
Dynamics of Banyumili Tourism Management Policy from the Principal-Agent Perspective

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ABSTRACT

This research aims to analyze the dynamics of the relationship between village government (principal) and the Tourism Awareness Group (Pokdarwis) as agents in managing the Banyumili Tourism Village, Kolursari, Bangil, Pasuruan. Using a qualitative case study approach, data were collected through in-depth interviews, participatory observation, document analysis, and focus group discussions. The results of the study indicate the presence of information asymmetry and potential moral hazard in the principal-agent relationship, caused by the lack of formal contracts and effective incentive mechanisms. Additionally, community participation and collaboration among stakeholders remain limited, hindering sustainable tourism management. The implications of these findings emphasize the importance of drafting clear contracts, strengthening the capacity of Pokdarwis, and enhancing community participation and multi-stakeholder collaboration. The limitation of this study lies in its focus on a single case study, so the results may not be generalizable to other contexts.

Keywords: Public Policy, Tourism, Pokdarwis, Principal-Agent.

1. INTRODUCTION

The Indonesian tourism sector has undergone significant change in recent years, causing it to constantly change in tandem with both domestic and global changes (RI, 2024). As one of the primary pillars of national economics, tourism does not only contribute to economic growth but also maintains important roles in daily life and construction (Wahyuni & Pramudito, 2020).

To assist this industry, the Indonesian government has put in place a number of strategic initiatives (Kurniasih, 2023). For instance, the Decade of Tourism Visits program was introduced in 1992 by Presidential Decree No. 60 with the goal of raising public awareness and encouraging involvement in the growth of tourism. As part of its attempts to finance this industry sustainably, the government more recently proposed a Tourism Fund levy through airline tickets in 2024 (Yuliana & Mahfud, 2020).

However, these policies are not without challenges. For example, the plan to impose a fee through airline tickets has sparked pros and cons among tourism industry players (Fela Yudha & Marpaung, 2022). In addition, the pressure of global competition and the need for standardization in international tourism demand responsive and inclusive policy adaptations (Fitriani & Darmawan, 2022).

Located in the Province of East Java, Pasuruan Regency has a wide range of potential, from local wealth to the beauty of mountain nature. Banyubiru Natural Hot Springs, Ranu Grati, and the Mount Bromo area have become popular destinations for both domestic and foreign travelers. Data indicates that as of 2024, there were 2,068,861 tourists, consisting of 2,055,191 domestic tourists and 13,670 international tourists (Aminullah et al., 2024).

Additionally, the tourism industry makes a substantial contribution to the Regional Original Income (PAD). The PAD from this sector surpassed the original goal of IDR 700 million in 2024, reaching IDR 886,647,000. With up to 50% of the total PAD from the tourism industry, the Banyubiru Natural Bath emerged as the biggest contributor (BPS, 2022). This accomplishment is not without difficulties, though. There was a 15% decrease in tourist visitation as a result of extreme weather conditions, like those that occurred in October 2023. Additionally, this industry was impacted by the preceding COVID-19 pandemic, as seen by a 71.83% drop in foreign visitor visits in March 2020 when compared to the same period the year before (Yuliana & Mahfud, 2020).

One of the tourist attractions aside from those mentioned above, Banyumili Tourism Village is a key tourism highlight in Pasuruan Regency. Banyumili Tourism Village is located in Kolursari Village, Bangil District, specifically in Bekacak Hamlet. Banyumili Tourism features unique characteristics that distinguish it from other tourism sectors. Among the unique aspects of Banyumili Tourism is that the tourism center is situated at the Bekacak Dam, which is a remnant of the Dutch Colonial era. Additionally, there is a tomb site that is believed by the local community to be the tomb of SAKERA (one of the heroes from the struggle for the independence of the Republic of Indonesia) (Aminullah et al., 2024).

Tourists visiting the Banyumili Tourism Village are presented with several packages including:

- a) River Tubing Package, where tourists are invited to enjoy the atmosphere of the dam using a Homemade Inner Tube (RBB), of course equipped with safety control.
- b) River Exploration Package, where tourists are invited to enjoy the beauty of the river which is one of the streams from the Bekacak Dam, also equipped with safety control.
- c) Mango Picking Package Klonal 21, where tourists are pampered with the experience of picking mangoes directly from the tree; Klonal 21 mango is one of the flagship products of Pasuruan Regency.
- d) Religious Tourism Package to the SAKERA tomb, where tourists are invited to visit the SAKERA tomb as a reflection of the struggles for the Independence of the Republic of Indonesia.
- e) Flying Fox, where tourists are invited to test their adrenaline around the Bekacak dam.

The management of Banyumili tourism is driven by the Tourism Awareness Group (Pokdarwis Banyumili) as a representation of the residents of Kolursari, based on the legal foundation of the Decree of the Kolursari Village (Irawan, 2019). In its development, the management of Banyumili tourism, from the perspective of Principal-Agent theory, acts as the Implementing Agent, with the Village acting as the Principal. As expressed by Lupia & McCubbins (2000), delegation occurs when an individual or a group of individuals (the principal) selects another individual or group (the agent) to act in accordance with the principal's interests (Sinulingga, 2019).

As a tourist destination established in 2018, Banyumili Tourism is, like other tourism sites, undergoing development dynamics. Aminullah expressed that despite having great potential, Banyumili faces challenges in marketing and financial management. Tourist visits are still dominated by local residents, and the management's capacity in digital marketing and financial record-keeping is still limited. To address this, Banyumili's Pokdarwis collaborates with Yudharta Pasuruan University in a community service program that includes digital marketing training, creating an e-commerce platform, and business management assistance. As a result, a digital marketing application has been created that expands market reach and enhances the management capacity of tourism operators and MSMEs.

2. LITERATURE REVIEW

A. Tourism Awareness Group (Pokdarwis)

The community is one of the factors contributing to the development of tourism areas. One of the factors affecting the success of the development of a particular tourism area is the participation of the general public, such as encouragement (Wulan, 2022). An example of public participation in this regard is the emergence of a group known as tourism awareness groups or 'pokdarwis'. According to Law No. 10 of 2009 concerning Tourism, it is also stated that a Tourism Awareness Group is defined as a group formed in response to the public's initiative and desire to actively participate in maintaining and preserving various tourism activities and attractions in order to enhance the development of tourism in the surrounding area. Pokdarwis is fundamentally responsible for the implementation of all tourism activities that are in accordance with the potential and characteristics of their respective areas (Rosyidah et al., 2022).

B. Tourism

Tourism is one of the industrial sectors that impacts environmental, social, and economic development (Firdaus et al., 2022). Tourism is a new model industry that can significantly influence economic growth, as seen from the growing job opportunities, income, living standards, and activating other production sectors in the tourist-receiving countries (Zulfikar, 2023). "The management of tourism destinations is the core of the sustainability of the tourism industry. The sustainability of the tourism industry will greatly depend on how stakeholders manage tourism destinations to ensure they are competitive and able to meet the needs of tourists in terms of environmental, socio-cultural, and economic aspects."(Aulia, 2023).

C. Tourism Management

The methodical process of planning, coordinating, directing, and overseeing different tourist-related activities is known as tourism management. The objective is to guarantee that tourist sites can grow sustainably, offer visitors fulfilling experiences, and benefit the local community economically, socially, and environmentally (Iam Ri'a et al., 2022).

Key Elements of Tourism Administration: 1). *Planning*: Identifying the goals, mission, and vision of tourist development and creating plans to reach them. 2). *Organizing*: Setting up the human resources, organizational structure, and distribution of other resources to facilitate the plan's execution. 3). *Directing*: Giving the group direction and inspiration to carry out activities in line with the predetermined strategy. 4). *Controlling*: Keeping an eye on and assessing how tourism activities are being carried out to make sure they are in line with the plan and, if needed, making adjustments (Murianto et al, 2020).

D. Principal Agent Theory

Wijaya and Danar in their book *Public Management Theory and Practice* (2014) state that the principal-agent approach is usually applied to relationships between humans/institutions that can be viewed from the time horizon, including agreements that consist of at least two people, where the agent carries out the instructions given by the principal who is usually compensated with money. From the perspective of the agreement (contract) between the principal and the agent, it can be divided into at least two types of contracts, namely: 1) Long term contracts and 2) Short term contracts

E. Principal Agent in Public Administration Science

To revisit the discussion about the importance of incentives and personal interests within the thinking about public organizations (Hill & Hupe, 2002). Each party, whether the principal or the agents, has different interests in achieving their goals. Therefore, it is important for the principal-agent contract to agree on what goals they will achieve, including the incentives for achieving those goals (Lane, 2005).

To understand the reform of the public sector implemented based on the principles of New Public Management (NPM). The public reform referred to is, for instance, providing public services with a contracting out mechanism (Fitriani, 2020). With the principle of contracting out, the government as the principal will mandate other parties (agents), such as the private sector, to provide goods and services. To understand how this can work well, it is necessary to understand the concepts of principal and agent (Sabatier & Jenkins-smith, 1993).

Organizations (principals) can invest in information systems to control agent opportunism. When understanding that agents will only seek their own benefit from important information obtained from principals, or on the other hand, agents will withhold information from principals that could harm them, principals will look for effective ways and systems to maximize the acquisition of information (Ardianto & Fahmi, 2022).

3. RESEARCH METHOD

The research method for an original article should be divided into several sub-sections containing study design, population and samples, study instruments, data collection, and data analysis (Yin, 2003).

A. Study design

Banyumili Tourism Village, situated in Kolursari, Bangil, Pasuruan, East Java, serves as a compelling case study for examining the complexities of community-based tourism management. Since its establishment in 2018, the village has offered attractions such as river tubing, flying fox, and agro-tourism experiences. The management of these tourism activities involves multiple stakeholders, including local government bodies, the Pokdarwis (Kelompok Sadar Wisata), community members, and academic institutions. This multifaceted governance structure presents an opportunity to analyze the dynamics of tourism management policies through the principal-agent framework (Nugroho & Sujarwoto, 2019).

B. Research Objectives

- 1) To identify the roles and relationships between principals (e.g., local government, community leaders) and agents (e.g., Pokdarwis, tourism operators) in Banyumili's tourism management.
- 2) To examine instances of information asymmetry, moral hazard, and adverse selection within the tourism management framework.
- 3) To assess the effectiveness of existing contractual and incentive mechanisms in aligning the interests of principals and agents.
- 4) To propose strategies for enhancing stakeholder collaboration and reducing agency costs in community-based tourism settings.

C. Population and samples

a. Population

The population in this study includes all stakeholders directly or indirectly involved in the management of the Banyumili Tourism Village (Gössling et al., 2021), which includes:

1. Principals: The Pasuruan Regency Government (Tourism Office and related agencies). The Kolursari Village Government. Academics or institutional partners involved in policy formulation.
2. Agents: Managers and members of the Banyumili Pokdarwis (Tourism Awareness Group). Local tourism entrepreneurs (for example, river tubing operators, culinary providers, and homestay managers).
3. Other Related Parties: Community leaders and residents involved in tourism activities. Tourists who have visited Banyumili.

D. Sample

The sample will be selected using a purposive sampling technique, appropriate for qualitative case studies aiming for in-depth exploration rather than generalization.

Table 1. Sample Characteristics

Stakeholder Group	Number of Participants (Estimated)	Selection Criteria
Local Government Officials	3–5	Those involved in policy creation or supervision of tourism activities in Banyumili
Pokdarwis Members	5–7	Active members involved in daily operational management
Community Leaders/Residents	3–5	Residents with leadership or organizational roles in the village
Tourism Entrepreneurs	2–3	Individuals running tourism-based businesses in or near Banyumili
Academic Partners	2–3	Lecturers or researchers who have engaged with Banyumili through community programs

Source: Researcher 2025

E. Data collection

To obtain comprehensive and valid data, this research will employ several data collection techniques as follows (Miles & Huberman, 1994):

- a) In-depth Interviews Purpose: To explore the perceptions, experiences, and views of stakeholders regarding the roles, responsibilities, and challenges in the management of Banyumili tourism. Participants: Village government officials, members of Pokdarwis, local tourism entrepreneurs, and academics involved in the development of Banyumili.

Method: Semi-structured interviews with open-ended questions to allow for in-depth exploration.

- b) Participatory Observation Purpose: To directly observe the interactions among stakeholders, the decision-making processes, and the implementation of tourism activities. Method: The researcher will actively engage in daily activities in Banyumili to understand the social and operational dynamics occurring.
- c) Document Analysis Objective: To examine official documents such as village regulations, meeting minutes, activity reports, and cooperation agreements to understand the policy framework and the organizational structure of tourism management. Sources: Documents from the village government, Pokdarwis, and other related agencies.
- d) Focus Group Discussions (FGD) Objective: To obtain collective perspectives from various stakeholders regarding the challenges and opportunities in tourism management. Participants: Representatives from the village government, Pokdarwis, business actors, and the local community. Method: Structured discussions with a facilitator to encourage active participation and constructive dialogue.

F. Data Analysis

The collected data will be analyzed using a thematic analysis approach, which includes:

1. Transcription: Transcribing data from interviews and focus group discussions verbatim.
2. Coding: Identifying and coding the main themes that emerge from the data.
3. Categorization: Grouping these codes into categories relevant to the principal-agent theoretical
4. Framework Interpretation: Interpreting the data to understand the dynamics of the relationship between the principal and the agent, as well as its implications for tourism management (Antlöv et al., 2016).

RESULTS AND ANALYSIS

Principal-Agent Relationship

Structure A complex principal-agent relationship is evident in the administration of the Banyumili Tourism Village in Kolursari Village, Bangil District, Pasuruan Regency. As principals, the Pasuruan Regency Tourism Office and the local government establish policies and offer strategic guidance (Suyanto, 2021). As the agent, the Banyumili Pokdarwis manages day-to-day operations and creates tourism attractions. The Pasuruan Regency Tourism Office's Decree Number 556/057424/090/2019, which names the Banyumili Pokdarwis as the official manager of the tourism attraction, strengthens this relationship. But this relationship's dynamics aren't always smooth, especially when it comes to the principal and agent's coordination and communication.

Asimetri Informasi dan Moral Hazard

Information imbalance between the primary and the agent was discovered in this investigation. As the primary, the village administration frequently lacks comprehensive information about Pokdarwis's operational actions. On the other hand, Pokdarwis believe that the village government does not provide them with enough information or assistance, particularly when it comes to capacity building and training. Moral hazard may result from this circumstance, since the agent (Pokdarwis) may decide on actions that are contrary to

the principal's interests, such as less open financial management or strategic choices made without first consulting the village council.

Effectiveness of Incentive Mechanisms and Contracts

The incentive mechanism currently implemented is not yet fully effective in aligning the interests between the principal and the agent. There is no formal contract that details the rights and obligations of each party, as well as the performance evaluation mechanism for Pokdarwis. This results in a lack of accountability and difficulties in measuring the success of tourism management. Additionally, financial incentives for Pokdarwis members are still limited, which affects their motivation and performance in managing tourist destinations.

Community Participation and Stakeholder Collaboration

Participation from the community in the administration of the Banyumili Tourism Village is still irregular and poorly organized. Mutual cooperation is evident, but there is no system in place to guarantee that the community is actively involved in planning and decision-making. There is also little cooperation with other parties, including academics and corporate entities. Indeed, the creation of creative and sustainable tourism destinations depends on this partnership.

Implications of Principal-Agent in the Management of Banyumili Tourism

From the findings above, it is evident that the principal-agent relationship in the management of Banyumili Tourism Village faces significant challenges. Asymmetric information and the lack of effective incentive mechanisms can hinder the achievement of common goals between the village government and the tourism awareness group (Pokdarwis). According to principal-agent theory, clear contracts and appropriate incentive systems are necessary to reduce moral hazard risk and improve agent performance. In the context of Banyumili, this can be realized through the drafting of cooperation agreements that regulate the rights and obligations of each party, as well as transparent performance evaluation mechanisms.

The Importance of Strengthening Institutional Capacity of Pokdarwis

Strengthening the institutional capacity of Pokdarwis is key to enhancing the effectiveness of tourism management. This can be achieved through management training, the development of human resource capacity, and improved access to information and resources. Previous studies have shown that training and mentoring can enhance the understanding and skills of Pokdarwis in managing tourist destinations professionally.

Encouraging Community Participation and Multi-Stakeholder Collaboration

Active community participation in tourism management can enhance the sense of ownership and sustainability of the destination. Therefore, efforts are needed to involve the community in the planning, implementation, and evaluation of tourism activities. In addition, collaboration with other stakeholders, such as academics, entrepreneurs, and non-governmental organizations, can bring new perspectives and additional resources that support the development of tourism in Banyumili.

CONCLUSION

The management of the Banyumili Tourism Village from a principal-agent perspective shows the need for improvements in the relationship structure between the village government and the tourism awareness group (Pokdarwis). Information asymmetry,

a lack of effective incentive mechanisms, and limited community participation are significant challenges. To address this, clear contract drafting, strengthening the capacity of Pokdarwis, and encouraging community participation and collaboration with various stakeholders are necessary

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