

# Understanding the Importance of Financial Strength and Emotional Intelligence of Employees at the Regional Tax and Retribution Board and the Capital Investment Agency of Medan City

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## ABSTRACT

Regional Tax and Retribution Board (BPPRD) plays the role of raising regional income. Whereas the Capital Investment Agency and One-Stop Integrated Service (DPMTSP) plays the role of actualizing investment in one region. Both institutions help create local financial strength. The understanding towards the importance of financial strength of Medan city by its staffs at service departments in both institutions as well as their emotional intelligence in dealing with taxpayers and potential investors in Medan city is highly necessary. The present study aims at obtaining empirical evidence about dissenting understanding towards the importance of Medan city financial strength and emotional intelligence among the staffs in these institutions. A total of 35 staff at service department in BPPRD and 20 staff at DPMTSP were involved as the sample of our study. A discriminant analysis was used as the test tool. The results of this study revealed that there is a significant difference in understanding the importance of the financial strength of Medan city and the ability to manage emotions between the two groups. The implication is that the policy to enhance the understanding towards the importance of financial strength and the ability to manage emotions when it comes to dealing with the public society shall be augmented, especially in the government institutions where their employees' understanding and abilities are significantly lower.

**Keywords:** *financial strength, emotional intelligence, emotion management*

## 1. INTRODUCTION

Financial strength plays a pivotal role for local governments in supporting its function to provide services to the community [1]. Financial strength contributes to the organization's sustainability during the unfavorable economic conditions [2]. Local governments also need to have financial strength as seen by their fiscal health.

Financial strength lies in the ability to generate income and liquidity as well as the loss of an entity [3]. Regional income is collected by the Regional Tax and Retribution Management Agency (BPPRD). The local revenue management cycle starts from identifying revenue sources, revenue administration, revenue collection, revenue accounting, and revenue allocation [4]. Intensification and extensification can be used to

increase tax revenue. Intensification is done by increasing the amount of tax revenues collected from registered taxpayers. Extensification, in the meantime is the efforts made to increase the number of registered taxpayers [5].

The Regional Tax and Retribution Board (BPPRD) assumes the role of managing regional taxes and levies. The taxes collected include from the hotels, restaurants, entertainment taxes, parking taxes, rural and urban land and building taxes, and others. The Capital Investment Agency and One-Stop Integrated Service (DMPTSP) manages investments that support the regional revenues. These taxes and other regional revenues serve as the indicators of local government fiscal health [6].

BPPRD and DMPTSP Medan City which sit in the same building are institutions that play critical roles in

determining the financial strength of Medan City. The former performs the function of collecting direct income from the society, the latter increase investment in the region thus indirectly lead to increasing regional income as well.

To support the regional income, officers who serve the taxpayers and frontline officers who serve the society for capital investment licenses are needed. The officer's understanding of the importance of financial strength may improve their performance in serving the society so that the organizational goal is achieved. To this end, there has been no research on the understanding of tax officers, thus it provides the novelty in this research. [7] asserts that there are two major aspects of Emotional Quotient, including understanding yourself and your goals, aspirations, response and behavior and understanding others and their feelings.

In addition, it is also important to pay attention to employees' emotional intelligence in the tax service division and business license management, especially their ability to control emotions in serving people with different types of behavior. Emotional intelligence is defined as a person's awareness of his emotions and other's emotions and his ability to recognize and control them and also the ability to express sympathy for others [8]. Self-management is one of the key elements of emotional intelligence as proposed by [9] which holds importance for the frontline staff.

This study aims to obtain empirical evidence about differences in understanding the importance of Medan City's financial strength and emotional intelligence among frontline employees at Capital Investment Agency (BPPRD) and One-Stop Integrated Service (DMPTSP). The urgency of this research is that it might serve as an evaluation for the leaders to make future policies. Furthermore, efforts can be made to increase the understanding in institutions that have a lower score of understanding the importance of financial strength, as well as placing people with high emotional intelligence in the frontline department in the institutions with lower emotional intelligence scores.

The reasons why employees can manage emotions well are further inquired in open-ended questions. The findings of the present study are important as a lesson, so that we can manage our emotions well.

## 2. LITERATURE REVIEW

Emotional intelligence is the ability to manage one's own emotions and the ability to manage the emotions of others [10]. Emotional Intelligence which is often measured as Emotional Intelligence Quotient (EQ), is the ability to be aware of one's own emotions and the emotions of others. According to [7] there are two main aspects of EQ, i.e: understanding yourself and your goals,

aspirations, responses and behavior and understanding others and their feelings.

There are five key elements of emotional intelligence as proposed by [9], including self-awareness, self-regulation, motivation, empathy, and social skills. 1. Self-awareness is an individual's ability to recognize his or her feelings within him and the impact it has on the individual and to use it to as a guide for decision-making, having a parameter or realistic self-efficacy and strong self-confidence and relate it with the root of causes. 2. Self-management is the ability to deal with emotions, express and control emotions, being sensitive to conscience for day-to-day relationships and actions. 3. Motivation is the deepest ability to move and guide ourselves towards achieving a goal, help to take initiatives and act in a very effective manner, and be able to survive and rise from failures and frustration. 4. Empathy (Social Awareness) represents the ability to feel what others feel, to understand others' perspectives, and to create mutual trusts and be able to adopt with different types of individuals. The indicators include attention, perspective-taking, and fantasy. 5. Social skill is the skill required to effectively handle and influence the emotions of others. [11] found that emotional intelligence have an effect on performance.

## 3. METHOD

The sample consisted of 35 frontline employees at BPPRD and 20 at employees DPMPTSP. Discriminant analysis was used as the test tool. The test was run at the alpha level of 10%. The validity test was conducted on 30 people other than the frontline employees.

In a discriminant analysis, the Y variable is categorical in nature, in this case 1 is the employee of BPPRD, and 2 are the employee of DMPTSP.

While the dependent variables include:

$X_1$  = understanding of the importance of financial strength  
 $X_2$  = Self-Management

The  $X_1$  variable is a latent variable with the indicators of understanding the regional tax function for the regional development, understanding its contribution to establishing an independent city, understanding that the employee is a public servant, understanding that he indirectly takes the role in increasing the regional income, understanding the importance of providing information about regional tax to the public, understanding that the tax paid on time will improve the welfare of the society.

The  $X_2$  variable is also the latent variable with the indicators include emotion management, positive prejudice, and easing anger.

The assessment was conducted on an interval scale of 1 to 5 with 1 indicating strongly disagree and 5 indicating strongly agree.

In addition, open-ended questionnaires were used to address how respondents control their emotions when it comes to providing service to the society notably with bad behavior.

#### 4. RESULTS AND DISCUSSIONS

The finding suggests that the average score of the two groups are high enough which is above 4 (Table 1).

**Table 1.** Mean and Standard Deviation

Institution		Mean	Std. Deviation
BPPRD	X1	4.577	0.422
	X2	4.381	0.519
DPMPTSP	X1	4.360	0.370
	X2	4.017	0.753
Total	X1	4.498	0.414
	X2	4.248	0.633

A discriminant analysis demonstrates the following results:

1. The Test of Equity of Group Means table (Table 2) shows the significance of X1 variable by 0,061 and X2 variable by 0,039 meaning that there is dissenting understanding of the importance of financial strength and self-management of employees in both institutions.
2. The Test Results Table (Table 3) shows a significance of 0,101 which means that the variance between the two groups is homogeneous, thus allowing it to meet the assumption of discriminant analysis.
3. The Wilks' Lamda table (Table 4) shows a significance of 0,072 indicating that there is a significant discrepancy in understanding the importance of strength and self-management in both institutions
4. The Structure Matrix (Table 5) shows the most distinguishing factors that both institutions have including self-management and understanding the importance of strength.

**Table 2.** Test of Equality of Group Means

Wilks' Lambda	F	df1	df2	Sig.
935	3.669	1	53	061
922	4.495	1	53	039

**Table 3.** Test Results

Box's M	6.520
F Approx.	2.074
df1	3
df2	47940.492
Sig.	101

**Table 4.** Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	904	5.252	2	072

**Table 5.** Structure Matrix

	Function
	1
X2	,893
X1	807

The quality service management provided by public institutions must represent the main priority of the manager in the constantly changing society [12]. It is therefore important for the management to boost employees' understanding towards the importance of financial strength and emotional intelligence in both institutions.

The open-ended questionnaire on how the employees control their emotions when serving people with bad behavior lead to two categories of answers. The first category of 36% of the answers responded that piety and patience such as remembering God, praying to God, sending blessings upon the Prophet, seeking forgiveness from Allah (*istighfar*), having patience, and holding themselves together are thw way to control their emotion. While the remaining 64% of the answers revealed that professionalism, such as to keep serving the society no matter what as their commitment as public servants, maintain the image of the institution, and can tolerate such behavior as well as provide a good explanation are the ways to handle them.

The study conducted by [13] in the United Kingdom discovered that employees are able to control their emotional responses in the way suggested by [14]. posited that there are two ways of how one can manage his emotional response: firstly, by responding differently to the emotional arousal itself (taking time out for example); or externally, by modifying their ultimate response (smiling at someone instead of punching them). This research is in line with the studies conducted by [13] and [14]) where a total of 36% of the respondents frequently responded to the attitudes of the societies with

bad behaviour differently, that is, by remembering God, praying to God, sending blessings upon the Prophet, praying for forgiveness, having patience, and holding selves together, and 64% responded externally that is by keeping serving the society well.

## 5. CONCLUSIONS

Frontline employees are required to have understanding of the importance of financial strength and the ability to self-manage when it comes to providing service to the society. The descriptive statistics revealed that the understanding of the importance of financial strength and emotional intelligence of BPPRD and DMPTS employees are good enough with the mean score above 4. However, the result of discriminant test shows that there is a significant difference between understanding the importance of financial strength and self-management among the two groups, where the another institution have higher scores compared to another institution.

The implication is that a policy is further required to boost the understanding of the importance of financial strength and the ability to manage emotions when confronted with the society. This is deemed important as an organization must chase perfection.

## AUTHORS' CONTRIBUTIONS

Each author has equal contribution to this research.

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