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# A Comparative Analysis of Budgeting Policies in Tourism Development: The Cases of Thailand and Indonesia

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A B S T R A C T

This study aim to compare tourism development in Thailand and Indonesia by analysing budgeting policies and governance arrangements across five dimensions: the role of universities, institutional design, governance model, budgetary policy, and development strategy. This issue is of particular significance, as budgeting policies constitute a pivotal instrument in reconciling macroeconomic stability with sectoral development; nevertheless, their implications for the tourism sector remain insufficiently examined within the comparative research literature. Using a comparative case study approach, this study employs thematic analysis of policy documents and qualitative interviews to generate in-depth insights. The findings demonstrate that tourism outcomes are shaped by budgetary orientation. This study advances comparative public policy scholarship by demonstrating how fiscal design enables or constrains sectoral governance capacity. In the case of Indonesia, a strong emphasis on macro-fiscal discipline engenders fragmented tourism financing structures alongside an adaptive Pentahelix model, wherein universities function as network mobilisers within a predominantly bottom-up strategic framework. In contrast, Thailand reflects a more institutionalised and state-led configuration, characterised by stable and protected tourism budgets anchored by the Tourism Authority of Thailand (TAT), with universities integrated as innovation nodes within a top-down, investment-driven paradigm. Overall, the study underscores budgeting policy as a critical determinant in shaping tourism governance configurations and development trajectories.

## INTRODUCTION

In the contemporary global context, fiscal frameworks have become a central instrument through which states reconcile the dual objectives of macroeconomic stability and developmental ambition. As governments seek to promote sectoral growth while maintaining fiscal discipline, the configuration of fiscal rules (particularly those governing deficits, public debt, and expenditure) plays a decisive role in shaping policy priorities. Within this setting, tourism emerges as a sector whose development is highly sensitive to fiscal architecture, given its dependence on sustained public investment in infrastructure, destination management, and institutional capacity.

From a theoretical perspective, fiscal rules can be broadly categorised into those that constrain fiscal aggregates, such as deficit and debt limits, and those that directly regulate government expenditure. While aggregate-based rules are primarily designed to ensure long-term fiscal sustainability, they do not necessarily influence the composition of public spending. Consequently, the presence or absence of expenditure rules is critical in determining whether fiscal discipline aligns with developmental objectives, including the promotion of tourism as a productive sector.

Fiscal Administration as a field of study is deeply informed by several classical intellectual traditions that shape contemporary understanding of public financial management, budgetary governance, and state revenue systems. One of the most influential modern-classical contributions is found in the work on public budgeting reforms, particularly the analysis of Arthur E. Buck and Harvey C. Mansfield, which highlights the persistent tension between legislative, executive, and bureaucratic actors in budget formulation and execution. Their argument underscores that fragmentation of fiscal authority often generates inefficiencies and accountability gaps, thereby reinforcing the normative case for strengthening executive coordination in fiscal administration systems (Posner, 2007). Another important classical lens is pragmatist organisational theory, which conceptualises fiscal administration as experiential learning embedded in institutional practice. From this perspective, budgeting, financial reporting, and revenue estimation are not merely technical procedures but evolving knowledge systems shaped through iterative interaction between actors and institutional environments. This pragmatist orientation highlights that fiscal systems adapt over time through practice-based learning rather than purely formal design, thereby emphasising contextual flexibility in public financial governance (Brandi & Elkjaer, 2022)

In the contemporary global context, fiscal frameworks have emerged as central instruments through which states reconcile macroeconomic stability with developmental ambitions. The effectiveness of tourism policy in the international arena is no longer assessed solely on the basis of strategic intent, but increasingly through the coherence and performance of public budgeting systems and policy capacity. Drawing on Historical Institutionalism, this study argues that fiscal rules create path-dependent trajectories for sectoral development by determining resource predictability. As a cross-sectoral industry, tourism

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requires coordinated fiscal interventions to align infrastructure provision, institutional capacity, and market development. Countries that successfully position tourism as a leading sector typically combine a strong market orientation with stable, sustained public financing. At the regional level within ASEAN, countries such as Thailand, Singapore, and Malaysia have systematically integrated sustainability objectives into their tourism budgeting policies, underscoring the critical role of fiscal capacity in enabling proactive and resilient tourism policy frameworks.

Although budgeting policy plays a central role in aligning macroeconomic stability with sectoral development, its influence on the tourism sector remains significantly underexplored in comparative research. The novelty of this study lies in its analytical shift from conventional explanations grounded in resource endowments or destination attractiveness toward a focus on institutional and fiscal determinants. Bibliometric analysis indicates that scholarly attention to the relationship between fiscal rules and the composition of tourism development expenditure remains limited. This study addresses this gap by evaluating how fiscal design shapes the trajectories of tourism development in emerging economies.

Indonesia's fiscal framework exemplifies a model that prioritises macro-fiscal prudence through explicit deficit and debt ceilings. The national fiscal regime imposes a maximum budget deficit of 3 per cent of gross domestic product and limits public debt to 60 per cent of GDP. These rules have functioned as key anchors of fiscal stability; however, they are not accompanied by binding expenditure rules or explicit restrictions on the purposes for which deficit financing and public borrowing are utilised. As a result, there is no institutional guarantee that newly incurred debt will be channelled towards productive investment, such as tourism development, rather than being absorbed by routine or consumptive expenditures (Adrison, 2024; Henderson, 1999). This configuration weakens tourism's strategic positioning within Indonesia's fiscal policy framework, despite its recognised potential as an economic development driver.

In contrast, Thailand adopts a fiscal rule framework that emphasises controlling government expenditure rather than imposing strict numerical limits on fiscal balances. By implementing an expenditure rule, the Thai state exercises direct control over the level and growth of public spending, even in the absence of explicit constraints on the budget deficit. This approach allows fiscal discipline to be enforced at the level of spending decisions, thereby providing clearer institutional space for prioritising strategic sectors, including tourism (Henderson, 1999; Phob-udom et al., 2025). By shaping not only the size but also the composition of public expenditure, Thailand's fiscal framework facilitates a more deliberate allocation of resources to tourism-related development.

In the global political economy of development, the effectiveness of tourism policy is increasingly assessed not only in terms of strategic intent but also in terms of the coherence and performance of public budgeting systems. Tourism, as a cross-sectoral industry, requires coordinated fiscal interventions that align infrastructure provision, institutional capacity, and market development. In this regard, the orientation of tourism budget policy becomes a critical determinant of whether public expenditure translates into tangible economic and social outcomes.

At the national level, qualitative studies in Indonesia consistently point to structural weaknesses in the orientation and effectiveness of tourism budgeting. Empirical findings indicate that tourism-related budget allocations remain inefficient, with insufficient investment in core infrastructure and weak inter-agency coordination. These institutional shortcomings constrain the growth potential of the tourism sector, despite its acknowledged importance to the national economy (Handoko et al., 2025; Koerner et al., 2024). Rather than functioning as a strategic development instrument, tourism budgeting tends to operate in a fragmented manner, limiting its capacity to generate multiplier effects.

More specifically, tourism budgets in Indonesia are generally characterised by relatively small allocations and a lack of strategic direction. Studies highlight persistent uncertainty in budget allocation, low transparency, and the absence of a financial strategy tailored to the tourism sector's specific needs (Handoko et al., 2025). From a theoretical standpoint, such conditions reflect a weak linkage between policy objectives and fiscal instruments, where budgeting serves more as an administrative routine than as a mechanism for steering sectoral development.

At the macroeconomic level, quantitative analysis further complicates the assessment of tourism budget effectiveness. Evidence from 2011–2020 suggests that tourism budget allocations had a negative, but statistically insignificant, effect on gross domestic product. In contrast, broader macroeconomic variables, particularly inflation and interest rates, played a more decisive role in influencing economic growth. These findings suggest that tourism spending's contribution remains limited, with some scholars arguing that Indonesia's tourism sector is still in an early investment phase, in which long-term economic benefits have yet to materialise (Hasyyati, 2022).

At the subnational level, however, the relationship between budget policy and tourism performance appears more nuanced. During the COVID-19 pandemic, budget reallocation and refocusing at the regional level demonstrated the capacity of fiscal intervention to sustain the tourism sector in crisis conditions. Nonetheless, these adaptive measures also revealed enduring challenges, including the need for product innovation, hygienic infrastructure, and more robust promotional networks to support recovery and resilience (Adrison, 2024; Romer, 2021).

Micro-level case studies further reinforce these observations by illustrating recurring patterns across diverse local contexts. Evidence from Central Sulawesi, Kampung Pelangi 200 in Bandung, and Situ Cileunca indicates that when tourism budgets are directed towards infrastructure development, sanitation, public facilities, and community empowerment, they generate positive impacts on visitor comfort and the income of micro, small, and medium-sized enterprises. However, these positive outcomes are frequently undermined by mismatches between budget allocations and actual local needs, persistent inefficiencies, and uneven distribution of government support (Phob-udom et al., 2025).

The Indonesian experience reveals a structural tension between the recognised strategic importance of tourism and the limited effectiveness of its budgetary implementation. While targeted, well-aligned spending at the local level shows clear potential, the overall orientation of tourism budgeting remains constrained by weak strategic coherence, limited fiscal commitment, and institutional fragmentation. This suggests that enhancing the effectiveness of tourism policy in Indonesia requires not merely increased budget allocations, but a fundamental reorientation of budgeting practices towards

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greater strategic clarity, coordination, and responsiveness to sector-specific needs.

In the global tourism economy, countries that successfully position tourism as a leading sector tend to combine a strong market orientation with coherent, sustained public financing. Tourism competitiveness is not merely a function of natural or cultural endowments, but also of institutional capacity, promotional intensity, and the stability of budgetary support. Within this context, Thailand has long been recognised as one of the most tourism-dependent economies in Southeast Asia, consistently leveraging public policy and fiscal instruments to reinforce the sector's contribution to national income and foreign exchange earnings.

Historically, Thailand has relied heavily on tourism as a primary source of foreign exchange, with growth in visitor numbers driven by aggressive promotion and mass marketing strategies coordinated by the Tourism Authority of Thailand (TAT). Since the early phases of tourism development, TAT has played a central role in shaping Thailand's tourism narrative and global branding, enabling the country to sustain high volumes of international arrivals over time (Chaisawat, 2006; Keerasuntonpong et al., 2019). This strong promotional orientation reflects a policy choice to treat tourism not as a supplementary sector, but as a core pillar of economic development.

A key institutional feature underpinning Thailand's tourism policy is the structure of its financing system. TAT is funded through a combination of direct government budget allocations, revenues generated from TAT-owned properties, and tourism-related levies and taxes, such as hotel taxes and attraction fees. This diversified funding arrangement provides a relatively stable financial base for tourism promotion and destination development, reducing reliance on annual budget negotiations and insulating core tourism programmes from fiscal volatility (Phob-udom et al., 2025). From a theoretical standpoint, such funding stability enhances policy continuity and strengthens the state's capacity to pursue long-term tourism strategies.

Recent comparative policy analyses within the ASEAN region further highlight Thailand's consistent commitment to tourism budgeting. Thailand is identified as one of the countries that systematically increase their tourism budget allocations over time, while formally incorporating sustainability as an explicit policy objective, alongside Singapore and Malaysia. Variations in tourism budgets and their allocation across ASEAN countries are largely attributed to differences in resource availability rather than to divergent policy priorities, suggesting that Thailand's relatively strong fiscal capacity enables a more proactive tourism policy stance (Phob-udom et al., 2025). Comparative Public Administration (CPA) is grounded in several classical intellectual traditions that shape how administrative systems are analysed across different national contexts. One of the most influential foundations is Max Weber's theory of bureaucracy, which conceptualises bureaucracy as a rational-legal structure characterised by hierarchical authority, formalised rules, and impersonal decision-making. This framework has been widely used as an analytical baseline for comparing administrative systems, particularly in identifying similarities and differences in organisational structure and governance logic across societies (Önder et al., 2022; Wollmann, 2021).

Within the context of regional and global competition, Thailand's tourism policy has traditionally prioritised visitor volume and per capita tourist expenditure as key performance indicators. However, as the environmental and social costs of mass tourism became increasingly evident, policy orientation gradually shifted towards promoting sustainable tourism initiatives. Importantly, this transition did not entail a wholesale retreat from growth-oriented strategies; instead, sustainability policies were designed to coexist with price competitiveness, enabling tourism operators to maintain revenue streams while adapting to new regulatory and environmental constraints (Chulaphan & Barahona, 2021). This balancing act illustrates Thailand's pragmatic approach to tourism governance, in which economic viability and sustainability are negotiated rather than treated as mutually exclusive.

Thailand's relative strength in tourism policy and budgeting is also evident in its performance during economic crises. During the Asian Financial Crisis, Thailand demonstrated greater resilience than Indonesia, a difference attributed to its well-developed tourism infrastructure and aggressive international marketing. These factors allowed the tourism sector to recover more rapidly, signalling stronger fiscal and institutional capacity within Thailand's tourism governance framework (Henderson, 1999). Such resilience underscores the cumulative advantages of long-term investment, stable financing mechanisms, and coherent promotional strategies.

Thailand's experience reveals a tourism budget policy that is strongly oriented towards effectiveness, continuity, and competitiveness. The combination of diversified funding sources, sustained budgetary commitment, and adaptive policy orientation has enabled Thailand to institutionalise tourism as a strategic sector. This stands in contrast to more fragmented or volatile budgetary arrangements and provides a useful reference point for understanding how fiscal design and institutional capacity can shape the long-term performance of tourism-led development strategies.

The principal issue identified in this study is the structural tension between the formal recognition of tourism as a strategic sector and the limited effectiveness of its budgetary implementation. In Indonesia, tourism budgeting remains highly fragmented, characterised by relatively limited allocations, the absence of a coherent strategic orientation, and weak inter-institutional coordination. As a result, budgeting practices tend to function predominantly as administrative routines rather than as strategic instruments for steering sectoral development. In contrast, Thailand benefits from a more stable and institutionalised financing system anchored by the Tourism Authority of Thailand (TAT), yet continues to face challenges reconciling the socio-environmental externalities of mass tourism with the imperatives of sustainable development. The observed divergence in tourism performance between the two countries suggests that the fundamental constraint does not reside in differences in natural resource endowments, but rather in the configuration of fiscal architecture and the orientation of budgetary policy frameworks.

This study aims to compare tourism development in Thailand and Indonesia by analysing budgeting policies and governance arrangements across five key dimensions: the role of universities, institutional design, governance models, budgetary policy, and development strategy. The significance of this study lies in its contribution to demonstrating that budgeting policy constitutes a decisive factor in shaping tourism governance and development strategies, while also providing deeper insights into how differences in fiscal architecture generate divergent outcomes in the tourism sector.

Furthermore, the findings offer an analytical foundation for countries such as Indonesia to undertake a fundamental reorientation of budgeting practices, shifting from administrative routines toward approaches characterised by greater strategic clarity, coordination, and responsiveness to sector-specific needs. The study also evaluates the effectiveness of governance models, including the Pentahelix model in Indonesia and the state-led innovation model in Thailand, in addressing distinct fiscal constraints. By adopting a comparative perspective, the study contributes to a deeper understanding of how fiscal design and budgetary governance influence tourism-led development trajectories in emerging economies. The five dimensions selected for this analysis (role of universities, institutional design, governance model, budgetary policy, and development strategy) are chosen because they represent the holistic ecosystem of public action, encompassing the key actors, formal structures, processes, financial instruments, and strategic visions that define tourism governance.

## METHOD

This study employs a comparative analytical strategy to examine tourism budget policies in Thailand and Indonesia. This study employs a Most Similar Systems Design (MSSD). Indonesia and Thailand are selected as comparable cases due to their similar geographic and tourism-dependent profiles in ASEAN, yet they exhibit fundamental differences in fiscal risk management strategies (deficit-based vs expenditure-based), providing an ideal setting to isolate the impact of fiscal architecture. Within the field of Public Administration, comparative research serves as a critical methodological approach for describing, explaining, and evaluating policy phenomena across different governance contexts. Comparative inquiry enables scholars to identify institutional variations, policy orientations, and governance outcomes, thereby providing deeper insights into how public policies are shaped by national administrative systems and fiscal structures (Thiel, 2022). Given that the subject of this research is inherently state-specific and involves distinct institutional configurations, a case study approach is adopted. Case study methodology is particularly suitable for generating scientific inferences from unique or contextually bounded policy environments, enabling an in-depth exploration of governance mechanisms that may not be easily captured in large-scale quantitative comparisons (Schröter & Röber, 2022; Thiel, 2022).

Data collection is conducted through a desk research strategy that utilises existing secondary sources. The primary data corpus consists of policy documents, legal texts, government budget reports, and official administrative publications from both countries. Desk research provides a systematic means of reconstructing policy trajectories and institutional arrangements by analysing authoritative documentary evidence (Thiel, 2022). In addition to document analysis, this study incorporates qualitative data obtained through interviews. Interviews are conceptualised as structured or semi-structured conversations in which the researcher poses questions to one or more respondents to obtain contextual, interpretative, and experiential insights into the policy process and budgetary decision-making (Schröter & Röber, 2022; Thiel, 2022). Informants are selected purposively to represent key stakeholders within the tourism ecosystem. A total of 12 informants were interviewed, comprising 4 academics from Burapha University and Universitas Jenderal Soedirman, 4 government officials from regional and national agencies, and 4 community leaders. Semi-structured interviews lasted 45–60 minutes and were conducted in accordance with strict ethical protocols that ensured informed consent and anonymity.

These include participants from higher education institutions, such as Burapha University in Thailand and Universitas Jenderal Soedirman in Indonesia, to capture perspectives on innovation and research funding; government officials, particularly from subnational administrations such as Banyumas Regency, to examine fiscal allocation challenges; and community representatives, including administrators of tourism villages, to reflect on budgetary impacts at the local level. The integration of documentary evidence and interview data allows for methodological triangulation, thereby enhancing the validity and reliability of the research findings.

The analytical process uses thematic analysis as the primary interpretative framework (Braun & Clarke, 2022; Naeem et al., 2023). Content analysis is first employed to establish policy facts and reconstruct the underlying arguments shaping tourism budget allocations in each country. Subsequently, thematic analysis is systematically applied through a series of analytical stages, including keyword identification, data coding, categorisation, and theme development. This iterative process enables the identification of meaningful patterns, institutional logics, and governance narratives embedded within tourism budgeting documents and policy discourses (Naeem et al., 2023). Through this combined analytical approach, the study seeks to develop a comprehensive understanding of how fiscal policies and institutional arrangements shape tourism development strategies across national contexts.

## RESULTS AND DISCUSSION

In the context of tourism development in developing countries, the pentahelix collaboration model has emerged as a prominent governance framework that emphasises synergy among five key actors: government, academia, business actors, local communities, and the media. This model is designed to foster inclusive and sustainable collaboration by integrating public policy formulation, academic research, private investment, community participation, and media-based promotion to optimise local tourism potential (Nainggolan et al., 2020). By recognising the interdependence of these actors, the pentahelix approach seeks to move beyond state-centric or market-driven models towards a more holistic and network-based form of tourism governance.

The effectiveness of the pentahelix model is highly contingent upon the quality of coordination and the transparency of communication among participating actors. Empirical studies indicate that inadequate coordination may result in the dominance of particular stakeholders, thereby generating conflicts of interest and uneven distribution of benefits (Chamidah et al., 2020). From a theoretical perspective, this underscores the importance of balanced power relations and institutional mechanisms that facilitate mutual accountability within collaborative governance arrangements.

Beyond economic considerations, the pentahelix approach explicitly incorporates cultural preservation and community empowerment as foundational elements of sustainable tourism development. By embedding local values, traditions, and social capital into tourism strategies, the model aligns economic objectives with social and cultural sustainability, reinforcing inclusivity and long-term resilience. This integration reflects a normative commitment to development that prioritises local ownership and equitable benefit-sharing.

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The pentahelix model represents a synthesis of multi-stakeholder collaboration theories and strategic communication-based marketing approaches. Through this integration, the model aims to enhance tourist satisfaction while simultaneously supporting the welfare of local communities, positioning tourism as both an economic activity and a social development instrument (Chamidah et al., 2020). As such, the pentahelix framework offers a valuable analytical lens for examining collaborative governance dynamics in tourism development, particularly within the institutional and socio-economic contexts of developing countries. The relationship can be understood through a conceptual model where: Fiscal Architecture (macro-rules), Institutional Design (allocation stability), and Governance Configurations (actor interactions). While fiscal design is a primary driver, this study acknowledges that administrative capacity and political leadership also mediate policy success.

The findings of this investigation indicate that differences in tourism sector performance between Indonesia and Thailand cannot be explained solely by variations in natural endowments or destination attractiveness. Rather, these differences are rooted more fundamentally in the contrasting fiscal architectures and budgetary policy orientations adopted by each country. This perspective shifts the analytical focus from resource-based explanations towards the institutional and fiscal determinants that shape tourism development outcomes.

Thailand's fiscal framework is characterised by an expenditure rule that enables direct control over the level and composition of government spending. This institutional arrangement allows the state to exercise deliberate oversight of sectoral allocations, including sustained and targeted investment in tourism-related infrastructure, promotion, and institutional capacity. By regulating expenditure rather than relying primarily on aggregate fiscal balances, Thailand can better align budgetary decisions with strategic development priorities.

In contrast, Indonesia's fiscal regime places greater emphasis on maintaining macro-fiscal discipline through deficit and public debt thresholds. While these rules serve as important anchors of fiscal stability, they do not provide explicit guarantees that deficit financing or public borrowing will be channelled towards productive sectors such as tourism. As a result, the allocation of fiscal resources to tourism remains contingent and less strategically secured within the broader budgetary process. This divergence in fiscal and budgetary orientation helps to explain the observed disparity in tourism sector performance between the two countries, underscoring the central role of fiscal design in shaping development trajectories.

The disparity in tourism performance between Indonesia and Thailand is rooted in fundamental differences in fiscal risk management strategies. Indonesia adopts a fiscal governance approach that prioritises strict control over deficit and public debt thresholds, with the budget deficit capped at 3 per cent of gross domestic product and public debt subject to formal limits. While this framework has been effective in safeguarding macroeconomic stability, it lacks an expenditure rule to ensure public resources are systematically allocated to productive sectors, such as tourism. In the absence of such a rule, tourism funding remains vulnerable to shifting political priorities and short-term fiscal adjustments, limiting its capacity to function as a sustained driver of economic growth.

By contrast, Thailand's fiscal framework incorporates explicit expenditure constraints that enable direct control over sectoral financing. This expenditure-based approach allows the state to manage fiscal risk not only by limiting aggregate spending growth, but also by shaping the composition of public expenditure in line with strategic development objectives. Within this institutional arrangement, tourism is deliberately positioned as a principal engine of foreign-exchange generation, supported by stable, targeted budget allocations. The comparative evidence suggests that Thailand's emphasis on expenditure governance provides a more effective mechanism for aligning fiscal discipline with sectoral development, thereby contributing to the superior performance of its tourism sector.

**Thailand**

In the Thai context, the state deliberately positions universities as innovation hubs aligned with the national development agenda, particularly under the Thailand 4.0 framework. Through this strategy, public investment is channelled intensively into university laboratories, research facilities, and campus-based entrepreneurial ecosystems. Universities are thus embedded within a broader policy architecture that links knowledge production, technological innovation, and industrial application, enabling them to function as strategic nodes in the national innovation system. This state-led investment model reinforces the role of higher education institutions as engines of economic transformation, including in the tourism sector, by ensuring that academic research and entrepreneurial activities are closely synchronised with national priorities and market demands.

In Thailand, the stability of tourism financing is supported by the Tourism Authority of Thailand (TAT), which operates under a hybrid revenue structure comprising cabinet budget allocations, property-generated income, and earmarked tourism levies. This model enables sustained investment in infrastructure development and aggressive promotional strategies. Concurrently, the role of universities in Thailand has shifted to state-funded innovation hubs aligned with the Thailand 4.0 agenda. As explained by an informant from Burapha University, this integration functions as follows:

"The government does not merely provide research grants, but directly invests in laboratory infrastructure and business incubators on our campus. We serve as centres of excellence that connect technological innovation with the needs of the national tourism industry, positioning universities as direct instruments in enhancing Thailand's global competitiveness."

**Indonesia**

In contrast to Thailand, tourism budgeting policy in Indonesia tends to be fragmented and characterised by weak inter-agency coordination. At the subnational level, limited fiscal capacity often constrains the development of basic infrastructure and promotional activities. A local government official from Banyumas Regency highlighted this challenge as follows:

"The main challenge we face is allocation uncertainty. Budgetary resources are frequently reallocated through refocusing processes, disrupting long-term strategic planning. Cross-sectoral coordination for supporting infrastructure development, such as road access or sanitation at tourism destinations, continues to encounter complex bureaucratic obstacles, resulting in fiscal impacts on regional growth that remain suboptimal."

Within these constraints, Indonesia relies on the Pentahelix model—comprising academia, business, community, government, and media—with a strong emphasis on

Community-Based Tourism (CBT). Notably, the findings indicate that higher education institutions in Indonesia often fill the institutional gaps left by the state. Academics do not merely function as providers of knowledge, but also act as network mobilisers and, in some cases, as providers of micro-financing through community service grant schemes. A senior official from Universitas Jenderal Soedirman stated:

"We are often required to perform a form of 'micro-financing' for tourism villages. Through community service programmes, the university provides initial capital for training, branding development, and minor facility improvements. This is undertaken because structural financial support from local governments is frequently concentrated on large-scale physical projects, whereas grassroots human capacity development is, in fact, more urgent."

This form of support is strongly felt at the village level. As expressed by a representative of a tourism village administration in Banyumas Regency:

"Without assistance from universities, we would struggle to translate the concept of sustainable tourism into concrete actions. They support us in community management and connect the village to media and business networks, areas in which government involvement is often not yet intensive during the early stages of development."

Universities' roles are not isolated; they are contingent upon fiscal rules. In Thailand, expenditure stability allows the state to invest in universities as innovation hubs, whereas in Indonesia, fiscal fragmentation forces universities to adopt a compensatory role, filling the financial gaps left by the state. A marked contrast emerges in the ways both countries mobilise higher education institutions within their tourism development strategies. Thailand exemplifies a state–investor model, in which the government systematically integrates tourism and higher education through direct and sustained investment in university-based ecosystems. In this configuration, universities function not merely as knowledge producers, but as institutional extensions of the state's development agenda, actively linking research, innovation, and skills formation to the strategic needs of the national tourism industry. Such an approach aligns academic capacity with long-term sectoral priorities, reinforcing Thailand's ability to translate public investment into competitive advantage in the global tourism market.

By comparison, Indonesia adopts a community-based Pentahelix model, wherein academics primarily act as network mobilisers and facilitators of collaboration among government, business, communities, and media. While this model underscores inclusivity and local empowerment, it operates within a context of relatively limited fiscal support for supporting infrastructure. Consequently, the role of higher education institutions in Indonesia tends to be more adaptive and compensatory, filling gaps left by constrained public financing rather than being embedded within a coherent state-led investment framework.

The effectiveness of budget allocation in Indonesia appears to be most pronounced when public expenditure is directed towards basic infrastructure, such as sanitation systems and local public facilities. These forms of investment generate immediate and tangible benefits for tourism destinations and surrounding communities. However, the potential impact of such allocations is frequently undermined by bureaucratic inefficiencies, fragmented implementation processes, and delays in inter-agency coordination. As a result, otherwise productive expenditures often fail to achieve their full developmental multiplier effect within the tourism sector.

**Table 1.** Comparison of Indonesia and Thailand

| Aspect | Indonesia | Thailand |
|---|---|---|
| Role of Universities | University-led compensatory development model addressing fiscal gaps | University-embedded state investment model as innovation nodes |
| Institutional Design | Fragmented and compensatory tourism financing | Institutionalised and state-anchored tourism financing |
| Governance Model | Community-centred Pentahelix governance under fiscal scarcity | State-centred innovation governance with fiscal consolidation |
| Budgetary Policy | Politically prioritised but fiscally marginal tourism budgeting | Strategically prioritised and fiscally protected tourism budgeting |
| Development Strategy | Bottom-up and adaptive tourism development | Top-down and investment-driven tourism development |

Sources: Primary data processed, 2026.

A clear institutional contrast emerges in the way higher education institutions are positioned within the fiscal architecture of tourism development in Thailand and Indonesia. In Thailand, universities function primarily as beneficiaries of regional and sectoral budget allocations. Regional governments play a direct role in sectoral development by channelling public funds into higher education facilities, treating universities as strategic infrastructure for sustaining and upgrading the tourism industry. Within this model, funding flows from the national or provincial government to universities and is subsequently translated into human resource development and cultural preservation initiatives. Such an arrangement ensures budgetary consistency, long-term planning certainty, and the provision of high-quality educational and research facilities that align closely with the needs of the tourism sector.

By contrast, Indonesia follows an inverse funding logic, in which universities often serve as sources of grassroots-level financing for tourism development. Budgetary flows tend to move from the central government to universities and onward to villages, particularly tourism villages. Through funding schemes such as the BIMA research grant, higher education institutions are required to allocate a substantial share (often at least 50 per cent) of their community engagement budgets to capacity-building activities for partner communities. In this configuration, universities act as engines of local development, mobilising community service funds to compensate for the limited fiscal capacity of local governments, especially in supporting human capital development and institutional strengthening in rural


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tourism areas. This model underscores the redistributive and compensatory role of universities within Indonesia's decentralised and resource-constrained governance context.

**Role of Universities**

The university-led compensatory development model positions universities as strategic actors that offset fiscal constraints through innovation and multi-stakeholder collaboration, thereby alleviating the financial burden governments bear in development financing. Within this framework, universities go beyond their conventional educational mandate to serve as engines of innovation, linking academic research with industrial and societal needs. This integrative role facilitates the formation of innovation ecosystems that underpin sustainable development trajectories by translating knowledge production into applied socio-economic value (Kachuriner & Hrushko, 2019).

In contrast, the state-investment model embedded in universities conceptualises higher education institutions as institutionalised nodes of innovation, where public and private actors co-invest in research and development infrastructures to stimulate knowledge-based economic growth. This model embeds universities directly into national development strategies, enabling the consolidation of public funding and private capital to support long-term innovation agendas (Kachuriner & Hrushko, 2019; Khan et al., 2022). By anchoring innovation investment within universities, the state enhances the stability and continuity of funding flows while strengthening the strategic alignment between education, research, and economic policy.

A central feature of this model is the emphasis on multi-level policy coordination between central and subnational governments. Such coordination is critical for managing fiscal pressures while safeguarding sustained investment in innovation-oriented development. Effective vertical and horizontal alignment of policies creates synergies across governance levels, enabling innovation systems to operate more coherently and efficiently within complex fiscal environments (Hu et al., 2024; Song & Zhao, 2024).

Empirical evidence from several country cases demonstrates that this embedded investment model can significantly enhance regional innovation capacity by leveraging collaborative networks among universities, businesses, and government agencies. Moreover, the deployment of hybrid financing mechanisms, including institutional investment and crowdfunding instruments, optimises the use of financial resources and risk-sharing across actors, thereby expanding the scale and reach of innovation-driven development initiatives (Kachuriner & Hrushko, 2019; Matrizaev, 2025).

Nevertheless, the effectiveness of both models remains contingent upon robust fiscal governance and institutional capacity. Weak financial management frameworks and limited administrative capability may undermine the long-term developmental impact of innovation investments. Strengthening institutional arrangements and ensuring fiscal discipline remain critical prerequisites for translating innovation-oriented financing models into broad-based, sustainable development outcomes (Hu et al., 2024).

**Institutional Design**

Classical institutional theory, rooted in early institutional economics through Thorstein Veblen, John R. Commons, and Wesley C. Mitchell, rejects neoclassical assumptions by emphasizing that economic and social behavior is structured by evolving institutions rather than fixed rational models, with Veblen's institutional dichotomy between technological change and institutional inertia forming a key explanatory foundation for institutional dynamics (Elsner, 2018); within this perspective, institutions are understood as evolutionary systems shaped by human agency, collective action, and adaptive processes grounded in pragmatist philosophy that frames institutional change as continuous problem-solving in shifting social contexts (Elsner, 2018), while also extending beyond economics through interdisciplinary integration with sociology, psychology, and evolutionary thought to explain how norms, values, and cultural expectations shape institutional outcomes, alongside a sustained critique of mainstream economics for neglecting these social dimensions in both historical and contemporary analyses of capitalism and neoliberal governance (Romaniuk et al., 2021), ultimately positioning institutions as socially embedded and historically contingent structures that both shape and are shaped by human behavior, forming the conceptual foundation for later developments such as neo-institutionalism and historical institutionalism (Atkinson, 2004; Elsner, 2018).

Fragmented tourism financing typically involves a plurality of informal funding sources, including microfinance institutions that support small-scale tourism enterprises, particularly in developing countries. While such arrangements provide critical financial access for grassroots actors, they often generate dependence on irregular and unstable funding streams, thereby constraining long-term investment planning and destination development (Malleswari, 2025). Within this configuration, financing operates largely in a compensatory manner, filling gaps left by formal fiscal systems through community-based support and locally driven initiatives. However, despite its short-term responsiveness, this model remains limited in terms of investment scale, financial sustainability, and its capacity to support structural transformation in the tourism sector (Park & Yoon, 2011; Radović et al., 2020; Yfantidou & Matarazzo, 2017).

By contrast, institutionalised tourism financing is anchored in state support and formal financial institutions that provide more structured, predictable, and long-term funding mechanisms. Such arrangements enable strategic destination planning and facilitate the pursuit of sustainable tourism development objectives by ensuring fiscal continuity and policy coherence (Bohn et al., 2023; Carrillo-Hidalgo & Pulido-Fernández, 2019). State-initiated financing is frequently associated with strengthened institutional governance and enhanced innovation capacity within the tourism sector, reflecting the role of public investment in shaping developmental trajectories. Nevertheless, the transformative potential of these funding schemes often remains constrained by rigid programme designs and bureaucratic inflexibility, which limit their responsiveness to local dynamics and emerging market opportunities (Bohn et al., 2023; Dalwai & Sewpersadh, 2023; Silva et al., 2021).

Existing empirical studies further indicate that formal financing mechanisms face persistent challenges in terms of inclusivity. Access to institutional funding remains uneven, particularly for small and medium-sized enterprises and community-based tourism initiatives, which often lack the administrative capacity or collateral requirements demanded by formal financial systems. As a result, there is growing recognition of the need for more adaptive financial instruments attuned to the operational realities of social tourism enterprises and local communities (Black, 2020; Mahato et al., 2024).

### Governance Model

Community-centred governance models grounded in the Pentahelix approach emphasise collaborative interaction among five key actors (government, academia, business, community, and media) as a strategic response to fiscal constraints through synergy and active community participation. This governance configuration has been shown to enhance innovation capacity and promote sustainable development by aligning formal policy instruments with local needs, while simultaneously mobilising social and cultural networks as forms of endogenous social capital (Poernama & Santosa, 2025; Pratiwi et al., 2025). Empirical evidence from Pentahelix-based initiatives suggests that innovative leadership and cross-sectoral collaboration can significantly strengthen community-based tourism and improve regional competitiveness, particularly in contexts characterised by limited public resources and institutional fragmentation (Poernama & Santosa, 2025).

In contrast, state-centred innovation governance models prioritise fiscal consolidation and reinforce the state's role as the primary architect of innovation processes, typically through highly structured policy frameworks and targeted public investment. This model is often justified on the grounds of efficiency, coordination, and budgetary stability, particularly in strategic sectors requiring large-scale capital mobilisation (Healey, 2020; Swyngedouw, 2005). However, critical scholarship highlights that such state-centric configurations may encounter democratic deficits, as they tend to marginalise broader societal participation while simultaneously strengthening bureaucratic authority and market dominance (Swyngedouw, 2005).

These governance models exhibit distinct strengths and limitations. The Pentahelix approach offers greater adaptability to local contexts and fosters participatory innovation by embedding development processes within community networks. Conversely, state-centred governance provides fiscal stability and policy coherence but carries the risk of constraining community engagement and limiting the inclusiveness of innovation processes. The comparative assessment of these models underscores the need for governance arrangements that balance fiscal robustness with participatory inclusivity in order to sustain innovation-driven tourism development (Pratiwi et al., 2025; Swyngedouw, 2005).

### Budgetary Policy

Tourism budgets that are politically prioritised often receive rhetorical prominence within policy agendas; however, their fiscal allocation and protection tend to remain marginal, thereby limiting their long-term contribution to sustainable sectoral development (Figueroa-Domecq et al., 2024; Ormerod & Wood, 2021; Torres et al., 2025). Such budgeting practices are often shaped by short-term political dynamics and shifting priorities, leading to tourism expenditures that do not consistently align with strategic development needs or long-term sustainability objectives (Ormerod & Wood, 2021). As a consequence, tourism programmes under politically driven budgeting frameworks are particularly vulnerable to fiscal refocusing and intersectoral competition, which further constrains their developmental impact.

In contrast, strategically prioritised tourism budgeting is characterised by stronger fiscal protection and a clearer alignment with long-term development goals, including sustainability, inclusivity, and effective resource governance. This approach enables public expenditure to be directed towards structurally transformative initiatives, such as community empowerment, heritage revitalisation, and the development of smart mobility systems, which are increasingly recognised as central to sustainable urban tourism transformation (Ramdani, 2025). Empirical studies suggest that when tourism is embedded within a strategic fiscal framework, budget allocations become more coherent and outcome-oriented, thereby enhancing the sector's capacity to generate sustained socio-economic benefits (Jayanti & Mukti, 2025).

Even under strategic budgeting regimes, challenges persist in ensuring equitable resource distribution, particularly for small-scale tourism enterprises and local communities. Existing evidence indicates that institutional and administrative barriers often limit the extent to which strategic tourism budgets translate into inclusive development outcomes at the grassroots level (Ramdani, 2025). Accordingly, a shift from politically symbolic prioritisation to fiscally protected, strategically anchored tourism budgeting is essential for maximising the long-term social and economic returns of public investment in the tourism sector (Figueroa-Domecq et al., 2024; Ormerod & Wood, 2021; Torres et al., 2025).

### Development Strategy

Bottom-up tourism development strategies emphasise the active participation of local communities and continuous adaptation to local needs and socio-economic conditions. Such approaches are widely associated with more sustainable social and economic outcomes, as well as stronger levels of community support and ownership (Giampiccoli & Mtapuri, 2022; Zapata et al., 2011). Emerging primarily from local initiatives, bottom-up strategies tend to demonstrate greater project longevity compared to fully externally funded, top-down models, as they are rooted in local capacities, social capital, and contextual knowledge (Zapata et al., 2011). By embedding tourism development within everyday community practices, this approach enhances residents' subjective well-being and strengthens local resilience.

In contrast, top-down tourism development strategies are typically investment-driven and characterised by centrally controlled planning and management, led either by government authorities or large-scale investors. This model is particularly effective in accelerating infrastructure provision, destination branding, and market penetration, especially in regions seeking rapid tourism growth (Kim & Park, 2006; Seyhan & Russo, 2020). However, the dominance of external actors in decision-making processes often leads to limited sensitivity to local aspirations, thereby increasing the risk of social exclusion and community resistance (Seyhan & Russo, 2020).

The existing literature increasingly recognises the complementary nature of these two approaches. While bottom-up strategies enhance community well-being and social legitimacy through participatory mechanisms, top-down approaches provide the regulatory frameworks, financial resources, and strategic coordination necessary for scaling up tourism development (Chen & Yoon, 2019; Lirios, 2025; Tam et al., 2023). Nonetheless, each approach carries inherent limitations: top-down models risk social conflict and weak local


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engagement, whereas bottom-up initiatives frequently face constraints on managerial capacity, institutional support, and access to sustainable financing (Seyhan & Russo, 2020; Zapata et al., 2011).

Accordingly, the integration of bottom-up and top-down strategies is widely regarded as the most effective pathway towards inclusive, sustainable, and locally responsive tourism development. Such hybrid models enable alignment between community-based initiatives and broader policy frameworks and investment mechanisms, thereby maximising developmental impacts while remaining sensitive to local socio-cultural dynamics (Kubickova & Campbell, 2020).

## CONCLUSION

Based on the above discussion, this study concluded that Thailand prioritises strengthening higher education institutions to support national industries, including tourism, by embedding universities within state-led innovation and industrial strategies. In this model, universities are equipped with substantial public investment and institutional authority, enabling them to generate applied research, technological solutions, and skilled human capital that directly serve industry needs. The emphasis is on enhancing internal capacities, including research infrastructure, laboratories, and entrepreneurial ecosystems. So that universities function as integral components of the national production and innovation system. By contrast, Indonesia places greater emphasis on universities' external role in empowering local communities through the pentahelix framework. Rather than acting primarily as state-funded innovation engines, universities in Indonesia often serve as facilitators of networks connecting government, business actors, communities, and the media. Within this configuration, academic institutions play a bridging role by providing knowledge, capacity-building, and social facilitation to support community-based tourism initiatives. This outward-oriented model reflects a governance approach in which universities compensate for limited fiscal capacity and fragmented coordination by mobilising social capital and collaborative partnerships at the local level.

Although this study provides in-depth insights into the differences in fiscal architecture between Indonesia and Thailand, certain limitations should be acknowledged. The use of a comparative case study approach implies that the findings may have limited generalisability to a broader national context beyond the specific institutions and regions examined. For future research, the scope could be expanded by including other ASEAN countries to develop a more comprehensive regional comparative framework. This study is limited by its focus on only two national cases and its reliance on qualitative interpretation of specific subnational contexts. The findings may have limited generalisability to countries with vastly different administrative traditions, and future research should incorporate longitudinal data to further validate these causal associations.

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### CRediT authorship contribution statement

Shadu Satwika Wijaya: Conceptualization, Writing – original draft, Project administration, Funding acquisition, Methodology, Writing – review & editing. Slamet Rosyadi: Conceptualization, Supervision, Formal analysis, Methodology, Writing – review & editing. Muhammad Yamin: Investigation, Data curation, Formal analysis, Writing – original draft. Wahyuningrat: Methodology, Investigation, Writing – review & editing. Fauzi Faisal Akbar: Data curation, Investigation, Visualization. Sunee Hongwiset: Conceptualization, Resources.

### Conflict of Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

### Ethical Statement

Ethical clearance was not formally sought for this study as it involved non-sensitive, low-risk qualitative interviews with participants in their professional capacities. However, strict ethical standards were maintained: informed consent was obtained from all informants prior to the interviews, and their identities were fully anonymized to ensure confidentiality.

### Data Availability

Data available on request from the authors: The data that support the findings of this research are available from the corresponding author, upon reasonable request.

### Declaration of Generative AI Use

During the preparation of this manuscript, the authors used Grammarly to improve the clarity and readability of the text. Output generated by the tool were carefully reviewed and edited by the authors, who take full responsibility for the content of this article. All substantive intellectual contributions, including conceptualization, analysis, interpretation of data, and final decisions regarding content, arguments, and conclusions, were carried out solely by the authors. The authors take full responsibility for the integrity, originality, and academic quality of this article.

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