantity and the quality of round transportation, which includes the availability of vehicles and roads to tourism destination.
3. Organizing events and exhibition to create culture awareness.
4. Organizing training program to improve the human resources competence, particularly in the tourism sector.
5. Intensifying campaign about environmental sustainability.
6. Widening and intensifying the useage of imformation and communication technology.
7. Evaluating and increasing government operational expenditure for tourism sector to enhance the quality of tourism infrastructures.

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