Analysis of The Effectiveness and Contribution of Regional Levies to The Original Regional Income of West Sulawesi Province

Rivka Damayanti Wahid, Ratna Ayu Damayanti, Andi Ratna Sari Dewi

Hasanuddin University, Makassar, Indonesia
wahidrd23a@student.unhas.ac.id

Abstract. This study analyzes the effectiveness and contribution of regional levy revenue to the Locally-Generated Revenue (PAD) of West Sulawesi Province from 2019 to 2023. The research employs a quantitative descriptive analysis method, utilizing target data and realization figures for regional levies and PAD within the specified period. The data used in this study consists of secondary data sourced from the Budget Realization Report for each year. The findings indicate that the average effectiveness of regional levy revenue in contributing to PAD during 2019-2023 is 82.82%, which is still classified as inadequate. Additionally, the study reveals that the average contribution of regional levies to PAD over the same period is only 1.86%, falling under the category of a fairly low contribution. These results highlight the need for policy improvements to enhance the effectiveness and contribution of regional levies to PAD. Strengthening levy management, optimizing collection mechanisms, and improving regulatory frameworks could help increase regional revenue and support the financial sustainability of West Sulawesi Province.

Keywords: Effectiveness; Contribution; Levy; Regional Original Income

1 INTRODUCTION

Regional autonomy refers to a local government system that concerns development management in local government which refers to the delegation of government to certain regions with the needs of self-government. Sufficient sources of financing are needed to finance local government operations. Levies have a contributing role in encouraging and supporting the implementation of local government.

Regional Original Revenue (PAD) serves as the main indicator to measure the effectiveness of the implementation of regional autonomy. The increase in PAD is in line with the ability of local governments to finance their regional needs, which also reflects the success of the implementation of regional autonomy. On the other hand, if the PAD obtained by local governments is limited or decreases, this shows that the implementation of regional autonomy has not run efficiently [1]. PAD includes all revenue earned by an area from various sources in its area, which is regulated by local regulations [2].

The effectiveness of regional levies is determined by evaluating the performance of the Regional Government in collecting the levy during a certain fiscal year. This

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assessment is based on the extent to which the realization of regional levy revenues is based on the assumption that the target is determined. Regional levy refers to the amount of contributions required.

Contribution is the amount donated to an activity [3]. One strategy to increase regional levies is to increase efficiency by maximizing existing resources and actively looking for potential new sources of revenue, thus enabling the collection of levies.

Regional levies are payments paid by individuals to regions and can be imposed legally so that they cause direct benefits [4]. As stated by Sudaryo (2017:108), a regional levy is a payment made to the local government in exchange for certain services or privileges that are only provided or provided by the local government for the benefit of individuals or corporations. Regional levy is a payment made by a person or entity to a local government in exchange for certain services or permits that are given solely for their interests [5].

An interview was conducted with Mrs. Andi Nursyadana, Head of the BPKPD Regional Levy Sub-Division, to discuss the problem of absorption of regional levies. Mrs. Nursyadana stated that the problem lies in the non-fulfillment of the regional levy budget realization target from 2019 to 2023. Regional levy management may be considered less than optimal due to inefficient levy collection.

The following is the first research that is used as a reference for this study: Martinus Richard Norin Reswa [6] conducted a research entitled "The Effectiveness of Subscription Parking Policy in Increasing the Original Revenue of Lamongan Regency in 2015". This study explains that the subscription parking regulation in Lamongan Regency has succeeded in identifying and overcoming the loss of revenue in the parking sector both before and after the implementation of the policy, Lamongan Regency has effectively overcome the problem of regional cash revenue leakage in the parking sector through the implementation of the subscription parking policy. This policy has significantly increased revenues, resulting in an incredible increase of 385.9% in the first year. If in the past the annual revenue from parking was only IDR 600,000,000, now it has jumped to IDR 6,244,503,000. This considerable increase shows the success of the implementation of the subscription parking policy and its significant impact on the PAD of Lamongan Regency.

- Mais and Yuniara [7] conducted a study entitled The Effectiveness of Regional Levy Revenue and Its Contribution to the Increase of Regional Original Revenue in DKI Jakarta for the 2015-2019 Period. The results of this study show that the effectiveness of regional levy receipts in DKI Jakarta reaches more than 100 percent, reflecting a high level of effectiveness. The highest effectiveness occurred in 2016 with 104.05%, while the lowest level was recorded in 2019 with 82.74%. However, the contribution of regional levies to DKI Jakarta's PAD is only 1.43%, which is considered very low, with the lowest contribution of 1.29% in 2019 and the highest of 1.83% in 2016.
- Another study by Ivan Gumilar [8] entitled Analysis of the Effectiveness and Contribution of Business Service Levy Revenue to the Bandung Regency PAD in 2010-2013, analyzed the contribution of business service levy to the Bandung Regency PAD. In the 2010-2013 period, the business service levy had a significant impact on PAD, but the contribution was still smaller than other types of levies. This

analysis shows that several types of business service levies in Bandung Regency make a small contribution and are less effective in increasing PAD.

- The research entitled Analysis of the Contribution and Effectiveness of Public Service Levy Receipts to the Original Regional Revenue of Samarinda City by Gaffar and Dewi [9] highlights the impact of public service levies on the PAD of Samarinda City in the period 2010 to 2016, which is generally positive, except in 2015. The results of the analysis show that the contribution of public service levy to the Samarinda City PAD is still limited in that period. This is due to the inefficient management of various public service levies, such as levies for population administration fees, Identity Cards and Civil Registration Deeds, funeral and cremation service levies, public and roadside parking levies, and map printing levies.

Effectiveness is a metric to evaluate the extent to which an organization has succeeded in achieving its goals [6]. The level of effectiveness is assessed from the alignment between the expected results and the results achieved. Effectiveness indicates success or failure in achieving program goals based on set targets, with a higher level of effectiveness seen from a larger percentage of target achievement. The formulation of the problem in this description includes: how effective is the realization of regional levies in West Sulawesi Province, the contribution of regional levies to the PAD of West Sulawesi Province, factors that cause the regional levy target to not be achieved, and efforts to overcome these obstacles. This research is expected to provide benefits for local governments by providing insight into the effectiveness of regional levy revenue. This allows local governments to identify opportunities to increase levy revenues and understand the contribution of levy to PAD in West Sulawesi Province.

Based on theory and realization data from 2019 to 2023, the author is interested in researching the effectiveness, contribution, and solutions to the problem of achieving regional levy targets in West Sulawesi Province. Therefore, the researcher proposes the title "Analysis of the Effectiveness and Contribution of Regional Levy Revenue to Regional Original Revenue in West Sulawesi Province".

2 LITERATURE REVIEW

In developing economies where decentralization is a fundamental element of economic strategy, the concept of regional levies is essential for enhancing a region's financial autonomy. Local governments impose mandatory charges on products and services within their jurisdictions, known as regional levies. These levies directly contribute to the Original Regional Income (Pendapatan Asli Daerah, or PAD), which is crucial for the financing of public services and development initiatives that enhance community welfare. Numerous studies have demonstrated that the generation of PADs promotes economic resilience by decreasing reliance on central government funds, thereby fostering local self-sufficiency and sustainable regional development [10].

The efficiency of collection, compliance rates, and administrative management can be used to evaluate the efficacy of regional levies [11]. In a regional levy system that is effective, the collection process is streamlined to minimize administrative costs and maximize revenue. In order to improve compliance among businesses and citizens, it is essential to establish explicit regulatory guidelines, transparent administration, and the ease of levy payment. Nevertheless, certain regions encounter difficulties with low collection rates as a result of antiquated systems and insufficient regulatory enforcement. Consequently, it is imperative to enhance administrative efficacy in order to guarantee that regional levies make the most significant contribution to PAD.

The proportional contribution of regional levies to PAD in comparison to other sources, such as regional taxes, central government transfers, and state-owned enterprise profits, is another critical factor in assessing the effectiveness of regional levies [12]. A modest but substantial portion of PAD is frequently attributed to regional levies. Levies may account for a greater proportion of PAD in regions with a robust industrial or tourism sector, as businesses and visitors directly contribute to local income through service-based levies. Nevertheless, in regions that are less economically active, the reliance on levies may be lower, resulting in a greater reliance on central government transfers. Consequently, the economic characteristics of a region significantly influence the extent to which levies contribute to PAD.

The significance of transparency and accountability in the collection and allocation of regional levies has been emphasized by recent studies. The perception of equitable levy management is frequently associated with public trust in local government. Regions that have implemented transparent levy collection systems, which include digital payment solutions, have reported increased public trust and higher compliance. Additionally, public involvement in budgeting processes guarantees that the funds collected through levies are efficiently allocated to priority areas, thereby augmenting their influence on regional development [13].

3 RESEARCH METHODS

This study uses qualitative and quantitative data. Qualitative data refers to information that is expressed in a verbal or narrative format. The qualitative data collected consists of a thorough explanation of the company's objectives, vision, mission, and position and functions. Quantitative data refers to information expressed in numerical form. This study collects quantitative data on target data and the realization of the implementation of regional levies in West Sulawesi Province from 2019 to 2023. The research method relies on original data as a data source. The basic data of this study was collected by conducting interviews with resource persons, including the Head of the Regional Levy Sub-Division of BPKPD West Sulawesi Province. Secondary data refers to information collected indirectly. Secondary data collected includes the LRA (Regional Revenue and Expenditure) of West Sulawesi Province for the period 2019 to 2023, as well as data taken from books, journals, and research papers.

This study uses the interview method to collect company profiles and identify the challenges faced related to regional levies, as well as the solutions implemented to overcome these challenges. In addition, observations were made by directly observing the research subjects, especially at the BPKPD of West Sulawesi Province, in order to obtain the data needed. Documentation includes a compilation of information in the form of documents, such as financial statements.

The methodology used in this study is a qualitative descriptive analysis approach, which includes examining and describing conditions and situations collected through interviews and data from research locations relevant to the research problem. This descriptive approach systematically reveals factual information with proper explanations. Researchers can combine data obtained through interviews, observations, and documentation to analyze information.

The data analysis process involves several stages. Among them are collecting data relevant to the research, conducting interviews to answer research problems, collecting data on Regional Original Revenue, calculating the target and realization of regional levies, and finally analyzing the data obtained. After the necessary data has been collected, an assessment will be carried out to assess the effectiveness of the regional levy and its impact on the Regional Original Revenue. This analysis will involve describing the data collected, explaining it in a narrative format, and drawing conclusions and recommendations to address related problems. by conducting a study using empirical evidence collected in the field.

4 RESEARCH RESULTS AND DISCUSSION

Maximizing regional levy revenues is very important to achieve regional levy targets and increase regional original revenues. The cause of the non-fulfillment of the regional levy target can be achieved if two perspectives can support the implementation of increasing PAD where the local government as the levy manager and the community as the payer of the regional levy. The inability to meet the regional levy target is something that needs to be studied.

The measurement of the potential for retribution can be assessed by analyzing the effectiveness of regional levies. The higher effectiveness rate shows the increasing level of autonomy in financing the continuation of regional development. Regional levies are said to be effective if they exceed the target that has been set.

Table 1. Effectiveness of Regional Levies in West Sulawesi Province in 2019-2023

Year	*Target (Rp)*	*Realization (Rp)*	*Effectiveness (%)*
2019	27,901,478,000.00	24,203,115,569.00	86,74
2020	1,112,200,000.00	1,049,116,700.00	94,33
2021	3,263,234,500.00	2,921,126,300.00	89.52
2022	4,366,340,000.00	3,437,211,600.00	78.72
2023	3,896,180,000.00	2,524,919,343.00	64.80

Source: West Sulawesi Provincial Financial and Revenue Management Agency

Based on the analysis carried out, the implementation of regional levies from 2019 to 2023, the effectiveness has not reached the level of 100% (Table 1). This is due to the failure to achieve the expected goal of revenge. The effectiveness of regional levy management can be determined by whether or not the regional levy target is achieved or not. The effectiveness of regional levy management in West Sulawesi Province, based on the analysis, may be considered less than optimal. Analysis of data on the implementation of regional levies from 2019 to 2023 shows that the levy has not achieved the expected goals. Regional levies function as Regional Original Revenue (PAD) which is allocated for regional development initiatives. If a tax does not reach its target, it will have an impact on the portion of the budget available to finance local governments. The involvement of local governments in optimizing the implementation and utilization of potential regional levies is very important to achieve the desired regional levy goals.

Research conducted on the contribution of the Regional Levy of West Sulawesi Province in 2019 – 2023 shows that the proportion is still below 10% and is included in the very low category (Table 2). The absence of participation will have an impact on regional progress can be seen in the following table.

Table 2. Table 2. Contribution of Regional Levies to PAD of West Sulawesi Province Year 2019-2023

Year	*Realization of the levy (Rp)*	*PAD Realization (Rp)*	*Contribution (%)*
2019	24,203,115,569.00	344,639,026,458.74	7.02
2020	1,049,116,700.00	347,627,420,078.55	0.30
2021	2,921,126,300.00	405,951,626,583.59	0.72
2022	3,437,211,600.00	457,963,285,700.00	0.75
2023	2,524,919,343.00	464,733,668,758.00	0.54

Source: West Sulawesi Province Financial Management and Regional Revenue Agency

Local governments are responsible for organizing regional autonomy and must have autonomy in encouraging regional development. The importance of thoroughly investigating and conducting effective supervision of levies as a means of generating regional revenue. The higher the contribution of regional levies to PAD, it will encourage the level of effectiveness of regional levy management, which in the future, is expected to be able to encourage regional contributions so that it will increase and the portion of financing can be larger sourced from regional revenues [1].

The inability to meet the regional levy objectives in West Sulawesi Province between 2019 and 2023 will certainly hinder the maximum use of regional levy revenues for development in the province. If the desired restitution goal has not been achieved, then it is necessary to assess the situation and actively seek solutions to the problem. The interview was conducted at the BPKPD of West Sulawesi Province with Mrs. Andi Nursyadana who serves as the Head of the Regional Levy Sub-Division. He examined the causes of the non-achievement of the regional levy target. Failure to meet the objectives of regional levies may be caused by many complicated problems. One of the factors is poor economic conditions, where the community and Regional Apparatus Organizations (OPDs) may find it difficult to pay levies due to limited resources. Non-compliance of levy payers can also be a factor, where some levy obligors do not comply with their obligations appropriately, either due to personal economic reasons or low awareness of legal compliance. In addition, an ineffective administrative system can lead to delays in billing or even loss of payment data that should have been recorded. The inefficient use of funds is also a problem, where the funds from the levy that have been collected are not used optimally to improve services or infrastructure needed by the community. In addition to internal factors, social and political conditions can also affect. Political instability or drastic policy changes can reduce public confidence in the tax system and the payment of levies. Difficulties in recognizing and estimating accurate receipts are also an obstacle, where sometimes there are errors in estimating potential levy receipts or difficulties in identifying sectors with great potential in levy payments. Finally, the termination of business relations between the local government and the parties who should pay the levy can also significantly reduce the receipt of the levy.

To achieve the regional levy target, it is necessary to take various strategic steps. First of all, it is important to conduct an in-depth evaluation of the existing taxation and levy system. This includes reviewing the applicable levy rates, ensuring that they are fair and in accordance with the economic capabilities of the community and the purchasing power of the market. In addition, it is necessary to increase awareness and education to the community and Regional Apparatus Organizations (OPD) that collect the Deerah Levy about the importance of paying the levy. This can be done through supervision and guidance related to the management of Regional Levies, so that the community and Regional Apparatus Organizations (OPD) that collect Regional Levies understand the benefits obtained from the payment of levies for infrastructure development and public services.

The use of technology can also be the key in improving the efficiency of regional levy administration. Information systems and digital applications can be used to facilitate the process of payment, monitoring, and reporting of levies in a transparent and accurate manner. In addition, it is important to conduct regular audits of the receipt of the levy and its use. This aims to ensure that the funds collected are used efficiently and in accordance with the needs of regional development.

Collaboration between different institutions is essential, which includes effective coordination between local governments, relevant organizations, and the business sector. By fostering strong collaboration, a more efficient approach can be developed to achieve regional taxation goals. Ultimately, it is crucial to establish policies that actively encourage economic expansion and encourage investment in the region. In the midst of a consistent and reliable period of economic expansion, it is hoped that it will improve the ability of people and companies to pay levies better, so that the regional levy target can be achieved optimally.

5 CONCLUSION

After thorough debate and analysis, we reviewed the effectiveness and contribution of the regional levy target, and identified obstacles and proposed solutions to overcome the failure to achieve the target. The author's conclusion is that the regional levy in West Sulawesi Province for the 2019-2023 period is not optimal because the percentage is still below 100%. Although its effectiveness improved in 2020, regional levies declined again in 2021. Regional levies in West Sulawesi Province are currently considered to be still very low because the percentage of the levy contribution from 2019 to 2023 is still below 10%. The causes of the non-fulfillment of the objectives of regional levies in West Sulawesi Province are lack of compliance with the obligation to pay levies, ineffective administrative systems, inefficient use of funds, social and political conditions, and difficulties in handling accurate revenues. To increase and achieve the target of regional levies, it is necessary to evaluate tariffs and counseling, utilize information technology, conduct audits and coordination, optimize policies regarding regional levies and provide sanctions to violators to encourage compliance with regional levy payments.

In encouraging the increase in the effectiveness and contribution of regional levy revenues to Regional Original Revenue (PAD) in West Sulawesi Province, several suggestions can be implemented. First, an in-depth evaluation of the applicable levy rates is needed to be in accordance with the economic capabilities of the local community. The right tariff will encourage public awareness and willingness to pay well. Furthermore, optimizing public services subject to levies is also very important. Quality service will provide added value for the community so that they feel that the payment of the levy is worth the benefits received. This will contribute positively to the increase in regional original income. In addition, the application of information technology can also increase efficiency in the management of regional levies. By using an online payment system, real-time reporting, and data integration, the administrative process related to levies can be carried out more efficiently and transparently. This will increase the efficiency of the data collection and levy collection process and will further increase the efficiency level and impact of regional levy revenue on the PAD of the local government.

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