Examining the Impact of Tourism Growth on Karo District's Development: The Role of Attractions, Accessibility, Amenities, and Creative Economy-driven MSMEs

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Abstract

This study quantitatively analyses tourism development's impact on Karo Regency's growth, particularly emphasizing the role of creative economy-based MSMEs (Micro, Small, and Medium Enterprises). Using data collected from 304 respondents selected from a population of 1,274 farming households through structured questionnaires, the research reveals the significant influence of tourism on regional development. However, it also notes that amenities do not directly affect creative economy MSMEs. The study uncovers the nuanced relationship between tourism and regional growth, highlighting variations across different sectors. Notably, variables like brand and entrepreneurial interest within creative economy MSMEs are not found to contribute directly to regional development. This comprehensive examination of tourism development sheds light on its complex dynamics and diverse impacts on economic sectors, offering valuable insights for regional development and tourism stakeholders and policymakers.

Keywords: *Attraction-Based Tourism Development, Accessibility, Amnesty, Regional Development, Creative Economy.*

Introduction

Regional development, crucial for enhancing public welfare, involves strategically utilizing specific geographical areas to optimize opportunities and resources for income-generating activities. This development aims to create an environment conducive to economic activities, providing the necessary protection, facilities, and infrastructure. A key goal is to establish an efficient, secure, comfortable, and sustainable living environment, as Rustiadi emphasized in 2008. In the context of Karo Regency, the interplay between tourism development and the growth of creative sectors, particularly MSMEs, is paramount.

MSMEs are vital to regional and national economies, producing various goods like agricultural products, textiles, and handicrafts. These products, reflecting local potential, are pivotal in international trade and contribute significantly to economic competitiveness and diversity (Hamdani et al., 2023). The symbiotic relationship between MSMEs and tourism is evident; tourist attractions stimulate MSME growth, which in turn serves the needs of tourists with various products. Studies by Rahman (2009) have shown the strategic role of MSMEs in increasing Gross Domestic Product (GDP) and generating employment.

Further research by Darwanto (2018) and Elsye (2022) highlights the interdependence between tourism, the creative economy, and MSMEs, demonstrating how tourism development bolsters MSME growth in tourist destinations. Prasetyo and Suryoko (2018) discovered that developing tourism through creative

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economy-based MSMEs increases community income and creates new business opportunities. The overarching aim is to enhance Indonesia's economic resilience through the tourism and creative economy sectors. Ambitious targets have been set for foreign exchange earnings, GDP contributions, and international and domestic tourism growth by 2024.

Despite these opportunities, challenges remain in Karo Regency. The local government's underutilization of the region's tourist potential, inadequate infrastructure, and fluctuating tourist numbers—especially during the COVID-19 pandemic—pose significant hurdles. However, the increasing number of creative economy-based MSMEs signals a sector ripe for growth and expansion.

This study explores the influence of tourism attractions, accessibility, and amenities on regional development, specifically through creative economy-based MSMEs in Karo Regency. The objectives are to comprehensively analyze the impact of these elements on the development of tourism areas, contributing to an enriched understanding of regional growth and development dynamics.

The following sections of this paper are organized to systematically explore the interplay between tourism development and regional growth in Karo Regency. Section 2 delves into the theoretical framework guiding this study, followed by an in-depth analysis of tourism development indicators in Section 3. Subsequent sections discuss the methodology, present findings, and interpret the results, concluding with policy implications and recommendations for future research.

Literature Review

Applied Theory of Tourism Development

This study is rooted in applied theory, which operates effectively at a micro-level and is primed for immediate conceptual application. In tourism development, this research incorporates co-creation, entrepreneurial capability, innovation capability, and business performance theories. Co-creation emphasizes collaborative efforts among tourism stakeholders, including tourists, businesses, and local communities, to create shared value. Entrepreneurial capability focuses on the skills required to identify and exploit new opportunities in tourism (Nguyen et al., 2022). In contrast, innovation capability pertains to developing novel tourism products, services, or processes. Business performance in this sphere evaluates tourism endeavors' economic and social impacts.

Tourism development encompasses strategic initiatives to enhance specific locations or areas, especially those needing development. It plays a critical role in industrial placement and regional development, particularly in areas with limited natural resources. As per the International Union of Official Travel Organization's 1963 Rome conference, tourism is instrumental in generating foreign exchange and driving regional growth (Yoeti, 1997: 65). Countries like Indonesia, with diverse tourism resources and emerging infrastructure, are ideal examples of how sustainable and competitive tourism development can be achieved (Somwethee et al., 2023).

The advancement of the tourism industry is geared towards multiple objectives aimed at enhancing community welfare and life quality. These include increasing community income, boosting foreign exchange earnings, expanding employment and business opportunities, raising government revenue through taxation, and stimulating regional development. These goals highlight the multifaceted benefits of tourism, positioning it as a catalyst for comprehensive regional growth and development (Presenza et al., 2023).

Rural tourism emerges as a vital strategy for stimulating rural economies. It offers a way to redistribute economic opportunities from urban centers to rural areas, providing alternative income sources and fostering economic diversification (M. Ali & Esztergár-Kiss, 2023). Rural tourism also plays a significant

role in preserving and revitalizing local crafts and cultural identities and enhancing public services and infrastructure. This form of tourism enhances the tourist experience and contributes to sustainable and inclusive growth in rural economies.

Exploring Tourism Development Indicators: Attraction and Accessibility

Attraction, as a critical indicator in tourism development, refers to the unique aspects of a destination that entice visitors to travel to and stay in that location. This concept encompasses the range of tourist activities and sights, answering the 'what to see and what to do' questions about the travel experience (Huete-Alcocer et al., 2019). These attractions, distinct from the destinations themselves, are often deeply intertwined with local cultural traditions. They provide a window into the local way of life. They can be a significant draw for tourists seeking authentic, culturally rich experiences. The appeal of these attractions lies in their uniqueness and the personal resonance they hold for visitors, making them crucial elements in the promotion and development of tourism destinations.

Accessibility is another fundamental indicator of tourism development. It involves the infrastructure and facilities facilitating tourists' travel to and from destinations. This includes tangible aspects like roads, transportation services, travel agencies, signposts, and travel guides (Lv, 2022). However, accessibility extends beyond physical infrastructure; local knowledge and cultural norms can also significantly impact how accessible a tourist destination is. For example, understanding local customs or language can enhance a tourist's ability to navigate and enjoy a destination. Conversely, a lack of such understanding can pose barriers to accessibility (Chen et al., 2012; Yulianto & Brahmanto, 2023). Thus, improving accessibility enhances physical infrastructure and bridging cultural and informational gaps, ensuring that tourists can fully engage with and appreciate their destinations.

Understanding Tourism Development Indicators: Amenities and MSMEs

Amenities play a crucial role in the tourism sector, referring to the various facilities and services available at a tourist site that meets visitors' needs and wants. These amenities can range from accommodations such as motels and inns to dining options like restaurants and food stands, as well as additional facilities including gift shops, parking spaces, prayer areas, medical facilities, swimming pools, bathing areas, and restrooms (Yen et al., 2021). The presence and quality of these amenities significantly enhance the overall tourist experience, making a destination more attractive and comfortable for visitors. Furthermore, these amenities often reflect local knowledge and cultural customs, giving tourists a deeper understanding and appreciation of the destination's unique characteristics.

MSMEs are an integral part of the tourism ecosystem, defined by the Central Statistics Agency (BPS) based on employment size. Small enterprises typically have five to nineteen employees, while medium enterprises have twenty to ninety-nine employees. According to the Ministry of Finance, a small business is defined as any individual or entity with annual sales or turnover not exceeding Rp. 600,000,000, or assets up to Rp. 600,000,000, excluding buildings and land used for business operations, as outlined in the Minister of Finance Decree Number 316/KMK 016/1994, dated June 27, 1994. MSMEs contribute significantly to the tourism industry, often serving as amenities and service providers (Aquino et al., 2018; (Neuroscience, 2023)). They play a vital role in the economic development of a region, offering employment opportunities, supporting local economies, and contributing to the diversity and richness of tourist experiences. The synergy between MSMEs and tourism development is therefore essential, as these enterprises often cater to the needs of tourists while showcasing local products and culture.

Characteristics and Empowerment of Micro, Small, and Medium Enterprises (MSMEs)

Micro, small, and medium enterprises (MSMEs) in Indonesia, as characterized by Law No. 20 of 2008, represent a unique and vital segment of the economy (Setyawati, 2015). These enterprises are typically owned by private individuals or legal entities and maintain their independence. They do not function as

subsidiaries or branches of giant corporations. This independence is crucial as it allows MSMEs to operate flexibly, meeting the criteria established for small-scale businesses. A significant feature of MSMEs is their modest capital requirement compared to larger companies. This characteristic and a relatively straightforward establishment process make MSMEs accessible and feasible for a broader population segment (Kurniawati et al., 2021). Furthermore, MSMEs often do not demand highly technical skills or formal advanced education from their employees, making them a key player in job creation, especially for individuals with limited formal education.

The role of MSMEs in the Indonesian economy is multifaceted. They are instrumental in creating job opportunities, which in turn helps in alleviating poverty. Additionally, their contribution to the national income positions them as vital components in promoting economic growth. The empowerment and development of MSMEs are governed by principles outlined in Article 2 of Law No. 20 of 2008 (Kilay et al., 2022). These principles include kinship, promoting a sense of community among businesses; economic democracy, ensuring equal economic participation; togetherness, fostering collaboration; fair efficiency, balancing economic benefits with fairness; sustainability, focusing on long-term business viability; environmental awareness; independence, supporting autonomous operation; balance of progress, ensuring equitable development; and national economic unity, contributing to the overall cohesion of the national economy (Tambunan, 2019).

These characteristics and guiding principles underscore the importance of MSMEs in the Indonesian economic landscape. Their development is not just about the growth of individual businesses but also about contributing to the broader goals of national economic development and social welfare. This makes MSMEs an essential focus for policy-makers and economic strategists aiming to foster inclusive and sustainable economic growth.

Challenges and Problems of MSMEs

Micro, Small, and Medium Enterprises (MSMEs) face a spectrum of challenges intricately outlined by Sulastri (2016). These challenges are broadly categorized into three primary segments:

- Foundational Issues: The first category encompasses fundamental obstacles such as liquidity constraints, informal legal entity structures, human resource limitations, product development challenges, and restricted marketing access. These issues are deeply rooted in the inherent characteristics of MSMEs, primarily their limited capital and informal operational frameworks. Cash constraints often hinder operational expansion and innovation. At the same time, informal legal structures can impede access to formal financial and support services. Human resource constraints, encompassing both the quantity and quality of labor, can restrict an MSME's ability to innovate and grow. Product development and market access are also continually challenging, especially in a competitive and ever-evolving market landscape.
- Advanced Challenges: This category deals with the complexities of entering and thriving in export markets, a formidable task for many MSMEs. The global marketplace presents many challenges, including stringent compliance requirements, fierce competition, and the need for consistent product quality and innovation. For many MSMEs, these requirements are challenging to meet, given their limited resources and scale of operation.
- Intermediate Problems: These issues arise from the interaction of MSMEs with related agencies and the broader ecosystem. They represent the challenges in bridging the gap between foundational issues and advanced difficulties. This includes bureaucratic processes, lack of tailored support from government agencies, and difficulties accessing developmental resources crucial for tackling more complex market challenges.

The Role of Creative Economy-based MSMEs

The creative economy, as conceptualized by the Ministry of Trade of the Republic of Indonesia (2018) and further elaborated by UNDP (2018), is an endeavor to build a competitive, resourceful, and environmentally sustainable economy underpinned by innovation. This economy integrates creative technology, cultural applications, and inventive knowledge, creating a vibrant and dynamic sector.

According to UNESCO (2013), the creative industry is pivotal in generating income and employment opportunities by harnessing creativity, talent, and skills. The amalgamation of creative culture – a blend of innovation, product development, and commercialization – drives the creative industry. The core of this sector relies on the triad of individual talent, skills, and creativity. As Suryana (2013) highlights, these components are fundamental to the creative industry, relying on intellectual works to enhance welfare. The creative economy represents a significant opportunity for MSMEs to diversify and innovate within their operations, leveraging their inherent creativity and agility to tap into new markets and create value-added products and services.

The comprehensive analysis of MSMEs' challenges and the creative economy's potential offers valuable insights for academic research. It underscores the need for targeted strategies to address the multifaceted challenges confronting MSMEs. It highlights the immense potential of creative economy-based MSMEs in driving innovation and economic growth.

Area Development and Regional Development Systems

Sirojuzilam (2015) defines area development as a concept centered on enhancing the value of regional benefits for communities in specific areas. This development aims to create regions capable of accommodating more people, characterized by improved community welfare. Key indicators of this welfare include the availability of facilities or infrastructure, goods, or services, along with an elevation in the type, intensity, service, and quality of community business activities. Essentially, area development is about making regions more livable and prosperous, providing the necessary resources and opportunities for the inhabitants to thrive.

When it comes to the systems of regional development, two primary approaches are identified: the top-down system and the bottom-up system. The top-down system includes strategies like growth poles, which focus on specific areas or industries as catalysts for overall regional growth; functional-spatial integration, which coordinates various functions within a space for optimal development outcomes; and a decentralized territorial approach that aims to distribute development efforts across different territories to achieve balanced growth. On the other hand, the bottom-up system is characterized by the concept of 'development from below,' highlighting the importance of grassroots initiatives and local community involvement in the development process. This approach underscores the significance of empowering local entities and utilizing the potential and resources of local communities as drivers of regional development.

Riyadi (2002) identifies three key factors influencing regional development: productivity, efficiency, and societal participation. Productivity is crucial as it pertains to the region's capability to efficiently produce goods and services, thus contributing to economic output. Efficiency relates to the optimal utilization of resources, minimizing waste, and maximizing outputs. Lastly, society participation is vital, encompassing community engagement in decision-making, contribution to local initiatives, and active involvement in development activities.

Tourism and Territory Development Conceptual Framework

Figure 1 shows the framework illustrates that tourist development is influenced by three key variables: Attractions (X1), Accessibility (X2), and Amenities (X3). These variables are the drivers of tourist development in a given area:

- Attractions (X1) include natural, cultural, or manufactured features that draw visitors to a destination.
- Accessibility (X2) pertains to the ease with which tourists can reach and navigate the destination, including the transportation infrastructure and the availability of information.
- Amenities (X3) are the facilities and services that enhance the comfort and experience of tourists, such as hotels, restaurants, and recreational facilities.

The tourist development, in turn, influences territory development. Territory development is depicted as having three outcome variables: Economy, Social, and Facilities and Infrastructure. This suggests that the growth of tourism in a region can lead to economic development, social improvements, and the enhancement of facilities and infrastructure.

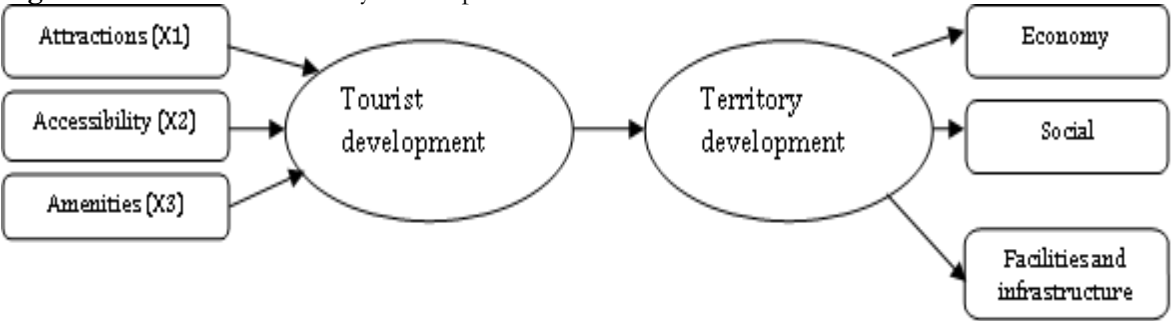**Figure 1**: Tourism and Territory Development Framework.

Figure 2 shows creative MSMEs and identifies five factors that affect their dynamics:

- Technology (Z1) is likely about how technological advancements and digital tools are leveraged by MSMEs.
- Business Growth (Z2) represents the expansion and scaling of MSMEs, potentially including financial growth, market expansion, or product/service diversification.
- Marketing (Z2) refers to MSMEs' strategies and channels to promote their products and services.
- Business Network (Z3) could involve the connections and collaborations that MSMEs establish with other businesses, stakeholders, and partners.
- Brand (Z1) might indicate the development of the MSME's identity and reputation in the market.
- Entrepreneurial Interest (Z1) could represent MSME entrepreneurs' motivation, ambition, and innovative thinking.

The framework suggests that these factors collectively influence the dynamics of creative MSMEs, potentially affecting their success, sustainability, and impact on the broader economy.

Figure 2: Creative MSMEs and Identifies Five Factors.
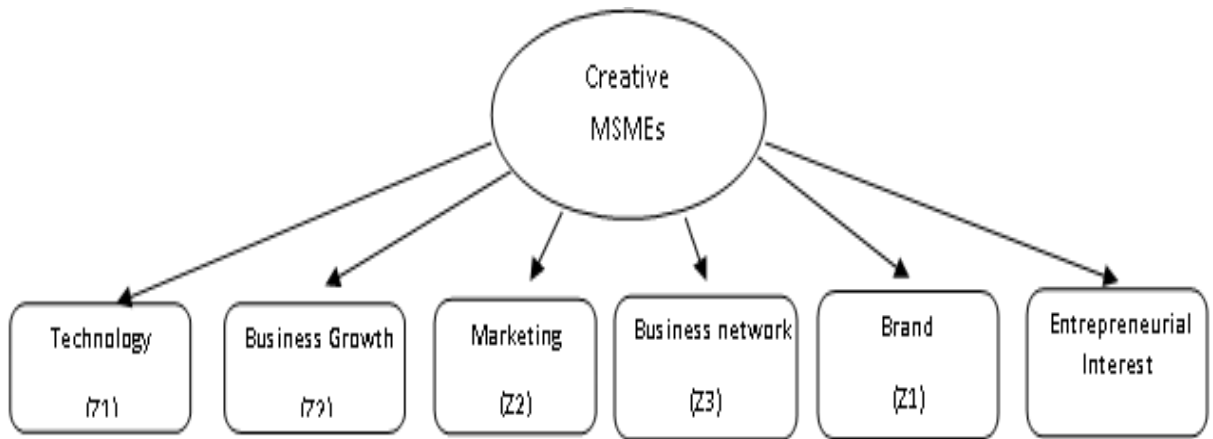
Research Hypothesis

1. Tourist attractions have a significantly favorable influence on the development of tourism areas through creative economy-based MSMEs in Karo Regency.
2. Accessibility has a significant positive effect on the development of tourism areas through creative economy-based MSMEs in Karo Regency.
3. Amenities have a significant favorable influence on the development of tourism areas through creative economy-based MSMEs in Karo Regency.

Method

Research Design

This study is structured to analyze the interactions and the extent of influence among the independent and dependent variables identified. The rationale for this approach is underpinned by the objective of elucidating the correlations and causal connections between multiple variables within the context of tourism development (Rusiadi et al., 2014). The empirical setting for this research is Karo Regency, a region with a vibrant tourism sector.

Population and Sampling

The research encompasses a population aggregating tourism development households in Karo Regency, totaling 1,274 residential units (RTs). From this population, a sample size of 304 individuals was determined to represent the study.

Data Analysis Using SmartPLS

The methodology for data analysis incorporates the SmartPLS software, which facilitates the evaluation of the measurement model (outer model) and the structural model (inner model) through the following tests:

- Measurement Model (Outer Model) Assessment: a. Validity Test: This includes assessing convergent validity, where outer loadings should exceed 0.7, and evaluating discriminant validity, where cross-loadings should be greater than 0.7. b. Reliability Test: The model's reliability is determined through Cronbach's Alpha (>0.6) and Composite Reliability (>0.6), ensuring internal consistency within the constructs.
- Structural Model (Inner Model) Assessment: a. R-square Test: An R2 value greater than 0.10 indicates a model's explanatory power. b. Q2 (Stone-Geisser Test): This test assesses the model's predictive relevance. c. Goodness of Fit (GoF): The GoF is gauged with thresholds set for small

(0.1), medium (0.25), and large (0.38) effect sizes.

Hypothesis Testing

The hypotheses are tested using path coefficients within the inner model. To determine the significance of the relationships, the path coefficient values must surpass the threshold of 1.96.

Research Results

Assessment of Convergent Validity

The analysis for convergent validity focused on the relationship between latent variables and their corresponding indicators. The aim was to validate the construct of each study variable indicator (X, Y, and Z). The results indicated that the calculated r-validity value for each indicator was higher than the established threshold for outer loading (0.7). This outcome confirms that the constructs within the study exhibit a high degree of convergent validity, with indicators sufficiently reflecting their respective latent variables.

Evaluation of Discriminant Validity

Upon conducting the discriminant validity test, the findings demonstrated that all the correlation values between latent variables were more significant than the cross-loading value (0.7). This indicates a robust level of discriminant validity, ensuring that each latent variable is distinct and captures a unique construct unrelated to the others.

Table 1: Tabulated Results of the Discriminant Validity Test.

Variable	X1 (Attractions)	X2 (Accessibility)	X3 (Amenities)	Z (Creative MSMEs)	Y (Regional Development)	Overloading	Conclusion
X1 (Attractions)	0.824					0.7	Adequate
X2 (Accessibility)		0.858				0.7	Adequate
X3 (Amenities)			0.892			0.7	Adequate
Z (Creative MSMEs)				0.981		0.7	Adequate
Y (Regional Dev.)					0.952	0.7	Adequate

Table 1 shows the discriminant validity test results, showing the loading factors for each variable (X1, X2, X3, Z, Y) and confirming that they all surpass the minimum requirement of 0.7 for adequacy. The conclusion drawn from this table is that the discriminant validity of the constructs within the study is well-established, supporting the distinctiveness of each variable within the research framework.

Analysis of Discriminant Validity Using AVE (Average Variance Extracted)

The study's discriminant validity assessment was further substantiated using the Average Variance Extracted (AVE) for each latent variable (See Table 2). AVE measures the level of variance captured by a construct versus the variance due to measurement error. Values greater than 0.5 are typically considered acceptable, indicating that their respective latent variable accounts for the majority of the variance in the indicators.

The AVE-count values for the five latent variables were determined to be as follows: Attractions (X1) with 0.737, Accessibility (X2) with 0.795, Amenities (X3) with 0.734, Regional Development (Y) with 0.689, and Creative MSMEs (Z) with 0.679. Each of these values exceeds the benchmark AVE-table value of 0.5, suggesting that a significant portion of the variance in the observed variables can be attributed to the latent constructs they are intended to measure.

Table 2: Tabulated AVE Results for Discriminant Validity.

Latent Variables	AVE-count	AVE-table	Conclusion
Attractions (X1)	0.737	0.5	Adequate

Accessibility (X2)	0.795	0.5	Adequate
Amenities (X3)	0.734	0.5	Adequate
Regional Development (Y)	0.689	0.5	Adequate
Creative MSMEs (Z)	0.679	0.5	Adequate

This analysis shows that the study's latent variables exhibit discriminant solid validity based on the AVE criteria. This means that each construct is distinct and well-defined by its indicators, ensuring the clarity and precision of the measurement model in the research.

Reliability Test Findings

The reliability of the latent variables was assessed using Cronbach's alpha and composite reliability values. The Cronbach's alpha values for the variables Attractions (X1), Accessibility (X2), Amenities (X3), Regional Development (Y), and Creative MSMEs (Z) were found to be 0.972, 0.983, 0.974, 0.984, and 0.985, respectively. These values are well above the recommended threshold of 0.6, indicating high internal consistency. Similarly, the composite reliability values for these variables were recorded as 0.975, 0.984, 0.976, 0.985, and 0.986, respectively, surpassing the benchmark of 0.6. These results demonstrate that the constructs are reliably measured, ensuring the stability and consistency of the measurement model.

Table 3: Tabulated Reliability Test Results.

Latent Variables	Cronbach's Alpha	Composite Reliability	Threshold	Conclusion
Attractions (X1)	0.972	0.975	0.6	Adequate
Accessibility (X2)	0.983	0.984	0.6	Adequate
Amenities (X3)	0.974	0.976	0.6	Adequate
Regional Development (Y)	0.984	0.985	0.6	Adequate
Creative MSMEs (Z)	0.985	0.986	0.6	Adequate

Structural Model Test Results

The structural model's path coefficients were also evaluated, with the relationships between the variables as follows:

- Development (X) to Creative Economy-based MSMEs (Z): Path coefficient γ_1 is 0.988.
- Development (X) to Regional Development (Y): Path coefficient γ_2 is 0.764.
- MSMEs (Z) to Regional Development (Y): Path coefficient γ_3 is 0.235.

All relationships show path coefficients with significant values, indicating solid relationships among the variables.

Latent Variable Outer Weight Values

The analysis of outer weight values for the latent variables and their indicators returned significant results, with T-statistics values exceeding the critical value of 1.96 for all indicators. This signifies that each variable's contribution to the model is significant (See Table 4).

Table 4: Latent Variable Outer Weight Value.

Latent Variables	Indicator	Outer Weight Value	T-Statistics	T-table	Conclusion
	X1	0.176	78,996	1.96	Significant
Development	X2	0.181	67,331	1.96	Significant
Tour	X3	0.176	109,663	1.96	Significant
	Z1	0.156	80,409	1.96	Significant
	Z2	0.157	79.99	1.96	Significant
MSME based	Z3	0.147	145,856	1.96	Significant
Creative Economy	Z4	0.142	83,064	1.96	Significant
(Z)	Z5	0.146	129,449	1.96	Significant

	Z6	0.159	70,276	1.96	Significant
	Z7	0.147	51,593	1.96	Significant
	Y1	0.345	134	1.96	Significant
Development	Y2	0.351	111,463	1.96	Significant
Region	Y3	0.335	141.116	1.96	Significant

Given that all T-statistic values for the latent variables are more significant than 1.96, the research concludes that Variable X (Area Development) and its dimensions significantly influence the dependent variables.

Analysis of Structural Model and Goodness of Fit

The structural model's test results have demonstrated strong explanatory power for the endogenous variables (See Table 5). The composite reliability (CR) value for the latent variable Z (Creative Economy-based MSMEs) is exceptionally high at 0.986. The R-square values for the two endogenous variables, Regional Development (Y) and Creative Economy-based MSMEs (Z), are 0.996 and 0.986, respectively. These values indicate an excellent level of determination, with the independent variables Attractions (X1), Accessibility (X2), and Amenities (X3) collectively explaining 99.6% of the variance in Regional Development (Y) and 98.6% of the variance in Creative Economy-based MSMEs (Z). The slight unexplained variance suggests that other factors not included in the study may account for the remaining percentages.

Table 5: Tabulated Determination Test Results (R-square).

Endogenous Variables	R-Square	Standard (0.67)	Conclusion
Regional Development (Y)	0.996	0.67	Strong
Creative Economy MSMEs (Z)	0.986	0.67	Strong

The R-square values are well above the standard benchmark of 0.67, signifying robust model strength.

Predictive Relevance (Q2) Results

The Stone-Geisser Test (Q2) values for Y1 and Y2 are 0.841 and 0.916, respectively. These values are significantly more significant than the threshold of 0.35, indicating that the model has high predictive relevance for the endogenous constructs (See Table 6).

Table 6: Tabulated Stone-Geisser Test Results (Q2).

Endogenous Variables	SSO	SSE	Q2 (1-SSE/SSO)	Standard	Conclusion
Regional Development (Y)	2,128,000	338,878	0.841	0.35	Large
Creative Economy MSMEs (Z)	912	76,692	0.916	0.35	Large
Endogenous Variables	SSO	SSE	Q2 (1-SSE/SSO)	Standard	Conclusion
Regional Development (Y)	2,128,000	338,878	0.841	0.35	Large
Creative Economy MSMEs (Z)	912	76,692	0.916	0.35	Large

These Q2 values confirm the model's ability to predict the endogenous constructs effectively.

Goodness of Fit (GoF) Assessment

The GoF of the model is evaluated by considering the total R-square value, which, in this study, is 1.982. This high value supports the conclusion that the model's outer and inner models perform exceptionally well (See Table 7).

Table 7: Tabulated GoF Test Results.

Regression	R-Square	Total R-squared
Regional Development (Y)	0.986	
Creative Economy MSMEs (Z)	0.996	
Total		1.982

The total R-squared value substantially exceeds the individual R-square values for the constructs, validating the combined performance of the measurement model (outer model) and the structural model (inner model).

Direct Influence of Independent Variables on Creative Economy MSMEs

The hypothesis testing results reveal that among the independent variables, Amenities (X3) did not significantly impact the moderating variable, Creative Economy MSMEs (Z). The T-statistic values for Attractions (X1) and Amenities (X3) were 1.981 and 0.379, respectively, both falling short of the critical value of 1.96, which supports the finding of a non-significant impact (See Table 8).

Table 8: Tabulated Partial Direct Effect of X on Z.

Parameter	T-Statistic	T-table	P-value	Conclusion
X1 -> Z	1.981	1.96	0.041	Significant
X2 -> Z	8.046	1.96	0.000	Significant
X3 -> Z	0.379	1.96	0.705	Not Significant

Simultaneous Influence of Independent Variables on Creative Economy MSMEs

In terms of the simultaneous impact, the independent variable X (Tourism Development) significantly influenced the moderating variable Z (Creative Economy MSMEs) with a T-statistic value of 429.984, which is well above the critical value (See Table 9).

Table 9: Tabulated Partial Direct Effect of X on Z.

Parameter	T-Statistic	T-table	P-value	Conclusion
X against Z	429.984	1.96	0.000	Significant

Partial Influence of Independent Variables on Regional Development

When examining the individual effects of the independent variables on Regional Development (Y), it was found that Amenities (X3) did not have a significant impact with a T-statistic of 1.115 (See Table 10).

Table 10: Tabulated Partial Direct Effect of X on Z.

Parameter	T-Statistic	T-table	P-value	Conclusion
X1 -> Y	3.247	1.96	0.001	Significant
X2 -> Y	6.416	1.96	0.000	Significant
X3 -> Y	1.115	1.96	0.265	Not Significant

Simultaneous Influence of Independent Variables on Regional Development

Furthermore, the overall influence of the independent variables on Regional Development was found to be significant, with a T-statistic value of 1214.978, indicating a strong influence (See Table 11).

Table 11: Tabulated Simultaneous Influence of X on Y.

Parameter	T-Statistic	T-table	P-value	Conclusion
X against Y	1214.978	1.96	0.000	Significant

Direct Effect of Creative Economy MSMEs on Regional Development

The hypothesis testing for the direct effect of the moderating variable Z (Creative Economy MSMEs) on the dependent variable Y (Regional Development) shows that two out of the seven moderating variables—Z5 (Brand) and Z6 (Entrepreneurial Interest)—do not have a statistically significant effect on Regional Development, as indicated by their T-statistic values being below the threshold of 1.96 (See Table 12).

Table 12: Tabulated Hypothesis Test Results for Direct Effects of Z on Y.

Parameter	T-Statistic	T-table	P-value	Conclusion
Z1 -> Y	2.66	1.96	0.008	Significant
Z2 -> Y	11.849	1.96	0.000	Significant
Z3 -> Y	2.771	1.96	0.006	Significant
Z4 -> Y	2.044	1.96	0.041	Significant
Z5 -> Y	0.192	1.96	0.848	Not Significant
Z6 -> Y	1.797	1.96	0.073	Not Significant
Z7 -> Y	1.974	1.96	0.049	Significant

Furthermore, the overall direct influence of Z on Y is found to be significant, with a T-statistic value of 496.497, well above the threshold, and a p-value of 0.000, indicating a robust direct effect.

Indirect Partial and Simultaneous Effects of Independent Variables on Dependent Variables via Creative Economy MSMEs

The analysis of the indirect effects examines the influence of the independent variables X1 (Attractions), X2 (Accessibility), and X3 (Amenities) on Regional Development (Y) through Creative Economy MSMEs (Z) (See Table 13).

Table 13: Tabulated Hypothesis Test Results for Indirect Effects of X on Z to Y.

Parameter	T-Statistic	T-table	P-value	Conclusion
X1 -> Z -> Y	1.983	1.96	0.405	Significant
X2 -> Z -> Y	8.124	1.96	0.000	Significant
X3 -> Z -> Y	0.368	1.96	0.713	Not Significant

The indirect effect of Attractions (X1) on Regional Development through Creative Economy MSMEs is significant, as is the effect of Accessibility (X2). However, Amenities (X3) do not significantly affect Regional Development indirectly through Creative Economy MSMEs.

Indirect Simultaneous Effect of X on Y via Z

The simultaneous indirect effect of the independent variable X (Tourism Development) on the dependent variable Y (Regional Development) through the moderating variable Z (Creative Economy MSMEs) is significant. This is evidenced by high T-statistic values for the paths X -> Z, Z -> Y, and the indirect path XZY, indicating a solid simultaneous indirect effect (See Table 14).

Table 14: Tabulated Hypothesis Test Results for Indirect Simultaneous Effects of XZY.

Parameter	T-Statistic	T-table	P-value	Conclusion
X -> Z	15.389	1.96	0.000	Significant
Z -> Y	430.463	1.96	0.000	Significant
XZY	4.701	1.96	0.000	Significant

The hypothesis testing results indicate that certain independent variables have a significant direct and indirect effect on Regional Development through their influence or moderated through Creative Economy MSMEs. However, Brand and Entrepreneurial Interest variables did not exhibit a significant direct effect on Regional Development. These findings provide important insights into the dynamics of tourism development and its impact on regional economic growth.

Discussions

The research indicates a significant correlation between tourism development initiatives and the growth of regional development. With a T-statistic value well above the threshold, the study underscores the

vital role of tourism as a driver of regional progress. However, this broad impact contrasts with the specific role of amenities (X1), which did not substantially affect regional development. This finding prompts a closer look at the amenity offerings in Karo Regency. It suggests that while the availability of amenities is necessary, their quality and alignment with tourist expectations, particularly in terms of culinary experiences, require enhancement to leverage their potential for economic impact fully.

The research findings are congruent with Darwanto's (2018) perspective on tourism development as a complex interplay of activities and infrastructure designed to increase tourist numbers and improve service facilities. The comparison with Maisyaroh's (2018) study further reinforces the notion that the economic benefits of tourism are not solely dependent on the quantity but also the quality of amenities, services, and experiences provided. This insight is particularly relevant to Karo Regency, where the food service quality has not yet met the refined expectations of a global audience, potentially impeding the maximization of regional development benefits from tourism.

The study elucidates the substantial influence of the creative economy on regional development. Nonetheless, it also highlights that not all elements within the creative economy have an equal impact; specifically, brand identity and entrepreneurial interest among MSMEs did not significantly influence regional development. This nuanced understanding encourages a deeper analysis of the creative economy's components to identify areas most conducive to driving regional growth and where additional support or innovation may be required.

The discussion acknowledges creative MSMEs and the tourism sector's challenges, including marketing, human resources, financial limitations, and technological integration. These challenges are critical barriers that must be addressed to unlock the full potential of these industries for regional development. Strategies for overcoming these barriers could include targeted promotional efforts, capacity-building programs, access to capital, and technology adoption support.

The research confirms tourism development's indirect yet significant role in enhancing regional development through creative economy-based MSMEs. This finding supports the concept of a synergistic relationship where tourism development and creative resources work in tandem to spur regional economic growth, aligning with global trends that favor cultural tourism and creativity as economic staples.

A novel aspect of this research lies in elucidating creative economy-based MSMEs as mediators between tourism development and regional development. This mediating role presents a unique model that accentuates the interdependence of tourism and the creative economy as dual engines powering regional growth.

The study's outcomes suggest actionable policy implications for Karo Regency, emphasizing the need to apply tourism development indicators to ensure consistently enhanced tourist experiences. It also highlights the importance of nurturing MSMEs through the development of technology, networking, marketing, and entrepreneurial activities. These policy recommendations aim to create a conducive environment where tourism and creative MSMEs can synergistically contribute to the broader objective of sustainable and inclusive regional development.

Conclusions and Further Research

The study has provided valuable insights into the dynamics of tourism development and its impact on regional development, with a specific focus on creative economy-based Micro, Small, and Medium Enterprises (MSMEs) in Karo Regency. The key conclusions drawn from the research are as follows:

- Significant Role of Tourism Development: The findings underscore the substantial influence of tourism development on regional development. This highlights the importance of tourism as a critical driver for economic growth and regional prosperity.

- Nuanced Impact of Amenities: Among the various components of tourism development, amenities did not significantly impact regional development. This suggests that while amenities are crucial, their quality and relevance to tourists' expectations are equally important for achieving desired economic outcomes.
- Creative Economy-Based MSMEs as Mediators: The study revealed that creative economy-based MSMEs mediate the relationship between tourism development and regional development. This indicates these enterprises' potential to enhance tourism's economic benefits.
- Challenges in Tourism and Creative Economy Sectors: The research identified several challenges facing the tourism and creative economy sectors, including issues related to marketing, human resources, financial constraints, and technological integration. Addressing these challenges is crucial for these sectors' sustained growth and contribution to regional development.
- Policy Implications: The findings suggest the need for targeted policy interventions to enhance the quality of amenities, support the growth of creative economy-based MSMEs, and address the sector-specific challenges identified.

Recommendations for Further Research

Building upon the findings of this study, several areas for further research are recommended:

- Quality of Amenities: Future studies could explore in greater detail the specific aspects of amenities that most significantly impact tourists' satisfaction and spending, particularly in the context of international tourism.
- Longitudinal Studies: Long-term studies could provide insights into the evolving nature of tourism development and its sustained impact on regional development over time.
- Comparative Analysis: Comparative research across different regions or countries could offer a broader perspective on how various tourism development models and creative economy integration impact regional development.
- Impact of Technological Advancements: With the rapid advancement of technology, further research could investigate how digital innovation and online platforms influence tourism and the creative economy, especially in the context of marketing and customer engagement.
- Role of Government and Policy Interventions: Additional studies could examine the effectiveness of various government policies and support mechanisms in fostering the growth of tourism and creative economy sectors.
- Socio-Cultural Impacts: Future research could also consider the socio-cultural impacts of tourism development, particularly in preserving local culture and community participation in tourism activities.

By addressing these areas, future research can continue to build on understanding the complex interplay between tourism, creative economy, and regional development, thereby contributing to more effective policy-making and strategic planning in these sectors.

Acknowledgments

Credit Authorship Contribution Statement:

The authors contributed equally to this work.

Declaration of Competing 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.

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